Herald Holdings Limited

Stock Code : 00114

Annual Report 2009

Contents

Corporate Information

EXECUTIVE DIRECTORS

Cheung Tsang-Kay, Stan PhD,
Hon LLD, Hon DBA, JP
Chairman
Robert Dorfman *Vice Chairman*
Thong Yeung-Sum, Michael FCCA, CPA
Managing Director
Chang Dong-Song

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tang King-Hung ACA, FCCA, ACIS, CPA
Lie-A-Cheong Tai-Chong, David JP
Yeh Man-Chun, Kent

SECRETARY

Shum Kam Hung ACIS, CPA

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
China Construction Bank (Asia) Corporation Limited
Fubon Bank (Hong Kong) Limited
Bank of America, N.A.

AUDITORS

KPMG
Certified Public Accountants

SOLICITORS

Stephenson Harwood & Lo

PRINCIPAL OFFICE

3110, 31/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG SHARE REGISTRARS

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

COMPANY'S WEBSITE

http://www.heraldgroup.com.hk

Financial Highlights

	Year ended 31 March 2009 HK$'000	Year ended 31 March 2008 HK$'000
Turnover	**1,640,914**	1,554,006
Profit attributable to equity shareholders	**51,736**	117,946
Dividends paid and proposed	**48,277**	48,564
Earnings per share		
– Basic and diluted	**HK8.54 cents**	HK19.41 cents
Dividends paid and proposed, per share	**HK8 cents**	HK8 cents

	As at 31 March 2009 HK$'000	As at 31 March 2008 HK$'000
Net assets attributable to equity shareholders	**749,062**	763,740
Net assets attributable to equity shareholders per share	**HK$1.24**	HK$1.26
Total assets	**973,451**	989,882
Number of issued and fully paid shares	**602,490,763 shares**	607,035,763 shares

Chairman's Statement

I am pleased to present my review of the results and operations of the Herald group (the "group") for the year ended 31 March 2009.

RESULTS

The turnover of the group for the year ended 31 March 2009 was HK$1,641 million which was HK$87 million or 6% more than the turnover of HK$1,554 million in the previous year. The increase in the group's turnover mainly came from the Toy and Gift Division. The net profit attributable to the equity shareholders of the company was HK$51.7 million, representing a decrease of 56.1% from the net profit of HK$117.9 million in the previous year.

The net profit for the year included valuation losses of HK$4.2 million (2008: gains of HK$13.0 million) on investment properties. Excluding this item, the adjusted net profit of the group for the year under review was HK$55.9 million, down 46.7% from the adjusted profit of HK$104.9 million in the prior year.

REVIEW OF OPERATIONS

Toy and Gift Division

The Toy and Gift Division finished the financial year with a very satisfactory result. Bolstered by the strong sales of toys related to a popular movie and other toy products, the turnover of the division for the year ended 31 March 2009 increased 21% or HK$183 million to HK$1,045 million from HK$862 million a year earlier. As the pressure of rising material and labour costs which had affected the division for years eased off in the second half of the financial year, the gross profit margin of the division improved. Together with a larger volume of sales, the operating profit of the division for the financial year increased by HK$71.5 million or 133.9% from HK$53.4 million to HK$124.9 million. In October 2008, the division completed the construction of a factory building and a dormitory building in Dongguan at a cost of HK$6.8 million. The new factory building has a total floor area of approximately 4,000 square meters, which has boosted the production capacity of the division.

Timepiece Division

The business of the Timepiece Division was badly hit by the global economic turmoil in the second half of the financial year. The division saw its sales in the UK, a major market for the division, drop by 21% year-on-year. Nevertheless, the division performed well in the United States because of a substantial growth of business with a customer there. For the year ended 31 March 2009, the turnover of the division dropped 20% to HK$256 million from HK$319 million in the prior year. Due to decreased turnover and a weak pound sterling, the operating profit of the division for the same period decreased by 47.8% to HK$22.4 million from HK$42.9 million a year earlier.

Computer Head Division

During the year under review, the sales of thin-film computer heads increased by 7% to HK$134 million from HK$125 million in the previous year. However, a major customer substantially cut back its orders of thin-film computer heads in the last quarter of the financial year due to the uncertain market environment. On the other hand, the sales of motor actuator assemblies for the financial year jumped 178% year-on-year to HK$29 million. Compared to last year, the division's turnover increased by 10% from HK$166 million to HK$182 million, whereas its operating profit decreased by 43% from HK$18.7 million to HK$10.6 million. The decrease in the operating profit was mainly attributable to price reductions of its major products. The division completed the first phase of relocation to the newly acquired premises in Nan Pin, Zhuhai and plans to move more production facilities to the new premises in 2009.

REVIEW OF OPERATIONS *(Continued)*

Houseware Division

The turnover of the Houseware division for the financial year fell 22% year-on-year to HK$147 million from HK$189 million. In November 2008, a major customer went into administration in the UK. The total amount of bad debts and inventories written off for this customer was approximately HK$8.9 million. Apart from the loss of business from the above-mentioned customer, the division's operation in the UK was affected by the switch of some retailers to buying cookware directly from overseas markets. Furthermore, the division suffered exchange losses of HK$7.7 million from the devaluation of pound sterling. In comparison with an operating profit of HK$2.5 million in the previous year, the division had an operating loss of HK$24.5 million for the year ended 31 March 2009.

Investment Income

Due to the deterioration of the global investment market, the group had net realised and unrealised losses on trading securities of HK$40.3 million (2008: HK$1.5 million) during the year under review. The dividend income and interest income on trading securities for the same period amounted to HK$4.6 million (2008: HK$7.3 million). Compared to last year, the group's trading securities at 31 March 2009 decreased by HK$7.2 million from HK$68.9 million to HK$61.7 million.

FINANCIAL POSITION

The group has maintained its sound financial position. At the end of the financial year, the group had a strong balance sheet with a healthy liquidity position. As at 31 March 2009, the group had total assets of HK$973 million (2008: HK$990 million) which were financed by current liabilities of HK$198 million (2008: HK$194 million), non-current liabilities of HK$4 million (2008: HK$3 million), minority interests of HK$22 million (2008: HK$29 million) and equity attributable to the company's equity shareholders of HK$749 million (2008: HK$764 million).

At 31 March 2009, the group's cash balances aggregated to HK$326 million which increased from HK$299 million in last year's balance sheet. The group's current assets position as at 31 March 2009 was HK$726 million compared to HK$747 million as at 31 March 2008. The inventories increased to HK$187 million from HK$173 million while the trade and other receivables decreased to HK$150 million from HK$204 million. During the year, the group acquired certain listed equity securities, managed funds and debt securities, unlisted equity/currency linked notes and paper gold which are held for trading. The group's trading financial assets as at 31 March 2009 amounted to HK$62 million (2008: HK$69 million).

The group's current liabilities increased from HK$194 million to HK$198 million. Like last year, the group had no bank borrowings at 31 March 2009. Furthermore, the group has no long-term borrowings. Trading financial assets and bank deposits of HK$138 million (2008: HK$176 million) are pledged to banks to secure banking facilities granted to a subsidiary of the company. As at 31 March 2009, the working capital ratio, an indicator of a company's liquidity represented by a ratio between the current assets over the current liabilities, was 3.67 compared to 3.85 last year. The quick ratio, another ratio that gauges the short-term liquidity of a company measured by trade debtors and cash and cash equivalents over the current liabilities, increased to 1.83 from 1.80.

Chairman's Statement

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

During the year under review, approximately 17% of the group's turnover was denominated in sterling. From time to time, the group enters forward foreign exchange contracts to hedge its foreign exchange exposure.

PROSPECT AND GENERAL OUTLOOK

The global move to increase public spending and cut interest rates seems to be having a positive effect on the world economy. There are encouraging signs to indicate that the economy is approaching bottom. Despite the uncertain economic environment, the management is confident that the group will weather the market difficulties in 2009.

As indicated by the strong orders on hand, the business of the Toy and Gift Division will remain robust in the first half of the new financial year. However, price pressure and stiff competition in the toy industry will likely erode the profit margin of the division. The business prospects of the Computer Head Division are positive. The sales orders of thin-film computer heads are picking up from July 2009, which will push up the division's sales in the new financial year. On the other hand, the business environment remains difficult for the Timepiece Division and the Houseware Division. Both divisions are exploring opportunities to increase revenue and implementing measures to cut costs.

DIVIDENDS

At the forthcoming Annual General Meeting to be held on 18 September 2009, the Directors will recommend a final dividend of HK5 cents per share (2008: HK5 cents). Together with the interim dividend of HK3 cents (2008: HK3 cents), the dividend for the year of HK8 cents (2008: HK8 cents) would represent an annual return of 10.8% (2008: 8.1%) on the company's average share price of HK74 cents (2008: HK99 cents) in the year ended 31 March 2009.

The total final dividend will amount to HK$30,125,000 and is calculated based on the total number of shares in issue as at 9 July 2009 being the latest practicable date prior to the announcement of the results. Dividend will be payable on 30 September 2009 to shareholders registered in the Register of Members on 18 September 2009.

REGISTER OF MEMBERS

The Register of Members will be closed from 16 September 2009 to 18 September 2009, both days inclusive, during which period no transfer of shares will be effected. Shareholders should ensure that all transfers accompanied by relevant share certificates are lodged with the company's Registrars, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 15 September 2009 in order that they may receive their dividend entitlement.

APPRECIATION

On behalf of the Board of Directors and shareholders, I should like to extend my sincere thanks to all the group's employees for their efforts and hard work. Their commitment to the group, along with the support of customers and suppliers, has been crucial to the success of the group.

IN MEMORIAM

Finally, it is with great sadness that I must report the death of Mr. George Bloch, co-founder of the Herald Group and our Chairman from 1992-2008. Mr. Bloch was a "larger than life" personality and a mentor to many of us within the Herald Group. In addition to his distinguished business career, he, together with his wife, Mary, were leading collectors of both western and Chinese art and their collections have been exhibited at some of the world's best known museums. For his contribution to the arts, he was awarded honours by the governments of Austria, Belgium, France and Italy. He was a Past District Governor of Lions Clubs International and served as Vice Chairman of the Hong Kong Liver Foundation. Mr. Bloch began his early business career in Shanghai and spent several years in Tokyo before arriving in Hong Kong in 1955. Together with his business partners, he helped to build our business from its early days as a trading company into the diversified manufacturing and distribution group that it is today. We are grateful to him for his leadership over many years and will miss his wisdom and wise counsel.

Cheung Tsang-Kay, Stan
Chairman

Hong Kong, 10 July 2009

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 36 to the financial statements.

The analysis of the principal activities and geographical locations of operations of the company and its principal subsidiaries (the "group") during the financial year are set out in note 12 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the group's total	
	Sales	**Purchases**
The largest customer	42%	
Five largest customers in aggregate	60%	
The largest supplier		7%
Five largest suppliers in aggregate		22%

At no time during the year have the directors, their associates or any shareholder of the company (which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the group for the year ended 31 March 2009 and the state of the company's and the group's affairs as at that date are set out in the financial statements on pages 24 to 91.

TRANSFER TO RESERVES

Profit attributable to equity shareholders of the company, before dividends, of HK$51,736,000 (2008: HK$117,946,000) has been transferred to reserves. Other movements in reserves are set out in note 28 to the financial statements.

An interim dividend of HK3 cents (2008: HK3 cents) per share was paid on 19 January 2009. The directors now recommend the payment of a final dividend of HK5 cents (2008: HK5 cents) per share in respect of the year ended 31 March 2009.

CHARITABLE DONATIONS

Charitable donations made by the group during the financial year amounted to HK$1,565,865 (2008: HK$126,729).

FIXED ASSETS

Details of movements in fixed assets during the financial year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 28 to the financial statements.

The company repurchased and then cancelled 4,545,000 (2008: 555,000) of its own shares during the year. The directors consider that the repurchase of shares will benefit shareholders by enhancing the earnings per share of the company.

Except as disclosed above, neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's listed securities during the financial year.

