Herald Holdings Limited

Stock Code : 00114

Annual Report 2011

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
Tang King-Hung ACA, FCCA, ACIS, CPA

Non-Executive Director

Chang Dong-Song *Honorary Chairman*

Independent Non-Executive Directors

Lie-A-Cheong Tai-Chong, David SBS, OM, JP
Yeh Man-Chun, Kent
NG Tze-Kin, David CA(AUST.), FCPA

Secretary

Shum Kam-Hung ACIS, CPA

Principal Bankers

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

Auditors

KPMG
Certified Public Accountants

Solicitors

Stephenson Harwood

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 Registrar

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

Hong Kong Share Registrar

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 2011 HK$'000	Year ended 31 March 2010 HK$'000
Turnover	1,623,525	1,465,997
Profit attributable to equity shareholders	111,215	147,110
Dividends paid and proposed	54,224	54,224
Earnings per share – Basic and diluted	HK18.46 cents	HK24.42 cents
Dividends paid and proposed, per share	HK9 cents	HK9 cents

	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000
Net assets attributable to equity shareholders	917,752	853,875
Net assets attributable to equity shareholders per share	HK$1.52	HK$1.42
Total assets	1,167,896	1,082,505
Number of issued and fully paid shares	602,490,763 shares	602,490,763 shares

Chairman's Statement

I am pleased to present the annual report of the Herald Holdings Limited ("the company") and its subsidiaries (together referred to as "the group") for the year ended 31 March 2011.

Results

The turnover of the group for the year ended 31 March 2011 was HK$1,624 million which was HK$158 million or 11% higher than that in the previous year. The increase in the group's turnover mainly came from the Computer products and the Timepieces Divisions. The net profit attributable to the equity shareholders of the company was HK$111 million, representing a decline of 24% from the profit of HK$147 million in the previous year. Detailed analysis of the operating results is set out in the following paragraphs.

Review of Operations

Toys Division

The turnover of the Toys Division increased by 3% over the previous year to HK$767 million and the operating profit for the year ended 31 March 2011 which amounted to HK$72 million represents a decrease of HK$69 million or 49% as compared to last year mainly because as mentioned in the interim report, the Division has lost the benefit of the savings in material costs that contributed to the exceptional performance in the first half of the previous financial year. Nevertheless, management is pleased to note that the second half of the financial year has improved over the previous corresponding period.

Computer products Division

The performance of the Computer products Division continued to be encouraging. The turnover increased by HK$95 million or 41% to HK$327 million mainly due to an increase in the sales of the thin-film computer heads and the newly-developed product, the smart thermostats which commenced at the beginning of the year under review. The operating profit was HK$49 million, compared with HK$24 million in the previous year. The increased profitability was principally attributable to the increased business volume.

Housewares Division

The Housewares Division experienced a tough trading environment with stiff competition and rising material costs. The turnover of the Division, which amounted to HK$156 million, decreased by HK$22 million or 12% from last year. The Division sustained an operating loss of HK$11 million compared to a profit of HK$11 million in the previous year.

Timepieces Division

The performance of the Timepieces Division continued to improve in the second half of the financial year as the markets continued to recover. Sales for the whole year increased by HK$65 million or 21% to HK$374 million and the operating loss has shrunk to HK$11 million from HK$19 million a year earlier.

Other Investments

The group recorded a gain of HK$22 million (2010: HK$3 million) on revaluation of investment properties for the year ended 31 March 2011. In addition, the net realised and unrealised gains on trading securities amounted to HK$6 million (2010: HK$24 million). The dividend and interest income on trading securities for the year amounted to HK$5 million (2010: HK$4 million). As at 31 March 2011, the group's trading securities amounted to HK$156 million, an increase of HK$40 million over 31 March 2010.

Financial Position

The group continues to maintain its sound financial position. At the end of the financial year, the group had a strong balance sheet with healthy liquidity. As at 31 March 2011, the group had total assets of HK$1,168 million (2010: HK$1,083 million) which were financed by current liabilities of HK$223 million (2010: HK$202 million), non-current liabilities of HK$3 million (2010: HK$4 million), non-controlling interests of HK$24 million (2010: HK$23 million) and equity attributable to the company's equity shareholders of HK$918 million (2010: HK$854 million).