DIRECTORS

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

Executive directors

S T K Cheung
R Dorfman
M Y S Thong
D S Chang
G Bloch (deceased on 27 April 2009)

Independent non-executive directors

K H Tang
D T C Lie-A-Cheong
K M C Yeh

In accordance with Bye-law 87 of the company's Bye-laws, R Dorfman, M Y S Thong and D S Chang retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Independent non-executive directors are not appointed for a specific term but are subject to retirement from office by rotation in accordance with the Bye-laws of the company. Their remuneration is determined by the board of directors annually.

Report of the Directors

DIRECTORS AND SENIOR MANAGEMENT

Directors

CHEUNG Tsang-Kay, Stan, PhD, Hon LLD, Hon DBA, JP, aged 65, had been the Managing Director of the company since 1992 and has been re-designated as Chairman of the company since 4 July 2008. Dr Cheung's community services in the past included Urban Council member, Broadcasting Authority member, The Hong Kong Polytechnic University Council member and Vice-Chairman of Occupational Safety & Health Council, etc. He is currently a member of The Chinese People's Political Consultative Conference, Shanghai Municipal Committee. Also, he is the Honorary Trustee and Adjunct Professor at Shanghai Jiao Tung University, Trustee of Fudan University and Director of Soong Ching Ling Foundation of Shanghai. Dr Cheung joined the group in 1975 and is director of principal subsidiaries of the company.

Robert DORFMAN, aged 54, is the stepson of Mr George Bloch. He joined the group in 1983 and has been an executive director of the company since 1992. Mr Dorfman is a past Chairman of The Americas Area Committee of The Hong Kong General Chamber of Commerce and is Chairman of the Vision 2047 Foundation. Mr Dorfman is a past Chairman of the Young Presidents' Organisation's Asia-Pacific Regional Board and served as a Director on its International Board. Mr Dorfman is Vice Chairman of the company and director of the principal subsidiaries of the company.

THONG Yeung-Sum, Michael, FCCA, CPA, aged 59, obtained a degree in Social Science at the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Before joining the group in 1976, he worked for three years in the Hong Kong office of a leading international accounting firm. Mr Thong has been an executive director of the company since 1992 and has been appointed as Managing Director of the company from 4 July 2008. He also serves as director of the principal subsidiaries of the company. Mr Thong is a member of The Chinese People's Political Consultative Conference, Zhuhai Committee.

George BLOCH, had been an executive director of the company since its incorporation in 1992. He served as Chairman of the company for a period of sixteen years from 1992 to 4 July 2008. He was a graduate of the College of Technology in Northampton, England. He went to Shanghai in 1939 and worked for a large engineering firm. He established his business in Japan in 1949 and moved to Hong Kong in 1955. In 1969, Mr Bloch, together with Mr Chang Dong-Song founded Herald Metal and Plastic Works Limited ("HMPL"), the initial company of the group. Mr Bloch was a Past District Governor of Lions International in Hong Kong and was Vice-Chairman of the Liver Foundation and was for several years Chairman of the Eye Bank. He was a leading collector of both Western and Chinese art and his collection had been exhibited internationally. He had been honoured by the French Government and made a "Chevalier de l'Ordre des Arts et des Lettres" and a "Chevalier dans l'Ordre de la Legion d'Honneur". He received the "Chevalier de la Couronne" from the Belgian Government and had a major decoration from the Government of Austria in recognition of his contribution to the arts. In addition, he was made "Commendatore dell' Ordine della Stella della Solidarieta' Italiana" by the President of the Republic of Italy. Mr Bloch passed away on 27 April 2009 at the age of 88. He will be sadly missed.

CHANG Dong-Song, aged 88, is the father of Dr Cheung Tsang-Kay, Stan. Mr Chang has been an executive director of the company since 1992. Mr Chang is a co-founder of HMPL and has played a principal role in the development of the group's manufacturing activities since 1969. He is now a director of some of the group's companies. He has served in the past as a member of the Toys Advisory Council of the Hong Kong Trade Development Council. Mr Chang is now a member of The Chinese People's Political Consultative Conference, Jiangsu Changshu Committee.

DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Directors *(Continued)*

TANG King-Hung, ACA, FCCA, ACIS, CPA, aged 58, was appointed as an independent non-executive director of the company on 28 September 2004. Mr Tang is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Secretaries and Administrators. He has over 30 years of experience in auditing, accounting and financial management. Mr Tang is a partner of a firm of certified public accountants. During the period from 19 April 2006 to 19 September 2007, Mr Tang was an independent non-executive director of World Houseware (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

LIE-A-CHEONG Tai-Chong, David, JP, aged 49, was appointed as an independent non-executive director of the company on 16 June 2005. Mr Lie-A-Cheong is the executive chairman of Newpower International (Holdings) Co., Ltd. and China Concept Consulting Ltd. He has been selected as a Member of the National Committee of the 8th, 9th, 10th and 11th Chinese People's Political Consultative Conference since 1993. Mr Lie-A-Cheong is currently the Honorary Consul of the Hashemite Kingdom of Jordan in the Hong Kong Special Administrative Region ("HKSAR"), a Member of the Committee on Governance and Political Development of the Commission on Strategic Development of HKSAR, a Panel Convenors cum Member of the Financial Reporting Review Panel of HKSAR, a Member of The Greater Pearl River Delta Business Council, a Board Member of The Hospital Authority, a Standing Committee Member of the China Overseas Friendship Association, a General Committee Member of the Hong Kong General Chamber of Commerce, Hong Kong Chair of Hong Kong Trade Development Council – Hong Kong/France Business Partnership. During the period from 30 September 2004 to 25 February 2008, Mr Lie-A-Cheong was an independent non-executive director of Wheelock Properties Limited, a company whose securities are listed on the Stock Exchange.

YEH Man-Chun, Kent, aged 54, was appointed as an independent non-executive director of the company on 5 October 2005. During the period from 30 September 2004 to 16 August 2008, Mr Yeh was an independent non-executive director of Pacific Andes International Holdings Limited ("PAI"), a company listed on the Stock Exchange and is now the head of corporate development and planning for PAI. His diverse management and operational experience include business advisory services, corporate management, marketing, distribution and manufacturing. Mr Yeh had also been the managing director of Tai Ping Carpets International Limited. Mr Yeh received a Bachelor of Science degree in Industrial Engineering from the University of California, Berkeley, U.S.A. and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, U.S.A.

Senior Management

Gershon DORFMAN, aged 53, stepson of Mr George Bloch, received his primary and secondary education in Hong Kong, Japan and Switzerland. He then obtained a degree in Business Administration from the University of Washington. Before joining the group in 1983, he spent six years with a leading local watch manufacturing company. He is the Managing Director of Herald Datanetics Limited and director of certain of the group's companies.

KWOK Nam-Po, aged 58, obtained a diploma in Management Studies from The Hong Kong Polytechnic University. He joined the group in 1974. He has more than 30 years' experience in toy industry and is now the Managing Director of HMPL and Dongguan Herald Metal and Plastic Company Limited. He is currently a vice president of The Toys Manufacturer's Association of Hong Kong Limited as well as a committee member of The Hong Kong Toy Council. Mr Kwok is also a member of The Chinese People's Political Consultative Conference, Dongguan City Committee.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, the beneficial interests of the directors of the company and their associates in the shares of the company, its subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the company pursuant to section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") ("Model Code") were as follows:

Interests in issued shares

(Shares of US$0.01 each of the company)

	Number of shares					Percentage of total issued shares
Directors	**Personal interests**	**Interests of spouse**	**Corporate interests**	**Other interests**	**Total**	
G Bloch	150,000	10,391,500	1,250,000 (Note (i))	–	11,791,500	1.96%
D S Chang	–	21,654,879	–	85,538,356 (Note (ii))	107,193,235	17.79%
S T K Cheung	1,897,500	950,000	–	120,993,664 (Notes (ii) & (iii))	123,841,164	20.55%
R Dorfman	46,470,000	–	–	–	46,470,000	7.71%
M Y S Thong	12,383,308	–	–	–	12,383,308	2.06%

Notes:

(i) Mr G Bloch and his associates are beneficial shareholders of 100% and 58% of the issued capital of Anglo Tex Limited and Herald International Limited respectively, which owned 1,000,000 shares and 250,000 shares respectively.

(ii) Dr S T K Cheung and Mr D S Chang are the beneficiaries of a family trust which owned 85,538,356 shares.

(iii) Dr S T K Cheung is the beneficiary of a separate family trust which owned 35,455,308 shares.

Apart from the foregoing, none of the directors of the company, any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the company, any of its subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company pursuant to the Model Code.

SHARE OPTION SCHEME

The company adopted a share option scheme on 18 September 2003 for the primary purpose of motivating the eligible participants under the scheme to utilise their performance and efficiency for the benefit of the group.

According to the scheme, the directors of the company are authorised, at their discretion, to invite any employee (including executive or independent non-executive directors) of the company and its subsidiaries, consultant, customer, supplier, agent, partner or adviser of or contractor to the group or any entity in which any member of the group holds any interest, and any discretionary trust or company whose discretionary objects or owners include the aforementioned parties to take up options to subscribe for shares of the company. Upon acceptance of an option, each eligible participant under the scheme is required to pay the company HK$1 within 21 days from the date of offer.

The share option scheme became effective on 18 September 2003 and remains in force for 10 years from that date. The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Unless otherwise determined by the directors of the company, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors of the company to each grantee, but in any event not later than 10 years from the date of grant of the option. Each option gives the holder the right to subscribe for one share of US$0.01 each in the company.

The total number of shares available for issue under the share option scheme as at 31 March 2009 was 61,522,576 shares which represented 10% of the issued share capital of the company as at the date of adoption of the share option scheme. In respect of the maximum entitlement of each participant under the scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the company’s shares in issue.

No options have been granted by the company since the adoption of the share option scheme.

Apart from the foregoing, at no time during the year was the company or any of its subsidiaries a party to any arrangement to enable the directors of the company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than the interests disclosed in the section "Directors' interests and short positions in shares, underlying shares and debentures" in respect of directors, the following shareholders were interested in 5% or more of the issued share capital of the company as at 31 March 2009 according to the register of interests required to be kept by the company under section 336 of the SFO.

Interests in issued shares
(Shares of US$0.01 each of the company)

	Note	Number of shares					Percentage of total issued shares
		Personal interests	Interests of spouse	Corporate interests	Other interests	Total	
Substantial shareholders							
Chan Him-Wee	(i)	21,654,879	85,538,356	–	–	107,193,235	17.79%
Ng Yiu-Chi, Eleanor	(ii)	950,000	122,891,164	–	–	123,841,164	20.55%
Goldfinch Investments Ltd ("GIL")	(iii)	69,728,356	–	–	–	69,728,356	11.57%
HSBC International Trustee Ltd ("HIT")	(iii)	–	–	–	120,993,664	120,993,664	20.08%
Other persons							
Sheri Tillman Dorfman	(iv)	–	46,470,000	–	–	46,470,000	7.71%
Gershon Dorfman		37,740,799	–	–	–	37,740,799	6.26%
Lydia Dorfman	(v)	–	37,740,799	–	–	37,740,799	6.26%
Moral Excel Holdings Ltd ("MEH")	(iii)	35,455,308	–	–	–	35,455,308	5.88%
Commerzbank Ag ("Comm")	(vi)	–	–	35,960,000	–	35,960,000	5.97%
Dresdner VPV NV ("DVPV")	(vi)	–	–	–	35,960,000	35,960,000	5.97%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Interests in issued shares *(Continued)*

Notes:

(i) The entire interests in shares of 107,193,235 are duplicated by those disclosed under Mr D S Chang, the spouse of Ms Chan Him-Wee, in the section "Directors' interests and short positions in shares, underlying shares and debentures".

(ii) The entire interests in shares of 123,841,164 are duplicated by those disclosed under Dr S T K Cheung, the spouse of Ms Ng Yiu-Chi, Eleanor, in the section "Directors' interests and short positions in shares, underlying shares and debentures".

(iii) GIL is a company owned by a family trust which owned an aggregate of 85,538,356 shares in the company as noted in the section "Directors' interests and short positions in shares, underlying shares and debentures", comprising 69,728,356 shares held by GIL and 15,810,000 shares held by the trust itself. MEH is another company owned by a separate family trust which owned 35,455,308 shares. HIT, the trustee of these trusts, is deemed to be interested in the 120,993,664 shares held by these trusts.

(iv) These interests in shares are duplicated by those disclosed under Mr R Dorfman, the spouse of Mrs Sheri Tillman Dorfman, in the section "Directors' interests and short positions in shares, underlying shares and debentures".

(v) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.

(vi) These interests were held by DVPV, an investment manager. Comm, being the holding company of DVPV, was deemed to have the interests.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

SUFFICIENCY OF PUBLIC FLOAT

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

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, subsisted at the end of the year or at any time during the year.

BANK LOANS AND OTHER BORROWINGS

At 31 March 2009, the group did not have any bank loans and other borrowings.

Report of the Directors

EMPLOYEES

As at 31 March 2009, the number of employees of the group was approximately 240 (2008: 224) in Hong Kong, 10,001 (2008: 9,085) in Mainland China and 111 (2008: 109) in Europe. The group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

RETIREMENT SCHEMES

Particulars of employee retirement schemes of the group are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the company's Bye-laws or the Bermuda Companies Act 1981.

CONNECTED TRANSACTION

On 26 March 2007, Herald Group Limited ("HGL"), a direct wholly-owned subsidiary of the company, entered into a loan agreement with Mr Richard Tibber ("Mr Tibber") pursuant to which HGL shall advance an unsecured loan of GBP500,000 to Mr Tibber which bears an interest of 1.25% per annum over the base rate of Bank of England. The loan is available in three drawings and repayable on the second anniversary of the date of the loan agreement. During the year ended 31 March 2009, total repayment of GBP150,000 was made by Mr Tibber. At 31 March 2009, the loan balance due from Mr Tibber was fully repaid.

Mr Tibber is a director of Zeon Limited, an indirect wholly-owned subsidiary of the company.

FIVE YEAR 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 92 of the annual report.

CONFIRMATION OF INDEPENDENCE

The company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Thong Yeung-Sum, Michael
Director

Hong Kong, 10 July 2009

Corporate Governance Report

The company is committed to maintain a high standard of corporate governance practices with an emphasis on the principles of transparency, accountability and independence.

CORPORATE GOVERNANCE PRACTICES

The company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") throughout the year ended 31 March 2009 except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the company. As such, the company considers that sufficient measures have been taken to ensure that the company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of the company's directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the company's code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

The Board of the company comprises:

Executive directors:

Dr Cheung Tsang-Kay, Stan *(Chairman)*
Mr Robert Dorfman *(Vice Chairman)*
Mr Thong Yeung-Sum, Michael *(Managing Director)*
Mr Chang Dong-Song
Mr George Bloch (deceased on 27 April 2009)

Independent non-executive directors:

Mr Tang King-Hung
Mr Lie-A-Cheong Tai-Chong, David
Mr Yeh Man-Chun, Kent

BOARD OF DIRECTORS *(Continued)*

The Board is responsible for leadership and control of the company and oversees the group's businesses, strategic direction and performance. The management team was delegated the authority and responsibility by the Board for the day-to-day management of the group. In addition, the Board has delegated various responsibilities to the Board Committees. Further details of these Committees are set out in this report.

The company has three independent non-executive directors representing more than one third of the Board. One of the three independent non-executive directors has the appropriate accounting and financial management expertise under Rule 3.10 of the Listing Rules. The company has received confirmation from each independent non-executive director of his independence and considers that each of them is independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Several directors have family relationships with each other, the details of which are set out in the biographical details of Directors and Senior Management on pages 10 to 11. None of the directors has other material financial, business or relevant relationships with each other.

The Board meets regularly to review the financial and operating performance of the group. Four regular board meetings were held during the financial year. Individual attendance of each director at the regular board meetings, the Audit Committee meetings and the Remuneration Committee meetings during the financial year is set out below:

	Number of meetings attended/eligible to attend		
Executive directors:	**Board**	**Audit Committee**	**Remuneration Committee**
Dr Cheung Tsang-Kay, Stan	4/4	N/A	N/A
Mr Robert Dorfman	4/4	N/A	N/A
Mr Thong Yeung-Sum, Michael	4/4	3/3	3/3
Mr Chang Dong-Song	4/4	N/A	N/A
Mr George Bloch (deceased on 27 April 2009)	0/4	N/A	N/A
Independent non-executive directors:			
Mr Tang King-Hung	4/4	3/3	3/3
Mr Lie-A-Cheong Tai-Chong, David	4/4	3/3	N/A
Mr Yeh Man-Chun, Kent	3/4	2/3	3/3

CHAIRMAN AND MANAGING DIRECTOR

The Board has appointed Dr Cheung Tsang-Kay, Stan as the Chairman and Mr Thong Yeung-Sum, Michael as the Managing Director of the company. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Managing Director is responsible for the day-to-day management of the group's businesses.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The company established a Remuneration Committee on 16 March 2005. The Remuneration Committee currently comprises two independent non-executive directors, namely Mr Tang King-Hung, being the Chairman, and Mr Yeh Man-Chun, Kent and one executive director, namely Mr Thong Yeung-Sum, Michael.

The major roles and functions of the Remuneration Committee are to make recommendations to the Board on the company's policy and structure for the remuneration of directors and senior management, to determine the specific remuneration packages of all executive directors and senior management, and to make recommendations to the Board of the remuneration of independent non-executive directors.

The company's remuneration policy of executive directors and senior management is (1) to provide an equitable and competitive remuneration package to the executive directors and senior management so as to attract and retain the best available human resources to serve the group and (2) to award the executive directors and senior management in recognition of good individual and group performance. The emoluments of directors and senior management are determined with reference to the company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee held three meetings during the financial year, which were attended by all Committee members, to review and discuss the company's remuneration policy and the remuneration of directors and senior management.

NOMINATION OF DIRECTORS

When selecting potential candidates for directors, skills, experience, expertise, his devotion of time and conflicts of interests are key factors for consideration. No nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. During the year, the Board held one meeting to discuss such matters, which was attended by four executive directors, namely Dr Cheung Tsang-Kay, Stan, Mr Robert Dorfman, Mr Thong Yeung-Sum, Michael and Mr Chang Dong-Song, and all independent non-executive directors of the company.

AUDITOR'S REMUNERATION

For the year under review, the company's auditor, KPMG, provided the following services to the group:

Nature of Services	**Fees**
	HK$'000
Audit services	2,624
Taxation services	322
Other services	25
	2,971

AUDIT COMMITTEE

The company has established an Audit Committee which currently comprises three independent non-executive directors. The Committee is chaired by Mr Tang King-Hung who is a certified public accountant with extensive experience in auditing, accounting and financial management. The other Committee members are Mr Lie-A-Cheong Tai-Chong, David and Mr Yeh Man-Chun, Kent.

The principal duties of the Audit Committee include the oversight of the group's financial reporting system and internal control procedures, and review of the group's financial information and the relationship with the external auditor of the company.

The Audit Committee held three meetings during the financial year to review the accounting principles and practices adopted by the group and to discuss auditing, internal control and financial reporting matters including a review of the interim results and annual results of the group. The first meeting was attended by two Committee members, namely Mr Tang King-Hung and Mr Lie-A-Cheong Tai-Chong, David, and the other two meetings were attended by all Committee members.

DIRECTORS AND AUDITOR'S RESPONSIBILITIES OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the group's financial statements which give a true and fair view and are in accordance with all applicable accounting and statutory requirements.

The statement of the auditor of the company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 22 to 23.

INTERNAL CONTROLS

The Board has overall responsibility for maintaining an adequate system of internal controls of the group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the group's assets. As part of the process of the annual review, the Board has performed evaluation of the group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget. Moreover, the Board has employed an independent firm of professionals, Baker Tilly Hong Kong Business Services Ltd. ("Baker Tilly"), to conduct a review of the system of internal controls of the group which covered all relevant financial, operational, compliance controls and risk management functions within an established framework.

The group's internal control system is designed in consideration of the nature of business as well as the organisation structure. The system is designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

A report by Baker Tilly was tabled before the members of the Audit Committee during the Audit Committee meeting held on 3 July 2009. The principal purpose of the review report by Baker Tilly was to obtain sufficient knowledge of the control environment to understand the attitude of management and the governing body, awareness and actions concerning the factors of the control environment. Based on the findings and comments by Baker Tilly and the Audit Committee, the Board considered the internal control system effective and adequate and decided there were no significant areas of concern that might affect the company's shareholders.

The company will continue to engage external independent professionals to review the group's system of internal controls annually and further enhance the group's internal controls as appropriate.

There is currently no internal audit function within the group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the group as the need arises. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

Independent Auditor's Report

Independent auditor's report to the shareholders of
Herald Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Herald Holdings Limited (the "company") set out on pages 24 to 91, 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. 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 section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

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

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 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.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

10 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	3 & 12	**1,640,914**	1,554,006
Cost of sales		**(1,227,104)**	(1,181,352)
Gross profit		**413,810**	372,654
Other revenue	4	**21,905**	26,494
Other net loss	4	**(66,076)**	(395)
Selling expenses		**(45,738)**	(50,826)
Administrative expenses		**(232,666)**	(217,500)
Valuation (losses)/gains on investment properties	13(d)	**(4,240)**	13,040
Impairment losses on property, plant and equipment	13(e)	**(5,624)**	–
(Impairment losses)/write back of impairment losses on club membership	14	**(130)**	170
Profit from operations		**81,241**	143,637
Finance costs	5(a)	**(61)**	(123)
Share of profit of jointly controlled entity	16	**323**	425
Profit before taxation	5	**81,503**	143,939
Income tax	6(a)	**(33,706)**	(25,811)
Profit for the year		**47,797**	118,128
Attributable to:			
Equity shareholders of the company	9 & 28	**51,736**	117,946
Minority interests	28	**(3,939)**	182
Profit for the year	28	**47,797**	118,128
Dividends payable to equity shareholders of the company attributable to the year:	10		
Interim dividend declared during the year		**18,152**	18,228
Final dividend proposed after the balance sheet date		**30,125**	30,336
		48,277	48,564
Earnings per share	11		
Basic and diluted		**8.54 cents**	19.41 cents

The notes on pages 31 to 91 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets	13		
– Property, plant and equipment		**194,837**	187,984
– Investment properties		**30,700**	34,940
– Interests in leasehold land held for own use under operating leases		**5,702**	6,007
		231,239	228,931
Club membership	14	**1,860**	1,990
Interest in jointly controlled entity	16	**2,398**	2,345
Other financial assets	17	**4,680**	4,680
Deferred tax assets	25(b)	**6,895**	4,879
		247,072	242,825
Current assets			
Trading securities	18	**61,703**	68,929
Inventories	19	**187,119**	173,443
Trade and other receivables	20	**150,328**	204,247
Current tax recoverable	25(a)	**1,564**	1,444
Pledged bank balances	22	**81,394**	107,220
Cash and cash equivalents	23	**244,271**	191,774
		726,379	747,057
Current liabilities			
Trade and other payables	24	**179,094**	183,787
Current tax payable	25(a)	**19,025**	10,331
		198,119	194,118
Net current assets		**528,260**	552,939
Total assets less current liabilities		**775,332**	795,764

Consolidated Balance Sheet

At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Deferred tax liabilities	25(b)	**515**	386
Provision for long service payments	26	**4,035**	2,528
		4,550	2,914
NET ASSETS		**770,782**	792,850
CAPITAL AND RESERVES	28(a)		
Share capital		**46,994**	47,349
Reserves		**702,068**	716,391
Total equity attributable to equity shareholders of the company		**749,062**	763,740
Minority interests		**21,720**	29,110
TOTAL EQUITY		**770,782**	792,850

Approved and authorised for issue by the board of directors on 10 July 2009

Robert Dorfman
Director

Thong Yeung-Sum Michael
Director

The notes on pages 31 to 91 form part of these financial statements.