As at 31 March 2011, the group's cash balances aggregated to HK$349 million, down from HK$369 million a year ago. The group's current assets as at 31 March 2011 amounted to HK$883 million compared to HK$814 million as at 31 March 2010. The inventories increased to HK$189 million from HK$159 million while the trade and other receivables increased to HK$184 million from HK$167 million. The trading financial assets as at 31 March 2011 amounted to HK$156 million (2010: HK$116 million).

The group's current liabilities increased from HK$202 million to HK$223 million at 31 March 2011. As in the previous year, the group had no bank borrowings or any long-term borrowings at 31 March 2011. Certain trading financial assets and bank deposits amounting to HK$187 million (2010: HK$140 million) are pledged to banks to secure banking facilities granted to the group. As at 31 March 2011, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.96 as compared to 4.03 in the last year. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and cash and cash equivalents over current liabilities, decreased to 2.01 from 2.17 in the last year.

Contingent Liabilities

As at 31 March 2011 the group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States Dollars and Pound Sterling. From time to time, the group takes out foreign exchange contracts to hedge against its foreign exchange exposure.

Chairman's Statement

Prospect and General Outlook

While the business volume of the Toys Division in the year ending 31 March 2012 may be maintained at a similar level as the year before, the profit margin will suffer from rising labour costs and material prices, and appreciation of Renminbi. On the other hand, management is hopeful about the prospects of the smart thermostats and anticipates that the Computer products Division will continue to record a satisfactory performance. However, the Housewares Division will experience similar difficulties as the Toys Division and coupled with severe competition, the division will struggle to show a profit in the financial year ending 31 March 2012. Meanwhile, the Timepieces Division, which will continue to develop and introduce new brands to the market and expand customer base, is expected to report an improved result in the financial year ending 31 March 2012.

The current financial year remains to be challenging for the group. Management is concerned about the pressure on the profit margins brought about by the rising labour costs and material prices, and appreciation of Renminbi. However, the group has taken measures to improve operating efficiency, develop new markets and expand its customer base to ensure that it will remain competitive. Despite the difficult trading environment, management is hopeful that the group's overall performance will continue to be satisfactory in the year ending 31 March 2012.

Dividends

At the forthcoming Annual General Meeting to be held on Monday, 19 September 2011, the Directors will recommend a final dividend of HK6 cents (2010: HK6 cents) per share. Together with the interim dividend of HK3 cents (2010: HK3 cents), the dividend for the year of HK9 cents (2010: HK9 cents) would represent an annual return of 7.7% (2010: 10.7%) on the company's average share price of HK$1.17 (2010: HK84 cents) in the year ended 31 March 2011.

The final dividend will amount to HK$36,149,000 and is calculated based on the total number of shares in issue as at 28 June 2011, being the latest practicable date prior to the announcement of the results.

Closure of Register of Members

The Annual General Meeting is scheduled on Monday, 19 September 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the company will be closed from Friday, 16 September 2011 to Monday, 19 September 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the company's share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 September 2011.

The proposed final dividend is subject to the passing of the ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is on Monday, 26 September 2011. For determining the entitlement to the proposed final dividend, the register of the members of the company will be closed from Friday, 23 September 2011 to Monday, 26 September 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with Tricor Tengis Limited, for registration no later than 4:30 p.m. on Thursday, 22 September 2011. The payment of final dividend, if approved at the Annual General Meeting, will be made on Monday, 10 October 2011.

Appreciation

On behalf of the board of directors and shareholders, I would 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 our business partners, has been crucial to the success of the group.

Cheung Tsang-Kay, Stan
Chairman

Hong Kong, 29 June 2011

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 2011.

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 37 to the financial statements.

The analysis of the principal activities and geographical locations of operations of the company and its subsidiaries ("the group") during the financial year are set out in note 11 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	35%	
Five largest customers in aggregate	58%	
The largest supplier		6%
Five largest suppliers in aggregate		21%

At no time during the year have the directors, their associates or any shareholder of the company (who 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 2011 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 105.

Transfer to reserves

Profit attributable to equity shareholders of the company, before dividends, of HK$111,215,000 (2010: HK$147,110,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK3 cents (2010: HK3 cents) per share was paid on 31 December 2010. The directors now recommend the payment of a final dividend of HK6 cents (2010: HK6 cents) per share in respect of the year ended 31 March 2011.

Charitable donations

Charitable donations made by the group during the financial year amounted to HK$192,000 (2010: HK$1,520,000).

Fixed assets

Details of movements in fixed assets during the financial year are set out in note 12 to the financial statements.