Balance Sheet

At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	15	**327,365**	327,365
Current assets			
Trade and other receivables	20	**145**	154
Amounts due from subsidiaries	21	**14,466**	15,427
Current tax recoverable	25(a)	**–**	33
Cash and cash equivalents	23	**2,363**	722
		16,974	16,336
Current liabilities			
Trade and other payables	24	**1,425**	1,691
Current tax payable	25(a)	**23**	–
		1,448	1,691
Net current assets		**15,526**	14,645
NET ASSETS		**342,891**	342,010
CAPITAL AND RESERVES	28(b)		
Share capital		**46,994**	47,349
Reserves		**295,897**	294,661
TOTAL EQUITY		**342,891**	342,010

Approved and authorised for issue by the board of directors on 10 July 2009

Robert Dorfman
Director

Thong Yeung-Sum Michael
Director

The notes on pages 31 to 91 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Total equity at 1 April			
Attributable to:			
– equity shareholders of the company		**763,740**	678,561
– minority interests		**29,110**	30,097
	28(a)	**792,850**	708,658
Net (loss)/income recognised directly in equity:			
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	28(a)	**(16,905)**	14,546
Net profit/(loss) for the year:	28(a)		
Attributable to:			
– equity shareholders of the company		**51,736**	117,946
– minority interests		**(3,939)**	182
		47,797	118,128
Total recognised income and expense for the year:		**30,892**	132,674
Attributable to:			
– equity shareholders of the company		**34,358**	131,260
– minority interests		**(3,466)**	1,414
		30,892	132,674
Dividends declared or approved during the year		**(48,488)**	(45,570)
Dividend paid to minority interests	28(a)	**(1,702)**	(1,152)
		(50,190)	(46,722)
Movements in equity arising from capital transactions:			
– shares repurchased and cancelled	28(a)	**(355)**	(43)
– premium paid on repurchase of shares	28(a)	**(2,415)**	(468)
Net decrease in shareholders' equity arising from capital transactions with shareholders		**(2,770)**	(511)
Change in minority interests arising from acquisition of minority interests	28(a)	**–**	(1,249)
Total equity at 31 March	28(a)	**770,782**	792,850

The notes on pages 31 to 91 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Profit before taxation		**81,503**	143,939
Adjustments for:			
– Interest income		**(4,556)**	(13,153)
– Dividend income from listed securities		**(2,201)**	(1,269)
– Dividend income from unlisted securities		**(594)**	–
– Share of profit of jointly controlled entity		**(323)**	(425)
– Depreciation		**29,283**	26,647
– Amortisation of land lease premium		**328**	312
– Loss on disposal of property, plant and equipment		**206**	100
– Gain on disposal of investment in jointly controlled entity		**(2,063)**	–
– Valuation losses/(gains) on investment properties		**4,240**	(13,040)
– Impairment losses on property, plant and equipment		**5,624**	–
– Impairment losses/(write back of impairment losses) on club membership		**130**	(170)
– Net realised and unrealised losses on trading securities		**40,320**	1,496
– Finance costs		**61**	123
– Foreign exchange (gains)/losses		**(11,049)**	8,029
Operating profit before changes in working capital		**140,909**	152,589
Increase in amount due to jointly controlled entity		**5**	18
(Increase)/decrease in inventories		**(13,676)**	7,186
Decrease/(increase) in trade and other receivables		**53,919**	(24,289)
(Decrease)/increase in trade and other payables		**(4,693)**	11,828
Increase/(decrease) in provision for long service payments		**1,507**	(72)
Cash generated from operations		**177,971**	147,260
Tax paid			
– Hong Kong Profits Tax paid		**(23,701)**	(15,189)
– Taxation outside Hong Kong paid		**(3,562)**	(7,020)
		(27,263)	(22,209)
Net cash generated from operating activities		**150,708**	125,051

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(44,290)**	(54,745)
Payment for purchase of trading securities		**(522,868)**	(515,472)
Payment for purchase of other financial assets		**–**	(4,680)
Payment for purchase of equity interest held by minority interests		**–**	(1,249)
Proceeds from disposal of property, plant and equipment		**573**	99
Proceeds from sale of trading securities		**489,774**	540,825
Proceeds from redemption of other financial assets		**–**	2,000
Proceeds from disposal of investment in jointly controlled entity		**2,063**	–
Interest received		**4,556**	13,153
Dividends received from listed securities		**2,201**	1,269
Dividends received from unlisted securities		**594**	–
Dividend received from jointly controlled entity		**318**	289
Decrease/(increase) in pledged bank balances		**25,826**	(70,098)
Net cash used in investing activities		**(41,253)**	(88,609)
Financing activities			
Interest paid		**(61)**	(123)
Payment for repurchase of shares		**(2,770)**	(511)
Dividends paid to equity shareholders of the company		**(48,488)**	(45,570)
Dividend paid to minority interests		**(1,702)**	(1,152)
Net cash used in financing activities		**(53,021)**	(47,356)
Net increase/(decrease) in cash and cash equivalents		**56,434**	(10,914)
Cash and cash equivalents at 1 April		**191,774**	203,163
Effect of foreign exchange rate changes		**(3,937)**	(475)
Cash and cash equivalents at 31 March	23	**244,271**	191,774

The notes on pages 31 to 91 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

The company was incorporated in Bermuda on 17 August 1992 as an exempt company under the Bermuda Companies Act 1981.

Although not required to do so under the Bye-laws of the company, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the group is set out below.

(b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 March 2009 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(h));

– financial instruments classified as trading securities (see note 1(e)); and

– derivative financial instruments (see note 1(f)).

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) ***Basis of preparation of the financial statements*** *(continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

(c) ***Subsidiaries and minority interests***

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

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the company, whether directly or indirectly through subsidiaries, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Jointly controlled entity

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

An investment in jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of the jointly controlled entity's net assets. The consolidated income statement includes the group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year.

When the group's share of losses exceeds its interest in the jointly controlled entity, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the group and its jointly controlled entity are eliminated to the extent of the group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Other investments in debt and equity securities

The group's policies for investments in debt and equity securities, other than investments in subsidiaries and jointly controlled entity, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(t)(ii) and (iii).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Other investments in debt and equity securities *(continued)*

– Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(m)).

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(g) Property, plant and equipment

The following property, plant and equipment are stated in the balance sheet at cost or revalued amount less accumulated depreciation and impairment losses (see note 1(m)).

– freehold land and buildings;

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(j));

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(j)); and

– other items of plant and equipment.

In prior years certain land and buildings held for own use were revalued to their fair value. In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80(A) of HKAS 16, *Property, plant and equipment* issued by the HKICPA, with the effect that these land and buildings have not been revalued to their fair value at the balance sheet date.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) ***Property, plant and equipment*** *(continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Freehold land is not depreciated.

– Leasehold land and buildings are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.

– Other plant and equipment at the following rates:

Plant, machinery, furniture, fixtures and office equipment	9 – 20%
Moulds	20 – 50%
Motor vehicles	10 – 25%

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

(h) ***Investment property***

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(iv).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

(i) ***Club membership***

Club membership with indefinite life is stated in the balance sheet at cost less accumulated impairment loss (see note 1(m)). Any conclusion that the useful life is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for the club membership.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the group

Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group or taken over from the previous lessee.

(ii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(l) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(m)).

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries and jointly controlled entities: see note 1(m)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables *(continued)*

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For receivables carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the current market rate of return for a similar asset where the effect of discounting is material.

For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

The impairment assessment is made collectively where financial assets carried at cost or amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) ***Impairment of assets*** *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– interests in leasehold land classified as being held under an operating leases;

– club membership;

– investments in subsidiaries; and

– interests in jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for club membership that has indefinite useful life, the recoverable amount is estimated annually to determine whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

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

(n) Interest-bearing borrowings

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

(o) Payables

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

(p) Cash and cash equivalents

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

(q) Employee benefits

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) ***Employee benefits*** *(continued)*

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.

(r) ***Income tax***

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) ***Income tax*** *(continued)*

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

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

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

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

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

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

  – the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions and contingent liabilities

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

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

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Royalties

Royalties are recognised when earned according to the terms of licence agreement.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the group if:

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

(ii) the group and the party are subject to common control;

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

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

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Segment reporting

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

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

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

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

Unallocated items mainly comprise corporate and financial assets, tax balances, and corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new Interpretations and an amendment to HKFRS that are first effective for the current accounting period of the group and the company. However, none of these developments are relevant to the group's or the company's operations.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

3 TURNOVER

The principal activity of the company is investment holding. The principal activities of the group are the manufacture, sale and distribution of toy and gift products, computer heads, housewares, clocks, watches and electronic products. The principal activities of the major subsidiaries are set out in note 36 to the financial statements.

Turnover represents the sales value of goods supplied to customers less value added taxes, trade discounts and returns.

4 OTHER REVENUE AND OTHER NET LOSS

	2009 HK$'000	2008 HK$'000
Other revenue		
Interest income from		
– deposits with banks	**2,062**	6,872
– loan to a director of a wholly-owned subsidiary	**81**	225
Total interest income on financial assets not at fair value through profit or loss	**2,143**	7,097
Interest income from trading securities	**2,389**	6,056
Rental income	**4,411**	3,802
Dividend income from listed securities	**2,201**	1,269
Dividend income from unlisted securities	**594**	–
Royalty income	**8,512**	7,537
Others	**1,655**	733
	21,905	26,494
Other net loss		
Loss on disposal of property, plant and equipment	**(206)**	(100)
Gain on disposal of investment in jointly controlled entity #	**2,063**	–
Net foreign exchange (losses)/gains	**(27,179)**	333
Net realised and unrealised losses on trading securities	**(40,320)**	(1,496)
Others	**(434)**	868
	(66,076)	(395)

It arises on recognition of proceeds in relation to the disposal of interest in a jointly controlled entity that was fully written off in prior year.

5 PROFIT BEFORE TAXATION

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

	2009	2008
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank advances repayable within five years	**61**	123
(b) Staff costs #:		
Contributions to defined contribution plans	**19,647**	27,944
Provision/(write back of provision) for long service payments	**1,507**	(72)
Total retirement costs	**21,154**	27,872
Salaries, wages and other benefits	**351,695**	295,435
	372,849	323,307
(c) Other items:		
Amortisation of land lease premium #	**328**	312
Cost of inventories # (note 19(b))	**1,227,104**	1,181,352
Depreciation #		
– assets held for use under operating leases	**213**	313
– other assets	**29,070**	26,334
Auditor's remuneration		
– audit services	**2,918**	3,254
– tax services	**339**	345
– other services	**42**	23
Impairment loss recognised/(written back) on trade debtors	**7,323**	(914)
Operating lease charges: minimum lease payments #		
– land and buildings	**10,757**	9,411
– other assets	**2,663**	2,855
Share of jointly controlled entity's taxation	**142**	170
Rentals receivable from investment properties less direct outgoings of HK$275,000 (2008: HK$251,000)	**(1,884)**	(1,589)

Cost of inventories includes HK$243,121,000 (2008: HK$196,819,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) *Taxation in the consolidated income statement represents:*

	2009	2008
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**31,383**	18,735
Over-provision in respect of prior years	**(498)**	(74)
	30,885	18,661
Current tax – Outside Hong Kong		
Provision for the year	**2,679**	5,816
Under-provision in respect of prior years	**2,273**	548
	4,952	6,364
Deferred tax		
Origination and reversal of temporary differences	**(2,131)**	769
Effect on deferred tax balances at 1 April resulting from a change in tax rate	**–**	17
	(2,131)	786
	33,706	25,811

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the group's operations in Hong Kong as from the year ended 31 March 2009. This decrease is taken into account in the preparation of the group's and the company's 2009 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 17.5%) of the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(a) *Taxation in the consolidated income statement represents:* *(continued)*

On 16 March 2007, the National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law"). Under the new tax law, the statutory income tax rate applicable to the company's subsidiaries in Shenzhen and Zhuhai has changed from 15% to 25% progressively within five years from 1 January 2008 (2008: 18%; 2009: 20%; 2010: 22%; 2011: 24%; 2012: 25%). For the subsidiary located in Dongguan, the statutory income tax rate has changed from 24% to 25% from 1 January 2008. This change is taken into account in the preparation of the group's 2009 financial statements. Accordingly, the provision for PRC statutory income tax for the company's subsidiaries in Shenzhen, Zhuhai and Dongguan for 2009 is calculated at revised tax rates in the corresponding tax jurisdictions.

The amount of deferred tax recognised as at 31 March 2009 is measured using the revised tax rates in the corresponding tax jurisdictions.

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

	2009 **HK$'000**	2008 HK$'000
Profit before tax	**81,503**	143,939
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**11,618**	27,098
Tax effect of non-deductible expenses	**9,333**	4,694
Tax effect of non-taxable revenue	**(2,413)**	(8,941)
Tax effect of prior years' unrecognised tax losses utilised this year	**–**	(122)
Tax effect of tax losses not recognised	**12,719**	3,538
Tax effect of other temporary differences not recognised	**567**	–
Effect on deferred tax balances at 1 April resulting from changes in tax rates	**–**	17
Under-provision in respect of prior years	**1,775**	474
Others	**107**	(947)
Actual tax expense	**33,706**	25,811

7 DIRECTORS' REMUNERATION

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

	2009				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
S T K Cheung	–	3,560	1,260	328	5,148
R Dorfman	–	3,430	1,215	316	4,961
M Y S Thong	–	3,433	1,193	313	4,939
G Bloch	–	1,244	693	111	2,048
D S Chang	–	195	–	–	195
Independent non-executive directors					
K H Tang	180	–	–	–	180
D T C Lie-A-Cheong	180	–	–	–	180
K M C Yeh	180	–	–	–	180
	540	11,862	4,361	1,068	17,831

	2008				
	Directors' fees HK$'000	Salaries allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
S T K Cheung	–	3,379	1,040	312	4,731
R Dorfman	–	2,901	873	268	4,042
M Y S Thong	–	3,316	1,008	302	4,626
G Bloch	–	3,603	1,109	333	5,045
D S Chang	–	195	–	–	195
Independent non-executive directors					
K H Tang	180	–	–	–	180
D T C Lie-A-Cheong	180	–	–	–	180
K M C Yeh	180	–	–	–	180
	540	13,394	4,030	1,215	19,179

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other emoluments	**6,803**	7,160
Discretionary bonuses	**5,030**	4,872
Retirement scheme contributions	**546**	575
	12,379	12,607

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2009	2008
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$6,500,001 – HK$7,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company includes a profit of HK$52,139,000 (2008: HK$48,151,000) which has been dealt with in the financial statements of the company.

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the company attributable to the year

	2009	2008
	HK$'000	HK$'000
Interim dividend declared and paid of HK3 cents (2008: HK3 cents) per share	**18,152**	18,228
Final dividend proposed after the balance sheet date of HK5 cents (2008: HK5 cents) per share	**30,125**	30,336
	48,277	48,564

The interim dividend has been charged to the retained profits (note 28).

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10 DIVIDENDS *(continued)*

(b) *Dividend payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year*

	2009	2008
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5 cents (2008: HK4.5 cents) per share	**30,336**	27,342

The final dividend has been charged to the contributed surplus and retained profits (note 28).

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the company of HK$51,736,000 (2008: HK$117,946,000) and the number of shares of 605,866,000 (2008: 607,520,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2008 and 2009, therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior years.

12 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

Business segments

The group comprises the following main business segments:

Toy and gift products	:	The manufacture, sale and distribution of toy and gift products.
Computer heads	:	The manufacture and sale of computer heads.
Housewares	:	The manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches and electronic products.
Investments	:	The investment in equity securities, structured products and managed funds.
Others	:	The leasing of properties to generate rental income and other distribution activities.

12 SEGMENT REPORTING *(continued)*

Business segments (continued)

	2009							
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Investments HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	1,044,795	181,552	146,621	256,410	–	11,536	–	1,640,914
Other revenue from external customers	4,592	126	5,232	2,236	5,492	2,250	–	19,928
Inter-segment revenue	–	–	–	–	–	2,979	(2,979)	–
Total	1,049,387	181,678	151,853	258,646	5,492	16,765	(2,979)	1,660,842
Segment result	124,878	10,606	(24,526)	22,444	(34,829)	1,259		99,832
Unallocated operating income and expenses								(18,591)
Profit from operations								81,241
Finance costs								(61)
Share of profit of jointly controlled entity	–	–	323	–	–	–		323
Income tax								(33,706)
Profit for the year								47,797
Depreciation and amortisation for the year	17,783	5,636	2,781	1,777	–	1,634		29,611
Impairment losses on property, plant and equipment	1,872	–	2,952	800	–	–		5,624
Segment assets	426,994	127,303	108,872	84,582	141,737	50,603	(19,446)	920,645
Interest in jointly controlled entity	–	–	2,398	–	–	–		2,398
Unallocated assets								50,408
Total assets								973,451
Segment liabilities	119,685	18,559	36,854	22,921	–	1,506	(19,446)	180,079
Unallocated liabilities								22,590
Total liabilities								202,669
Capital expenditure incurred during the year	25,259	13,229	2,129	1,721	–	1,952		44,290

12 SEGMENT REPORTING *(continued)*

Business segments *(continued)*

	2008							
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Investments HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	861,543	166,126	189,340	319,083	–	17,914	–	1,554,006
Other revenue from external customers	2,675	139	6,270	1,018	10,105	1,910	–	22,117
Inter-segment revenue	–	–	–	–	–	2,979	(2,979)	–
Total	864,218	166,265	195,610	320,101	10,105	22,803	(2,979)	1,576,123
Segment result	53,351	18,665	2,478	42,885	7,759	18,911		144,049
Unallocated operating income and expenses								(412)
Profit from operations								143,637
Finance costs								(123)
Share of profit of jointly controlled entity	–	–	425	–	–	–		425
Income tax								(25,811)
Profit for the year								118,128
Depreciation and amortisation for the year	16,410	3,293	2,510	2,892	–	1,854		26,959
Impairment losses on property, plant and equipment	–	–	–	–	–	–		–
Segment assets	378,299	126,525	132,571	89,673	174,218	57,773	(20,367)	938,692
Interest in jointly controlled entity	–	–	2,345	–	–	–		2,345
Unallocated assets								48,845
Total assets								989,882
Segment liabilities	116,353	25,489	38,129	20,279	–	1,550	(20,367)	181,433
Unallocated liabilities								15,599
Total liabilities								197,032
Capital expenditure incurred during the year	9,299	40,513	2,921	1,895	–	117		54,745

12 SEGMENT REPORTING *(continued)*

Geographical segments

The group's business is managed on a worldwide basis, but participates mainly in three principal economic environments. North America is a major market for the toy and gift division, the computer head division and the houseware division. Europe is a major market for the timepiece division and the houseware division and to a lesser extent the toy and gift division and the computer head division. In Asia, the group's manufacturing activities are carried out in the People's Republic of China (the "PRC").

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

	2009						
	Asia			**Europe**		**North America**	**Others**
	Hong Kong HK$'000	**Mainland China HK$'000**	**Others HK$'000**	**United Kingdom HK$'000**	**Others HK$'000**	**HK$'000**	**HK$'000**
Revenue from external customers	**111,272**	**8,104**	**46,943**	**432,273**	**162,778**	**818,718**	**60,826**
Segment assets	**506,803**	**320,886**	**8,567**	**88,542**	**8,960**	**1,630**	**4,703**
Capital expenditure incurred during the year	**5,605**	**37,670**	**–**	**1,013**	**–**	**2**	**–**

	2008						
	Asia			Europe		North America	Others
	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	United Kingdom HK$'000	Others HK$'000	HK$'000	HK$'000
Revenue from external customers	104,816	9,999	20,587	533,381	133,248	707,688	44,287
Segment assets	504,115	291,465	228	143,587	17,240	2,424	–
Capital expenditure incurred during the year	1,486	50,564	–	2,695	–	–	–

13 FIXED ASSETS

(a) The group

	Land and buildings held for own use HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost or valuation:								
At 1 April 2007	197,822	261,119	8,343	17,178	484,462	21,900	9,892	516,254
Exchange adjustments	7,947	6,041	–	857	14,845	–	396	15,241
Additions	36,485	15,250	1,202	1,808	54,745	–	–	54,745
Disposals	–	(6,774)	–	(903)	(7,677)	–	–	(7,677)
Fair value adjustment	–	–	–	–	–	13,040	–	13,040
At 31 March 2008	242,254	275,636	9,545	18,940	546,375	34,940	10,288	591,603
Representing:								
Cost	230,792	275,636	9,545	18,940	534,913	–	10,288	545,201
Valuation – 1987	11,462	–	–	–	11,462	–	–	11,462
– 2008	–	–	–	–	–	34,940	–	34,940
	242,254	275,636	9,545	18,940	546,375	34,940	10,288	591,603
Accumulated amortisation, depreciation and impairment losses:								
At 1 April 2007	107,175	204,158	7,271	12,440	331,044	–	3,688	334,732
Exchange adjustments	3,449	4,032	–	697	8,178	–	281	8,459
Amortisation and depreciation charge for the year	7,124	17,383	523	1,617	26,647	–	312	26,959
Written back on disposal	–	(6,633)	–	(845)	(7,478)	–	–	(7,478)
At 31 March 2008	117,748	218,940	7,794	13,909	358,391	–	4,281	362,672
Net book value:								
At 31 March 2008	124,506	56,696	1,751	5,031	187,984	34,940	6,007	228,931

13 FIXED ASSETS *(continued)*

(a) The group (continued)

	Land and buildings held for own use HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost or valuation:								
At 1 April 2008	242,254	275,636	9,545	18,940	546,375	34,940	10,288	591,603
Exchange adjustments	(718)	(6,032)	–	(209)	(6,959)	–	87	(6,872)
Additions	8,387	29,268	895	5,740	44,290	–	–	44,290
Disposals	(41)	(8,170)	(1,140)	(3,898)	(13,249)	–	–	(13,249)
Fair value adjustment	–	–	–	–	–	(4,240)	–	(4,240)
At 31 March 2009	**249,882**	**290,702**	**9,300**	**20,573**	**570,457**	**30,700**	**10,375**	**611,532**
Representing:								
Cost	238,420	290,702	9,300	20,573	558,995	–	10,375	569,370
Valuation – 1987	11,462	–	–	–	11,462	–	–	11,462
– 2009	–	–	–	–	–	30,700	–	30,700
	249,882	**290,702**	**9,300**	**20,573**	**570,457**	**30,700**	**10,375**	**611,532**
Accumulated amortisation, depreciation and impairment losses:								
At 1 April 2008	117,748	218,940	7,794	13,909	358,391	–	4,281	362,672
Exchange adjustments	329	(5,511)	–	(26)	(5,208)	–	64	(5,144)
Amortisation and depreciation charge for the year	6,784	19,396	733	2,370	29,283	–	328	29,611
Impairment loss	–	3,073	1,903	648	5,624	–	–	5,624
Written back on disposal	(4)	(7,804)	(1,130)	(3,532)	(12,470)	–	–	(12,470)
At 31 March 2009	**124,857**	**228,094**	**9,300**	**13,369**	**375,620**	**–**	**4,673**	**380,293**
Net book value:								
At 31 March 2009	**125,025**	**62,608**	**–**	**7,204**	**194,837**	**30,700**	**5,702**	**231,239**

13 FIXED ASSETS *(continued)*

(b) ***The analysis of the net book value of properties of the group is as follows:***

	Investment properties		Land and buildings held for own use		Interests in leasehold land held for own use under operating leases	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
In Hong Kong						
– medium-term leases	**28,670**	32,740	**27,385**	29,279	**–**	–
Outside Hong Kong						
– freehold	**–**	–	**4,954**	6,983	**–**	–
– medium-term leases	**2,030**	2,200	**92,403**	87,946	**5,702**	6,007
– short-term leases	**–**	–	**283**	298	**–**	–
	30,700	34,940	**125,025**	124,506	**5,702**	6,007

(c) Certain land and buildings of the group were revalued as at 31 December 1987 by an independent firm of Surveyors, Jones Lang Wootton Limited who had among their staff Chartered Surveyors, on an open market value basis calculated on net rental income allowing for reversionary potential.

(d) All investment properties of the group were revalued as at 31 March 2009 on an open market value basis assuming sale with existing tenancies by using the investment approach by capitalising the net rental income receivable from the existing tenancies and the reversionary rental income potentials, or otherwise assuming sale with vacant possession by using sales comparison approach. The valuations were carried out by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Valuation loss of HK$4,240,000 (2008: gain of HK$13,040,000) has been recognised in the consolidated income statement during the year.