Share capital

Details of the company's share capital are set out in note 29(c) to the financial statements. There were no movements during the year.

There were no purchases, sales or redemptions of the company's listed securities by the company or any of its subsidiaries 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
K H Tang

Non-executive director

D S Chang (re-designated from executive director on 9 April 2010)

Independent non-executive directors

D T C Lie-A-Cheong
K M C Yeh
D T K Ng

In accordance with Bye-law 87 of the company's Bye-laws, R Dorfman, M Y S Thong and D T C Lie-A-Cheong 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.

Non-executive director and 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 67, is the son of Mr Chang Dong-Song. Dr Cheung had been 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 Honorary Trustee and Adjunct Professor at Shanghai Jiao Tung University and Director of Soong Ching Ling Foundation of Shanghai and was formerly Trustee of Fudan University. Dr Cheung joined the group in 1975 and is director of the principal subsidiaries of the company.

Robert DORFMAN, aged 56, brother of Mr Gershon Dorfman, 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 served from 1999 to 2009 as Chairman of the Vision 2047 Foundation. Mr Dorfman is Chairman of the World Presidents' Organisation's ("WPO") Board of Directors 2011/12. In addition, he is a Member of the Council of Lingnan University in Hong Kong. Mr Dorfman is Vice Chairman of the company and director of the principal subsidiaries of the company.

THONG Yeung-Sum, Michael, FCCA, CPA, aged 61, 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 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.

CHANG Dong-Song, aged 90, is the father of Dr Cheung Tsang-Kay, Stan. Mr Chang had been executive director of the company since 1992 and has been re-designated as non-executive director and has been concurrently appointed as Honorary Chairman of the company since 9 April 2010. Mr Chang is a co-founder of Herald Metal and Plastic Works Limited ("HMPL") and has played a principal role in the development of the group's manufacturing activities since 1969. He is now a non-executive 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.

TANG King-Hung, ACA, FCCA, ACIS, CPA, aged 59, had been appointed as an independent non-executive director since 28 September 2004 and has been re-designated as an executive director of the company since 1 February 2010. 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 also practises as a certified public accountant in Hong Kong. He is also director of the principal subsidiaries of the company.

Directors and senior management *(continued)*

Directors *(continued)*

LIE-A-CHEONG Tai-Chong, David, SBS, OM, JP, aged 51, 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 Vice-Chairperson of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council ("ECCPC"), the Chairperson of the Hong Kong-Taiwan Business Co-operation Committee ("BCC"), 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.

YEH Man-Chun, Kent, aged 56, was appointed as an independent non-executive director of the company on 5 October 2005. Mr Yeh was an independent non-executive director of Pacific Andes International Holdings Limited ("PAI"), a company listed on the Stock Exchange during the period from 30 September 2004 to 16 August 2008 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.

NG Tze-Kin, David, CA(AUST.), FCPA, aged 61, was appointed as an independent non-executive director of the company on 1 February 2010. Mr Ng holds a Master's Degree in Commerce from Macquarie University, Sydney and is an Australian Chartered Accountant and Chartered Secretary. Mr Ng had worked for PricewaterhouseCoopers Hong Kong between July 1969 and April 1977. After leaving PricewaterhouseCoopers, Mr Ng has been and is currently the managing director of a certified public accountants firm in Hong Kong. During the period from 28 June 2000 to 27 September 2004, Mr Ng was an independent non-executive director of Chaoyue Group Limited (formerly known as Graneagle Holdings Limited), a company listed on the Stock Exchange and he was subsequently re-designated as a non-executive director of Chaoyue Group Limited from 28 September 2004 to 16 October 2007. Mr Ng was also the Qualified Accountant for Air China Limited for the period from 15 November 2005 to 31 December 2008.

Senior management

Gershon DORFMAN, aged 55, brother of Mr Robert Dorfman, 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 Managing Director of Herald Datanetics Limited and director of certain of the group's companies.

KWOK Nam-Po, aged 60, 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 Managing Director of HMPL, Dongguan Herald Metal and Plastic Company Limited and Dongguan Herald Toys 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' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 March 2011, the interests and short positions of directors and chief executives of the company in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under 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") (the "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	
D S Chang	–	21,654,879	–	85,538,356 (Note (i))	107,193,235	17.79%
S T K Cheung	1,897,500	830,000	–	120,993,664 (Notes (i) & (ii))	123,721,164	20.53%
R Dorfman	46,470,000	–	–	–	46,470,000	7.71%
M Y S Thong	12,383,308	–	–	–	12,383,308	2.06%

Notes:

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

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

All the interests stated above represent long positions.