(e) During the year ended 31 March 2009, the directors carried out an assessment of the recoverable amount of certain property, plant and equipment of the group and as a result the carrying amount of the property, plant and equipment has been written down by HK$5,624,000. The estimates of recoverable amount were based on the value in use of the property, plant and equipment where the directors assessed that these assets are unable to generate positive cash flows to the group.

(f) At 31 March 2009, included in land and buildings held for own use was property carried at valuation less accumulated depreciation and impairment losses amounted to HK$4,313,000 (2008: HK$4,654,000). The carrying amount of these properties held for own use would have been HK$1,305,000 (2008: HK$1,499,000) had they been carried at cost less accumulated depreciation and impairment losses.

13 FIXED ASSETS *(continued)*

(g) At 31 March 2009, the property ownership certificate in respect of property interests held under medium-term land use rights outside Hong Kong with carrying amount of HK$9,086,000 as stated above has not been issued by the relevant government authority of the People's Republic of China. The group has settled the full amount of the purchase consideration and in the opinion of the directors, such certificate will be issued in due course.

(h) The group leases out certain properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2009	2008
	HK$'000	HK$'000
Within 1 year	**3,805**	2,126
After 1 year but within 5 years	**1,115**	–
	4,920	2,126

14 CLUB MEMBERSHIP

	The group	
	2009	2008
	HK$'000	HK$'000
Cost:		
At 1 April and 31 March	**2,120**	2,120
Accumulated impairment losses:		
At 1 April	**130**	300
Recognised/(written back) during the year	**130**	(170)
At 31 March	**260**	130
Net book value:		
At 31 March	**1,860**	1,990

During the year, the directors carried out a review of the carrying amount of the club membership. Based on their review, impairment losses of HK$130,000 (2008: written back of HK$170,000) were recognised during the year. The estimates of recoverable amount were based on recent observable market prices.

15 INVESTMENTS IN SUBSIDIARIES

	The company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost, net of dividend received from subsidiary from pre-acquisition profits	**327,365**	327,365

Details of the company's principal subsidiaries at 31 March 2009 are set out in note 36 to the financial statements.

16 INTEREST IN JOINTLY CONTROLLED ENTITY

	The group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**2,497**	2,439
Amount due to jointly controlled entity	**(99)**	(94)
	2,398	2,345

Details of the group's interest in the jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of establishment and operation	Particulars of registered capital	Percentage of equity held by the subsidiary	Principal activity
Ningbo Herald Metal Products Company Limited	Established	PRC	Registered capital of US$280,000	40%	Manufacture of housewares

16 INTEREST IN JOINTLY CONTROLLED ENTITY *(continued)*

Summary financial information on the jointly controlled entity is as follows:

	At the group's effective interest	
	2009	2008
	HK$'000	HK$'000
Non-current assets	**707**	590
Current assets	**2,206**	2,317
Current liabilities	**(416)**	(468)
Net assets	**2,497**	2,439
Income	**4,255**	5,504
Expenses	**(3,790)**	(4,909)
Profit before taxation	**465**	595
Income tax	**(142)**	(170)
Profit for the year	**323**	425

17 OTHER FINANCIAL ASSETS

	The group	
	2009	2008
	HK$'000	HK$'000
Unlisted equity securities, at cost	**4,680**	4,680

The unlisted equity investment represents a 28% equity interest in NYL Holdings, LLC ("NYL"), a limited liability company engaged in the trading of timepieces in the United States. In the opinion of the directors, the company is not in a position to exercise significant influence over the financial and operating policies of NYL and accordingly, this investment has not been treated as an associated company.

17 OTHER FINANCIAL ASSETS *(continued)*

Details of the group's investment in unlisted equity securities are as follows:

Name of body corporate invested	Form of business structure	Place of incorporation and operation	Particulars of issued and paid-up capital	Percentage of equity held by a subsidiary
NYL Holdings, LLC	Limited liability company	The United States of America	US$1,500,000 divided into 1,000 units	28%

18 TRADING SECURITIES

	The group 2009 HK$'000	2008 HK$'000
Listed equity securities, at market value		
– in Hong Kong	**24,942**	24,393
– outside Hong Kong	**6,086**	13,712
	31,028	38,105
Unlisted structured products, at fair value (note (a))	**207**	7,248
Unlisted managed funds, at fair value (note (b))	**17,179**	23,576
Listed managed funds, at market value (note (b))	**4,692**	–
Listed debt securities, at market value	**4,014**	–
Paper gold, at market value	**4,583**	–
	61,703	68,929

(a) Structured products

The group acquired certain structured products for short-term investment purposes, which include equity-linked notes, currency-linked notes, accrual preferred selling scheme and share forward accumulator. These structured products are issued by financial institutions with high credit rating and with original maturity ranging from 1 month to 2 years. The return on these structured products is linked to the underlying equity prices and exchange rates.

(b) Managed funds

The group acquired certain managed funds for trading purposes. These managed funds are issued by financial institutions with high credit ratings and have underlying investments in both listed and unlisted equity securities throughout the world.

(c) At 31 March 2009, trading securities of HK$56,346,000 (2008: HK$68,412,000) are pledged to banks to secure the banking facilities, which include revolving credit facility and investment trading line granted to the group.

19 INVENTORIES

(a) *Inventories in the consolidated balance sheet comprise:*

	The group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**65,937**	69,755
Work in progress	**48,820**	40,941
Finished goods	**72,362**	62,747
	187,119	173,443

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

	The group	
	2009	2008
	HK$'000	HK$'000
Carrying amount of inventories sold	**1,221,857**	1,183,392
Write-down/(reversal of write-down) of inventories	**5,247**	(2,040)
	1,227,104	1,181,352

The reversal of write-down of inventories made in prior year arose due to an increase in the estimated net realisable value of certain inventories as a result of a change in consumer preferences.

20 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors and bills receivable	**118,435**	157,747	**–**	–
Less: allowance for doubtful debts	**(751)**	(831)	**–**	–
	117,684	156,916	**–**	–
Deposits, prepayments and other receivables	**30,935**	41,686	**145**	154
Derivative financial instruments	**1,709**	5,645	**–**	–
	150,328	204,247	**145**	154

20 TRADE AND OTHER RECEIVABLES *(continued)*

The amount of the group's and the company's derivative financial instruments, deposits, prepayments and other receivables expected to be recovered or recognised as expense after more than one year is HK$3,070,000 (2008: HK$4,372,000) and HK$Nil (2008: HK$Nil) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The group	
	2009	2008
	HK$'000	HK$'000
Current	**82,747**	98,193
Less than 1 month past due	**28,351**	40,809
1 to 3 months past due	**5,879**	17,502
More than 3 months but less than 12 months past due	**707**	412
Amounts past due	**34,937**	58,723
	117,684	156,916

Trade debtors and bills receivable are due within 60 days from the date of billing. Further details on the group's credit policy are set out in note 29(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(m)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**831**	2,518
Impairment loss recognised/(written back)	**7,323**	(914)
Uncollectible amounts written off	**(7,403)**	(773)
At 31 March	**751**	831

20 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are set out in note 20(a).

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

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

21 AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22 PLEDGED BANK BALANCES

The following bank balances of the group are pledged to banks to secure banking facilities, which include revolving credit facility and investment trading line granted to the group:

	The group	
	2009	2008
	HK$'000	HK$'000
Deposits with banks	**45,469**	62,606
Cash at bank	**35,925**	44,614
	81,394	107,220

23 CASH AND CASH EQUIVALENTS

	The group		**The company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**27,869**	20,202	**1,001**	–
Cash at bank and in hand	**216,402**	171,572	**1,362**	722
Cash and cash equivalents	**244,271**	191,774	**2,363**	722

24 TRADE AND OTHER PAYABLES

	The group		The company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors and bills payable	**59,781**	61,125	**–**	–
Accruals and other payables	**118,027**	120,082	**1,425**	1,691
Financial liabilities measured at cost	**177,808**	181,207	**1,425**	1,691
Derivative financial instruments	**1,286**	2,580	**–**	–
	179,094	183,787	**1,425**	1,691

All of the trade and other payables including receipts in advance from customers are expected to be settled or recognised as income within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	The group	
	2009	2008
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**44,606**	46,349
Over 1 month but within 3 months	**13,447**	13,583
Over 3 months	**1,728**	1,193
	59,781	61,125

25 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheets represents:

	The group		The company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong Profits Tax for the year	**31,383**	18,735	**64**	35
Provisional Profits Tax paid	**(16,829)**	(12,383)	**(41)**	(68)
	14,554	6,352	**23**	(33)
Balance of Profits Tax provision relating to prior years	**(1,018)**	–	**–**	–
	13,536	6,352	**23**	(33)
Taxation outside Hong Kong	**1,652**	2,535	**–**	–
Balance of provision relating to prior years	**2,273**	–	**–**	–
	3,925	2,535	**–**	–
	17,461	8,887	**23**	(33)
Representing:				
Current tax recoverable	**(1,564)**	(1,444)	**–**	(33)
Current tax payable	**19,025**	10,331	**23**	–
	17,461	8,887	**23**	(33)

25 INCOME TAX IN THE BALANCE SHEET *(continued)*

(b) Deferred tax assets and liabilities recognised

(i) The group

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

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation**	**Tax losses**	**Provisions**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	2,191	(1,550)	(4,715)	(1,228)	(5,302)
Exchange adjustments	3	–	–	20	23
(Credited)/charged to profit or loss	(173)	499	83	377	786
At 31 March 2008	2,021	(1,051)	(4,632)	(831)	(4,493)
At 1 April 2008	2,021	(1,051)	(4,632)	(831)	(4,493)
Exchange adjustments	244	–	–	–	244
(Credited)/charged to profit or loss	(1,624)	(2,761)	(53)	2,307	(2,131)
At 31 March 2009	**641**	**(3,812)**	**(4,685)**	**1,476**	**(6,380)**

	2009	2008
	HK$'000	HK$'000
Net deferred tax assets recognised on the consolidated balance sheet	**(6,895)**	(4,879)
Net deferred tax liabilities recognised on the consolidated balance sheet	**515**	386
	(6,380)	(4,493)

25 INCOME TAX IN THE BALANCE SHEET *(continued)*

(b) ***Deferred tax assets and liabilities recognised*** *(continued)*

(ii) The company

No deferred tax has been recognised as the company does not have any significant temporary differences at 31 March 2008 and 2009.

(c) ***Deferred tax assets not recognised***

In accordance with the accounting policy set out in note 1(r), the group has not recognised deferred tax assets totalling HK$18,930,000 (2008: HK$5,644,000) in respect of depreciation in excess of the related depreciation allowances, cumulative tax losses, provisions and others of HK$1,087,000 (2008: HK$Nil), HK$89,610,000 (2008: HK$25,129,000), HK$991,000 (2008: HK$Nil), and HK$802,000 (2008: HK$Nil) respectively as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction of the entities.

Included in unrecognised tax losses is an amount of HK$23,547,000 (2008: HK$6,596,000) which can be carried forward for up to five years from the year in which the loss originated. The remaining balance of HK$66,063,000 (2008: HK$18,533,000) does not expire under current tax legislation.

26 PROVISION FOR LONG SERVICE PAYMENTS

	The group
	HK$'000
At 1 April 2008	2,528
Provision made during the year	1,507
At 31 March 2009	**4,035**

According to Part VB of the Hong Kong Employment Ordinance (the "Ordinance"), the group is liable to make long service payments to employees who are employed under the jurisdiction of the Ordinance and have completed the required number of years of service on termination of their employment, where the termination of employment meets the required circumstances as specified in the Ordinance.

A provision has been made by the group based on the best estimate of the long service payments that are required to be made to these employees in respect of their service to date, less any amounts that would be expected to be met out of the group's contributions to its defined contribution retirement schemes and mandatory provident funds.