Save as disclosed above, none of the directors or chief executives of the company, any of their spouses or children under eighteen years of age had any interests or short positions in the shares, underlying shares or debentures of the company or its 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 2011 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' and chief executives' 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 2011 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)

		Number of shares					Percentage of total issued shares
	Note	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)	830,000	122,891,164	–	–	123,721,164	20.53%
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%

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' and chief executives' interests and short positions in shares, underlying shares and debentures".

(ii) The entire interests in shares of 123,721,164 are duplicated by those disclosed under Dr S T K Cheung, the spouse of Ms Ng Yiu Chi Eleanor, in the section "Directors' and chief executives' 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' and chief executives' 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' and chief executives' 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.

All the interests stated above represent long positions.

Save as disclosed above, 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.

Changes in directors' information

The basic annual salary of Mr Tang King-Hung, an executive director was revised from HK$2,340,000 to HK$2,990,000 starting from 1 January 2011.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B)1 of the Listing Rules. The updated biographical details of the directors of the company are set out in the preceding headed "Directors and senior management".

Bank loans and other borrowings

At 31 March 2011, the group did not have any bank loans and other borrowings.

Employees

As at 31 March 2011, the number of employees of the group was approximately 245 (2010: 243) in Hong Kong, 8,451 (2010: 7,566) in Mainland China and 109 (2010: 111) 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 28 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.

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 106 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

Tang King-Hung
Director

Hong Kong, 29 June 2011

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2011 except that the non-executive director and independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the non-executive director and 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 during the financial year and up to 29 June 2011 comprised:

Executive directors:

Dr Cheung Tsang-Kay, Stan *(Chairman)*
Mr Robert Dorfman *(Vice Chairman)*
Mr Thong Yeung-Sum, Michael *(Managing Director)*
Mr Tang King Hung

Non-executive director:

Mr Chang Dong-Song *(Honorary Chairman)* (re-designated from executive director on 9 April 2010)

Independent non-executive directors:

Mr Lie-A-Cheong Tai-Chong, David
Mr Yeh Man-Chun, Kent
Mr Ng Tze-Kin, David

Corporate Governance Report

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	N/A	3/3
Mr Tang King-Hung	4/4	N/A	N/A
Non-executive directors:			
Mr Chang Dong-Song (re-designated on 9 April 2010)	3/4	N/A	N/A
Independent non-executive directors:			
Mr Lie-A-Cheong Tai-Chong, David	4/4	3/3	N/A
Mr Yeh Man-Chun, Kent	4/4	3/3	3/3
Mr Ng Tze-Kin, David	4/4	3/3	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 Ng Tze-Kin, David, 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 the non-executive director and 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 two meetings to discuss such matters, which included the re-designation of Mr Chang Dong-Song from executive director to non-executive director and the appointment of Mr Chang as the Honorary Chairman of the company on 9 April 2010. These meetings were attended by all 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	3,065
Taxation services	762
Other services	26
	3,853

Audit Committee

The company has established an Audit Committee which currently comprises three independent non-executive directors. The Committee is chaired by Mr Ng Tze-Kin, David 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, which were attended by all Committee members, 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.

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 interests 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 Hong Kong"), 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.

An internal control review report issued by Baker Tilly Hong Kong was tabled before the members of the Audit Committee during the Audit Committee meeting held on 24 June 2011. The principal purpose of the internal control review carried out by Baker Tilly Hong Kong 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 Hong Kong and the Audit Committee, the Board considered the internal control system effective and adequate and was of the opinion that 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 in order to meet its needs. 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") and its subsidiaries (together "the group") set out on pages 24 to 105, which comprise the consolidated and company balance sheets as at 31 March 2011, the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about 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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2011 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