27 EMPLOYEE BENEFITS

(a) Employee retirement benefits

(i) The principal subsidiaries of the company in Hong Kong operate defined contribution retirement schemes for their qualifying employees. The assets of the schemes are held separately under provident funds managed by independent fund managers or insurance companies. Pursuant to the rules of the schemes, employers are required to make contributions to the schemes calculated at 5% to 10% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employers' contributions and the accrued income after completion of 10 years' service, and at an increasing scale rate between 50% and 90% after completion of five to nine years' service.

The subsidiaries in Hong Kong also participate in Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance commencing on 1 December 2000 for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement schemes. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, employers and employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF schemes vest immediately.

Where there are employees who leave the schemes, other than the MPF schemes, prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2009, there was no forfeited contribution which is available to reduce the contributions payable in future years (2008: HK$Nil).

(ii) The employees of subsidiaries in the PRC participate in various state-sponsored retirement benefit schemes organised by the PRC government. The subsidiaries are required to contribute, based on a certain percentage of the employees' basic salaries, to the retirement benefit schemes to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit schemes is to make the required contributions under these schemes. Contributions to these schemes vest immediately.

27 EMPLOYEE BENEFITS *(continued)*

(b) Share option scheme

The company adopted a share option scheme on 18 September 2003. Under the terms of the scheme, the directors of the company may at their discretion grant options to employees (including executive or independent non-executive directors) of the company or its subsidiaries and other eligible participants to subscribe for the shares of US$0.01 each in the company. Upon acceptance of an option, each eligible participant under the scheme is required to pay the company HK$1 within 21 days from the date of offer. The share option scheme remains valid for a period of 10 years commencing 18 September 2003.

Unless otherwise determined by the directors, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors to each grantee, but in any event not later than 10 years from the date of grant of the option.

The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Each option gives the holder the right to subscribe for one share.

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

28 CAPITAL AND RESERVES

(a) The group

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	PRC statutory reserves HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007	47,392	21,620	121,102	12,049	6,976	469,422	678,561	30,097	708,658
Dividend approved in respect of the previous year (note 10(b))	–	–	(27,342)	–	–	–	(27,342)	–	(27,342)
Purchase of own shares:									
– par value paid	(43)	–	–	–	–	–	(43)	–	(43)
– premium paid	–	(468)	–	–	–	–	(468)	–	(468)
Transfer between reserves	–	–	–	–	187	(187)	–	–	–
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	–	–	–	13,314	–	–	13,314	1,232	14,546
Profit for the year	–	–	–	–	–	117,946	117,946	182	118,128
Dividend declared in respect of the current year (note 10(a))	–	–	(18,228)	–	–	–	(18,228)	(1,152)	(19,380)
Change in minority interests arising from acquisition of minority interests	–	–	–	–	–	–	–	(1,249)	(1,249)
At 31 March 2008	47,349	21,152	75,532	25,363	7,163	587,181	763,740	29,110	792,850
At 1 April 2008	47,349	21,152	75,532	25,363	7,163	587,181	763,740	29,110	792,850
Dividend approved in respect of the previous year (note 10(b))	–	–	(21,845)	–	–	(8,491)	(30,336)	–	(30,336)
Purchase of own shares:									
– par value paid	(355)	–	–	–	–	–	(355)	–	(355)
– premium paid	–	(2,415)	–	–	–	–	(2,415)	–	(2,415)
Transfer between reserves	–	–	–	–	1,747	(1,747)	–	–	–
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	–	–	–	(17,378)	–	–	(17,378)	473	(16,905)
Profit/(loss) for the year	–	–	–	–	–	51,736	51,736	(3,939)	47,797
Dividend declared in respect of the current year (note 10(a))	–	–	–	–	–	(18,152)	(18,152)	(1,702)	(19,854)
Change in minority interests arising from acquisition of minority interests	–	–	–	–	–	2,222	2,222	(2,222)	–
At 31 March 2009	**46,994**	**18,737**	**53,687**	**7,985**	**8,910**	**612,749**	**749,062**	**21,720**	**770,782**

28 CAPITAL AND RESERVES *(continued)*

(b) The company

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2007	47,392	21,620	67,415	203,513	339,940
Dividend approved in respect of the previous year (note 10(b))	–	–	(27,342)	–	(27,342)
Purchase of own shares					
– par value paid	(43)	–	–	–	(43)
– premium paid	–	(468)	–	–	(468)
Profit for the year	–	–	–	48,151	48,151
Dividend declared in respect of the current year (note 10(a))	–	–	(18,228)	–	(18,228)
At 31 March 2008	47,349	21,152	21,845	251,664	342,010
At 1 April 2008	47,349	21,152	21,845	251,664	342,010
Dividend approved in respect of the previous year (note 10(b))	–	–	(21,845)	(8,491)	(30,336)
Purchase of own shares					
– par value paid	(355)	–	–	–	(355)
– premium paid	–	(2,415)	–	–	(2,415)
Profit for the year	–	–	–	52,139	52,139
Dividend declared in respect of the current year (note 10(a))	–	–	–	(18,152)	(18,152)
At 31 March 2009	**46,994**	**18,737**	**–**	**277,160**	**342,891**

28 CAPITAL AND RESERVES *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2009 Number of shares '000	2009 Amount HK$'000	2008 Number of shares '000	2008 Amount HK$'000
Authorised:				
Shares of US$0.01 each	**1,000,000**	**78,000**	1,000,000	78,000
Issued and fully paid:				
At 1 April	**607,036**	**47,349**	607,591	47,392
Shares repurchased	**(4,545)**	**(355)**	(555)	(43)
At 31 March	**602,491**	**46,994**	607,036	47,349

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

28 CAPITAL AND RESERVES *(continued)*

(c) ***Share capital*** *(continued)*

(ii) Purchase of own shares

During the year, the company repurchased a total of 4,545,000 of its own shares at an aggregate consideration of HK$2,759,950 before expenses, all of which were then cancelled. The premium paid and the expenses directly attributable to the repurchase were charged against share premium in accordance with the Bermuda Companies Act 1981. Details of the shares repurchased are as follows:

Date of purchases	**No. of shares**	**Highest price paid per share**	**Lowest price paid per share**	**Consideration amount**
		HK$	HK$	HK$
02/06/2008	45,000	0.930	0.930	41,850
05/06/2008	55,000	0.930	0.930	51,150
06/06/2008	25,000	0.930	0.930	23,250
10/06/2008	190,000	0.900	0.900	171,000
16/09/2008	100,000	0.800	0.800	80,000
17/09/2008	70,000	0.800	0.800	56,000
18/09/2008	500,000	0.750	0.730	371,000
13/10/2008	150,000	0.660	0.660	99,000
16/10/2008	200,000	0.660	0.660	132,000
20/10/2008	240,000	0.620	0.620	148,800
21/10/2008	95,000	0.620	0.620	58,900
22/10/2008	275,000	0.620	0.620	170,500
26/02/2009	450,000	0.530	0.530	238,500
04/03/2009	375,000	0.520	0.520	195,000
18/03/2009	775,000	0.520	0.520	403,000
24/03/2009	1,000,000	0.520	0.520	520,000
	4,545,000			2,759,950

There is no further repurchase of its own shares by the company subsequent to the year ended 31 March 2009.

28 CAPITAL AND RESERVES *(continued)*

(d) Nature and purpose of reserves

(i) Share premium

Under the Bye-laws of the company, share premium is not distributable but may be applied in paying up unissued shares of the company to be issued to the shareholders of the company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

Contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding company of the group, Herald (Hong Kong) Limited, acquired by the company over the nominal value of the shares issued by the company in exchange pursuant to a Scheme of Arrangement in 1992, less dividends. Under the Bermuda Companies Act 1981, the contributed surplus is available for distribution to shareholders.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(iv) PRC statutory reserves

PRC statutory reserves include general and other reserves which are made in accordance with the articles of association of the group's PRC subsidiaries. These reserves are non-distributable but, as appropriate, can be used to make good losses and to convert into paid-up capital.

(e) Distributability of reserves

At 31 March 2009, the aggregate amount of reserves available for distribution to equity shareholders of the company was HK$277,160,000 (2008: HK$273,509,000). After the balance sheet date the directors proposed a final dividend of HK5 cents (2008: HK5 cents) per share, amounting to HK$30,125,000 (2008: HK$30,336,000). This dividend has not been recognised as a liability at the balance sheet date.

(f) Capital management

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

28 CAPITAL AND RESERVES *(continued)*

(f) Capital management *(continued)*

The group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. During 2009, the group's strategy, which was unchanged from 2008, was to maintain the gearing ratio of no more than 50%. In order to maintain or adjust the ratio, the group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The gearing ratio of the group and the company as at 31 March 2009 was 21% (2008: 20%) and 0.4% (2008: 0.5%) respectively.

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

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arise in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities and investments in structured products. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

The group's credit risk is primarily attributable to trade receivables, cash and bank deposits and trading securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 60 days from the date of billing. Normally, the group does not obtain collateral from customers.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than of the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the company has significant exposure to individual customers. At the balance sheet date, 38% (2008: 33%) and 65% (2008: 66%) of the total trade receivables were due from the group's largest customer and the five largest customers respectively.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk (continued)

Cash and bank deposits are placed with financial institutions with sound credit ratings. Trading securities are normally only in listed or liquid securities and with counterparties that have a credit rating equal to or better than the group. Given their high credit ratings, management does not expect any counterparty failing to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each asset in the balance sheet. The group does not provide any financial guarantees which would expose the group to credit risk.

(b) Liquidity risk

The group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the group's and the company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the group and the company can be required to pay.

The group

	2009			2008		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within one year or on demand HK$'000	**Total HK$'000**	**Balance sheet carrying amount HK$'000**	Within one year or on demand HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000
Trade and other payables	**177,808**	**177,808**	**177,808**	181,207	181,207	181,207
Forward foreign exchange contracts (net settled)	**–**	**–**	**–**	2,580	2,580	2,580
	177,808	**177,808**	**177,808**	183,787	183,787	183,787
Derivatives settled gross:						
Forward foreign exchange contracts:						
– outflow	**(52,092)**	**(52,092)**		(171,275)	(171,275)	
– inflow	**51,398**	**51,398**		180,989	180,989	

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) *Liquidity risk (continued)*

The company

	2009			2008		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within one year or on demand HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000	Within one year or on demand HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000
Trade and other payables	1,425	1,425	1,425	1,691	1,691	1,691
Forward foreign exchange contracts (net settled)	–	–	–	–	–	–
	1,425	1,425	1,425	1,691	1,691	1,691
Derivatives settled gross:						
Forward foreign exchange contracts:						
– outflow	–	–		–	–	
– inflow	–	–		–	–	

(c) *Interest rate risk*

The group's interest rate risk arises primarily from pledged bank deposits and cash and cash equivalents.

At 31 March 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the group's profit after tax and retained profits by approximately HK$2,558,000 (2008: HK$2,333,000). Other components of the consolidated equity would not be affected (2008: HK$Nil) by the changes in interest rates.

The sensitivity analysis above indicates the exposure to cashflow interest rate risk arising from floating rate non-derivative instruments held by the group at the balance sheet date. The impact on the group's profit after tax and retained profits is estimated as an annualised impact on interest income of such a change in interest rate. The analysis is performed on the same basis for 2008.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Foreign currency risk

The group is exposed to foreign currency risk primarily through sales and purchases which gives rise to receivables, payables and cash balance that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$"), Pound Sterling ("GBP") and Renminbi ("RMB"). Management monitors the group's exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise. At 31 March 2009, the net fair value of forward foreign exchange contracts entered into by the group has been recognised as net derivative financial assets of HK$423,000 (2008: HK$3,065,000). All forward foreign exchange contracts are expected to mature within one year.