29 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	3 & 11	1,623,525	1,465,997
Cost of sales		(1,233,584)	(1,070,762)
Gross profit		389,941	395,235
Other revenue	4	19,407	18,141
Other net income	4	9,317	28,393
Selling expenses		(38,545)	(38,888)
Administrative expenses		(264,424)	(226,222)
Valuation gains on investment properties	12(d)	21,884	3,060
Impairment losses on property, plant and equipment	12(e)	(1,237)	(1,378)
Impairment losses on intangible assets	13	(1,697)	–
Profit from operations		134,646	178,341
Finance costs	5(a)	–	(23)
Share of profit less loss of associate		617	904
Share of profits of jointly controlled entities		95	765
Profit before taxation	5	135,358	179,987
Income tax	6(a)	(22,258)	(30,987)
Profit for the year		113,100	149,000
Attributable to:			
Equity shareholders of the company	9	111,215	147,110
Non-controlling interests		1,885	1,890
Profit for the year		113,100	149,000
Earnings per share	10		
Basic and diluted		18.46 cents	24.42 cents

The notes on pages 32 to 105 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 29(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	113,100	149,000
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries (no tax effect)	7,362	5,939
Total comprehensive income for the year	120,462	154,939
Attributable to:		
Equity shareholders of the company	118,101	153,013
Non-controlling interests	2,361	1,926
Total comprehensive income for the year	120,462	154,939

The notes on pages 32 to 105 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets	12(a)		
– Property, plant and equipment		194,887	200,548
– Investment properties		54,000	33,760
– Interests in leasehold land held for own use under operating leases		5,069	5,376
		253,956	239,684
Intangible assets	13	1,860	6,861
Interest in associate	16	3,082	2,629
Interest in jointly controlled entities	17	10,935	5,405
Other financial assets	18	4,680	4,680
Deferred tax assets	26(b)	10,086	8,815
		284,599	268,074
Current assets			
Trading securities	19	156,242	116,480
Inventories	20	188,656	159,193
Trade and other receivables	21	183,708	167,238
Current tax recoverable	26(a)	5,457	2,760
Pledged bank balances	23	49,593	57,015
Cash and cash equivalents	24	299,641	311,745
		883,297	814,431
Current liabilities			
Trade and other payables	25	206,746	183,579
Current tax payable	26(a)	16,063	18,278
		222,809	201,857
Net current assets		660,488	612,574
Total assets less current liabilities		945,087	880,648

Consolidated Balance Sheet

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Deferred tax liabilities	26(b)	248	333
Provision for long service payment	27	3,007	3,362
		3,255	3,695
NET ASSETS		941,832	876,953
CAPITAL AND RESERVES	29		
Share capital		46,994	46,994
Reserves		870,758	806,881
Total equity attributable to equity shareholders of the company		917,752	853,875
Non-controlling interests		24,080	23,078
TOTAL EQUITY		941,832	876,953

Approved and authorised for issue by the board of directors on 29 June 2011

Robert Dorfman
Director

Tang King-Hung
Director

The notes on pages 32 to 105 form part of these financial statements.

Balance Sheet

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	14	327,365	327,365
Current assets			
Trade and other receivables	21	215	140
Amounts due from subsidiaries	22	14,347	14,337
Cash and cash equivalents	24	1,998	1,999
Current tax recoverable	26(a)	44	–
		16,604	16,476
Current liabilities			
Trade and other payables	25	2,084	1,957
Amount due to a subsidiary	22	165	923
Current tax payable	26(a)	–	19
		2,249	2,899
Net current assets		14,355	13,577
NET ASSETS		341,720	340,942
CAPITAL AND RESERVES	29		
Share capital		46,994	46,994
Reserves		294,726	293,948
TOTAL EQUITY		341,720	340,942

Approved and authorised for issue by the board of directors on 29 June 2011

Robert Dorfman
Director

Tang King-Hung
Director

The notes on pages 32 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

		Attributable to equity shareholders of the company								
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2009		46,994	18,737	53,687	7,985	8,910	612,749	749,062	21,720	770,782
Changes in equity for 2010:										
Profit for the year		–	–	–	–	–	147,110	147,110	1,890	149,000
Other comprehensive income		–	–	–	5,903	–	–	5,903	36	5,939
Total comprehensive income		–	–	–	5,903	–	147,110	153,013	1,926	154,939
Dividends approved in respect of the previous year	29(b)	–	–	–	–	–	(30,125)	(30,125)	–	(30,125)
Transfer between reserves		–	–	–	–	150	(150)	–	–	–
Dividends declared in respect of the current year	29(b)	–	–	–	–	–	(18,075)	(18,075)	–	(18,075)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(568)	(568)
Balance at 31 March 2010 and 1 April 2010		46,994	18,737	53,687	13,888	9,060	711,509	853,875	23,078	876,953
Changes in equity for 2011:										
Profit for the year		–	–	–	–	–	111,215	111,215	1,885	113,100
Other comprehensive income		–	–	–	6,886	–	–	6,886	476	7,362
Total comprehensive income		–	–	–	6,886	–	111,215	118,101	2,361	120,462
Dividends approved in respect of the previous year	29(b)	–	–	–	–	–	(36,149)	(36,149)	–	(36,149)
Transfer between reserves		–	–	–	–	594	(594)	–	–	–
Dividends declared in respect of the current year	29(b)	–	–	–	–	–	(18,075)	(18,075)	–	(18,075)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(1,359)	(1,359)
Balance at 31 March 2011		46,994	18,737	53,687	20,774	9,654	767,906	917,752	24,080	941,832

The notes on pages 32 to 105 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Cash generated from operations	24(b)	110,604	218,922
Tax paid:			
– Hong Kong Profits Tax paid		(24,424)	(32,857)
– Taxation outside Hong Kong paid		(4,104)	(2,400)
		(28,528)	(35,257)
Net cash generated from operating activities		82,076	183,665
Investing activities			
Payment for purchase of property, plant and equipment		(22,049)	(40,325)
Payment for purchase of trading securities		(531,963)	(488,317)
Proceeds from disposal of property, plant and equipment		592	5,359
Proceeds from sale of trading securities		498,256	457,058
Payment for acquisition of a subsidiary	15	–	(31,160)
Payment for investment in an associate		–	(1,725)
Payment for investment in a jointly controlled entity		–	(1,056)
Interest received		3,765	3,095
Dividends received from listed securities		1,733	1,907
Dividend received from associate		593	–
Dividend received from jointly controlled entity		664	453
Decrease/(increase) in deposits with banks with more than three months to maturity when placed		3,900	(3,900)
Decrease in pledged bank balances		7,422	24,379
Net cash used in investing activities		(37,087)	(74,232)

Consolidated Cash Flow Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Financing activities			
Interest paid		–	(23)
Dividends paid to equity shareholders of the company	29(b)	(54,224)	(48,200)
Dividends paid to non-controlling interests		(1,359)	(568)
Net cash used in financing activities		(55,583)	(48,791)
Net (decrease)/increase in cash and cash equivalents		(10,594)	60,642
Cash and cash equivalents at the beginning of the year		307,845	244,271
Effect of foreign exchange rate changes		2,390	2,932
Cash and cash equivalents at the end of the year	24(a)	299,641	307,845

The notes on pages 32 to 105 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.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associate and jointly controlled entities.

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(i));

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

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

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 major sources of estimation uncertainty are discussed in note 35.

(c) Subsidiaries and non-controlling 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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the company, 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.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company.

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(d)).

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

1 Significant accounting policies *(continued)*

(d) Associate and jointly controlled entities

An associate is an entity in which the group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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 an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(e) and (n)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment loss for the year are recognised in the consolidated income statement, whereas the group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the group's share of losses exceeds its interest in the associate or 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 investee. For this purpose, the group's interest 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 associate or the jointly controlled entity.

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

When the group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

1 Significant accounting policies *(continued)*

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generation units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(n)).

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

(f) Other investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at fair value, 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 interest or dividends earned on these investments as these are recognised in accordance with the policies set out in note 1(u)(ii) and (iii).

– Investments in debt and 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(n)).

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

1 Significant accounting policies *(continued)*

(g) 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 recognised immediately in profit or loss.

(h) Property, plant and equipment

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

- freehold land and buildings;
- land classified as being held under finance leases and buildings thereon (see note 1(k));
- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(k)); 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.

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%

1 Significant accounting policies *(continued)*

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

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.

(i) Investment properties

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

Investment properties are stated 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(u)(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(k)), 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(k).

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group with a finite estimated useful life are stated at cost less accumulated amortisation and impairment losses (see note 1(n)). Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Licences are amortised over the unexpired term of their licence periods. Both the period and method of amortisation are reviewed annually.

Intangible assets with indefinite useful life are stated at cost less accumulated impairment loss (see note 1(n)). 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 that asset.

(k) 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.

1 Significant accounting policies *(continued)*

(k) Leased assets *(continued)*

(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 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(i)); 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(i)).

(l) 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.

1 Significant accounting policies *(continued)*

(l) Inventories *(continued)*

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.