(i) Exposure to currency risk

The following table details the group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The group

	2009		
	United States Dollars '000	**Pound Sterling '000**	**Renminbi '000**
Other financial assets	**600**	**–**	**–**
Trading securities	**3,503**	**376**	**–**
Trade and other receivables	**8,473**	**–**	**657**
Pledged bank balances	**5,615**	**–**	**–**
Cash and cash equivalents	**15,162**	**3,475**	**8,364**
Trade and other payables	**(3,764)**	**–**	**(16,204)**
Gross exposure arising from recognised assets and liabilities	**29,589**	**3,851**	**(7,183)**
Notional amounts of forward foreign exchange contracts	**4,500**	**–**	**14,541**
Overall net exposure	**34,089**	**3,851**	**7,358**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Foreign currency risk (continued)

(i) Exposure to currency risk *(continued)*

The group *(continued)*

	2008		
	United States Dollars '000	Pound Sterling '000	Renminbi '000
Other financial assets	600	–	–
Trading securities	3,757	758	–
Trade and other receivables	8,627	164	1,513
Pledged bank balances	7,319	–	–
Cash and cash equivalents	13,241	792	2,264
Trade and other payables	(4,395)	–	(13,459)
Gross exposure arising from recognised assets and liabilities	29,149	1,714	(9,682)
Notional amounts of forward foreign exchange contracts	22,523	(7,586)	1,759
Overall net exposure	51,672	(5,872)	(7,923)

(ii) Sensitivity analysis

The following table indicates the approximate change in the group's profit after tax and retained profits that would arise if foreign exchange rates to which the group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this regard, it is assumed that the pegged rate between Hong Kong dollars and US$ would be materially unaffected by any changes in movement in value of US$ against other currencies.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Foreign currency risk (continued)

(ii) Sensitivity analysis *(continued)*

The group

	2009		2008	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits HK$'000
United States Dollars	**10%**	**1,628**	10%	6,869
	(10)%	**(1,628)**	(10)%	(6,869)
Pound Sterling	**10%**	**5,696**	10%	2,480
	(10)%	**(5,696)**	(10)%	(2,480)
Renminbi	**10%**	**(1,206)**	10%	(2,019)
	(10)%	**1,206**	(10)%	2,019

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the group's presentation currency. The analysis is performed on the same basis for 2008.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk

The group is exposed to equity price changes arising from listed equity investments, listed and unlisted managed funds and unlisted structured products with performance linked to listed equity securities, which are classified as trading securities (see note 18).

The group's listed investments and the underlying securities of the unlisted structured products are listed on the Stock Exchange of Hong Kong, New York Stock Exchange and London Stock Exchange and are included in the Hang Seng Index, Standard and Poor's 500 Index and FTSE 100 Index. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the respective indexes and other industry indicators, as well as the group's liquidity needs.

The listed and unlisted managed funds have underlying investments in listed and unlisted equity securities throughout the world. Their performance is assessed at least bi-annually against performance of similar funds available in the market.

At 31 March 2009, it is estimated that an increase/decrease of 10% (2008: 10%) in the relevant stock market index, with all other variables held constant, would have increased/decreased the group's profit after tax and retained profits as follows. Other components of equity would not be affected by changes in the stock market indexes.

The group

	2009		2008	
	Increase/ (decrease) in the relevant risk variable	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax and retained profits HK$'000
Stock market indexes in relation to listed investments and unlisted structured products:				
– Hang Seng Index	**10%**	**2,410**	10%	5,579
	(10)%	**(2,410)**	(10)%	(5,774)
– Standard and Poor's 500 Index	**10%**	**143**	10%	212
	(10)%	**(143)**	(10)%	(212)
– FTSE 100 Index	**10%**	**481**	10%	1,076
	(10)%	**(481)**	(10)%	(1,076)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk (continued)

The sensitivity analysis indicates the instantaneous change in the group's profit after tax and retained profits that would arise assuming that the changes in the stock market index had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the group which expose the group to equity price risk at the balance sheet date. It is also assumed that the fair values of the group's equity investments would change in accordance with the historical correlation with the relevant stock market index and that all other variables remain constant. The sensitivity analysis takes into account the equity price changes arising from listed equity investments and unlisted structured products only as it is impractical to link the performance of the listed and unlisted managed funds to specific stock market indexes. The analysis is performed on the same basis for 2008.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008 except for amounts due from subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see note 21). Given these terms, it is not meaningful to disclose their fair values.

(g) Estimation of fair values

The fair values of listed equity securities, listed managed funds and listed debt securities are based on quoted market prices at the balance sheet date without any deduction for transaction costs. Forward foreign exchange contracts are marked to market by discounting the net cashflows calculated using the contractual forward rates and the market forward rates prevailing at the balance sheet date.

The fair value of the structured products is estimated by discounted cash flow techniques or using a pricing model. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where a pricing model is used, inputs are based on market related data at the balance sheet date.

The fair values of unlisted managed funds and paper gold are based on unit price quoted by financial institutions.

30 COMMITMENTS

(a) At 31 March 2009, the total future minimum lease payments of the group under non-cancellable operating leases are payable as follows:

	The group			
	2009		2008	
	Land and buildings HK$'000	**Others HK$'000**	Land and buildings HK$'000	Others HK$'000
Within 1 year	**6,018**	**1,825**	7,063	2,690
After 1 year but within 5 years	**11,516**	**1,928**	11,451	2,827
After 5 years	**3,159**	**–**	6,597	–
	20,693	**3,753**	25,111	5,517

The group leases a number of properties under operating leases. The leases typically run for a period of one to five years with no renewal options except that a particular lease has a term of fifteen years. All terms of the leases, including lease payments, applicable throughout the lease periods are fixed upon the signing of the lease agreements.

(b) Capital commitments outstanding at 31 March 2009 not provided for in the financial statements were as follows:

	The group	
	2009 HK$'000	2008 HK$'000
Contracted for	**1,033**	5,592

31 CONTINGENT LIABILITIES

The company has given undertakings to certain wholly-owned subsidiaries to provide them with such financial assistance as is necessary to enable them to continue as a going concern.

32 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**26,205**	26,705
Post-employment benefits	**1,503**	1,645
	27,708	28,350

Total remuneration is included in "staff costs" (see note 5(b)).

33 NON-ADJUSTING POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the directors proposed a final dividend, further details are disclosed in note 10.

34 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 29 contains information about the assumptions and their risk factors relating to financial instruments. Apart from the above, the group believes the following critical accounting policies also involve significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment of property, plant and equipment and interest in leasehold land

If circumstances indicate that the carrying amounts of property, plant and equipment and interest in leasehold land may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with HKAS 36, *Impairment of assets*. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the net selling price and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

34 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Impairment of receivables

Receivables that are measured at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is a change in the objective evidence of impairment in relation to the debtor, the impairment loss would be higher or lower than the allowance for doubtful debts recognised in the financial statements.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the group's historical experience with similar assets and taking account of obsolescence and technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Write down of inventories

The group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. Based on this review, write down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

(e) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

The recognition of deferred tax assets require formal assessment by the group of the future profitability of related operations. In making this judgement, the group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

34 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(e) ***Income tax*** *(continued)*

Where the final outcome is different from the initial assessment, the income tax provisions and deferred tax assets recognised could be affected by differences in this assessment.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 8, *Operating segments*	1 January 2009
HKAS 1 (revised 2007), *Presentation of financial statements*	1 January 2009
HKFRS 3 (Revised), *Business combinations*	1 July 2009
Amendments to HKAS 27, *Consolidated and separate financial statements*	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

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

36 DETAILS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group.

Name of company	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	subsidiaries	Principal activities
Herald Group Limited	The British Virgin Islands ("BVI")	Hong Kong	1 share of US$1 each	100	–	Investment holding
Herald (Hong Kong) Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK$0.15 each	–	100	Investment holding
Herald China Investments Limited	Hong Kong	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100	Investment holding
Herald Investments (China) Company Limited @	PRC	PRC	Registered capital of US$11,500,000	–	100	Investment holding
Herald Metal and Plastic Works Limited	Hong Kong	Hong Kong	100 ordinary shares of HK$10 each	–	100	Manufacture of toys
			1,953,000 deferred shares of HK$10 each	–	100	
Dongguan Herald Metal and Plastic Company Limited @	PRC	PRC	Registered capital of HK$35,400,000	–	100	Manufacture of toys
Shenzhen Herald Metal and Plastic Company Limited # *	PRC	PRC	Registered capital of HK$23,500,000	–	60	Manufacture of toys
Herald Datanetics Limited	Hong Kong	Hong Kong	1,128,000 ordinary shares of HK$10 each	–	100	Manufacture of computer heads
Zhuhai Herald Datanetics Limited #	PRC	PRC	Registered capital of HK$38,000,000	–	80	Manufacture of computer heads
Herald Engineering Services Inc.	United States of America	United States of America	75,000 shares of US$0.4 each	–	100	Engineering service
Herald Houseware Limited	Hong Kong	Hong Kong	5,000,000 ordinary shares of HK$1 each	–	100	Trading of housewares

36 DETAILS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	Percentage of ownership interest held by the subsidiaries	Principal activities
Herald Metal Products Company Limited #	PRC	PRC	Registered capital of US$1,485,000	–	56.67	Manufacture of housewares
Zhuhai Herald Houseware Limited #	PRC	PRC	Registered capital of HK$30,000,000	–	80	Manufacture of housewares
Pilot Housewares (U.K.) Limited	United Kingdom	United Kingdom	1,380,247 ordinary shares of GBP1 each	–	100	Sales and distribution of housewares
Zeon Limited	United Kingdom	United Kingdom	433,750 ordinary shares of GBP1 each	–	100	Sales and distribution of clocks, watches and electronic products
			1,250,000 12.5% cumulative redeemable preference shares of GBP1 each	–	100	
			165,417 preferred shares of GBP1 each	–	100	
Zeon Far East Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	–	100	Trading of clocks and watches

36 DETAILS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	subsidiaries	Principal activities
Herald Electronics Limited	Hong Kong	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100	Trading of clocks and watches
Shanghai Herald Electronics Company Limited #	PRC	PRC	Registered capital of RMB3,200,000	–	75	Manufacture of clocks and watches
Jonell Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$10 each	–	100	Property investment
Premium Account Limited	BVI	PRC	2 shares of US$1 each	–	100	Property investment

Equity joint ventures registered under the laws of the PRC as Sino-foreign Joint Venture Enterprises.

The operating period of these equity joint ventures will be expired as follows:

- Zhuhai Herald Datanetics Limited: 2 August 2013
- Herald Metal Products Company Limited: 5 August 2010
- Zhuhai Herald Houseware Limited: 23 April 2012
- Shanghai Herald Electronics Company Limited: 1 November 2019

@ Wholly-Owned Foreign Investment Enterprises registered under the laws of the PRC.

* The operating period of Shenzhen Herald Metal and Plastic Company Limited was expired on 19 August 2008 and the company ceased operation since then.

Five-year Summary

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Results					
Turnover	**1,640,914**	1,554,006	1,550,091	1,325,686	1,442,998
Profit before taxation	**81,503**	143,939	122,443	105,123	115,652
Income tax	**(33,706)**	(25,811)	(13,775)	(14,392)	(16,480)
Profit for the year	**47,797**	118,128	108,668	90,731	99,172
Attributable to:					
– Equity shareholders of the company	**51,736**	117,946	111,120	86,290	96,117
– Minority interests	**(3,939)**	182	(2,452)	4,441	3,055
Profit for the year	**47,797**	118,128	108,668	90,731	99,172
Assets and liabilities					
Fixed assets	**231,239**	228,931	181,522	178,066	174,211
Club membership	**1,860**	1,990	1,820	1,660	1,600
Interest in jointly controlled entity	**2,398**	2,345	1,998	2,150	1,804
Other non-current financial assets	**4,680**	4,680	–	2,000	9,024
Deferred tax assets	**6,895**	4,879	6,128	5,249	6,118
Current assets	**726,379**	747,057	700,212	574,360	566,603
Current liabilities	**(198,119)**	(194,118)	(179,596)	(123,731)	(166,347)
Total assets less current liabilities	**775,332**	795,764	712,084	639,754	593,013
Non-current liabilities	**(4,550)**	(2,914)	(3,426)	(4,441)	(4,051)
Net assets	**770,782**	792,850	708,658	635,313	588,962
Capital and reserves					
Share capital	**46,994**	47,349	47,392	47,886	47,886
Reserves	**702,068**	716,391	631,169	554,423	513,052
Total equity attributable to equity shareholders of the company	**749,062**	763,740	678,561	602,309	560,938
Minority interests	**21,720**	29,110	30,097	33,004	28,024
Total equity	**770,782**	792,850	708,658	635,313	588,962