(m) Receivables

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

(n) Impairment of assets

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

Investments in debt and equity securities 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)*

(n) 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 investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(n)(ii).

– 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 carried at cost are not reversed.

– 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 financial 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. This 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)*

(n) 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, except in the case of goodwill, 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 operating leases;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, 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 fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 Significant accounting policies *(continued)*

(n) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

A reversal of 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.

(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(n)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and 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.

(o) 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.

(p) Payables

Payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies *(continued)*

(q) Cash and cash equivalents

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

(r) 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.

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.

(s) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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)*

(s) Income tax *(continued)*

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

Additional income taxes that arise from distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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)*

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other 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.

1 Significant accounting policies *(continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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)*

(v) 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 closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

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

1 Significant accounting policies *(continued)*

(x) 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.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

– HKFRS 3 (revised 2008), *Business combinations*

– Amendments to HKAS 27, *Consolidated and separate financial statements*

– Improvements to HKFRSs (2009)

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3 and HKAS 27 has not yet had a material effect on the group's financial statements as these changes will first be effective as and when the group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

– The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases,* resulted in a change of classification leasehold land interests located in the Hong Kong Special Administrative Region ("HKSAR"). This has no impact to the group as the fair values of the group's leasehold interests in land and buildings situated in the HKSAR cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease. Accordingly, the land and buildings for own use have already been accounted for as finance leases prior to the introduction of amendments to HKAS 17.

2 Changes in accounting policies *(continued)*

Further details of these changes in accounting policies which are relevant to the group's financial statements are as follows:

– As a result of the amendments to HKAS 27, as from 1 April 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

– As a result of the amendment to HKAS 17, *Leases*, arising from the "*Improvements to HKFRSs (2009)*" omnibus standard, the group has also re-evaluated the classification of its interests in leasehold land in the People's Republic of China ("PRC") as to whether, in the group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the group is in a position economically similar to that of a purchaser. The group has concluded that the classification of such leases as operating leases continues to be appropriate as the leases do not transfer substantially all the risks and rewards of ownership of the land to the group.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36), with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the group has decided to adopt the amendments early.

Early adoption of the amendments to HKAS 12, *Income taxes*

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current period. As a result of this change in policy, the group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

In prior years, the group did not recognise deferred tax liability in respect of its investment properties as the directors were in the opinion that the impact of it was immaterial to the financial statements. The early adoption of the amendments to HKAS 12 therefore has no impact on the comparative period.

3 Turnover

The principal activity of the company is investment holding. The principal activities of the group are the manufacture, sale and distribution of toys, computer products, housewares, clocks, watches and electronic and gift products. The principal activities of the major subsidiaries are set out in note 37 to the financial statements.

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

The group's customer base is diversified and includes only two (2010: two) customers with whom transactions have exceeded 10% of the group's revenue. In 2011, revenue from sales of toys and computer products to these customers amounted to approximately HK$568,886,000 (2010: HK$600,974,000) and HK$196,946,000 (2010: HK$171,926,000) respectively and arose mainly in the North America geographical region in which the toys and computer products divisions are active. Details of the concentrations of credit risk arising from these customers are set out in note 30(a).

Further details regarding the group's principal activities are disclosed in note 11 to these financial statements.

4 Other revenue and other net income

	2011 HK$'000	2010 HK$'000
Other revenue		
Interest income from deposits with banks	949	673
Interest income from trading securities	2,816	2,422
Rental income	3,751	4,113
Dividend income from listed securities	1,733	1,907
Royalty income	6,779	5,650
Others	3,379	3,376
	19,407	18,141
Other net income		
(Loss)/gain on disposal of property, plant and equipment	(1,022)	1,454
Net foreign exchange gains	4,061	972
Net realised and unrealised gains on trading securities	6,055	23,518
Others	223	2,449
	9,317	28,393

5 Profit before taxation

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

	2011 HK$'000	2010 HK$'000
(a) Finance costs		
Interest on bank advances repayable within five years	–	23
(b) Staff costs#		
Contributions to defined contribution retirement plans	25,442	18,666
Write back of provision for long service payments	(345)	(560)
Total retirement costs	25,097	18,106
Salaries, wages and other benefits	404,623	335,639
	429,720	353,745
(c) Other items		
Amortisation of intangible asset (note 13)	3,436	939
Amortisation of land lease premium#	333	328
Cost of inventories# (note 20(b))	1,233,584	1,070,762
Depreciation#		
– assets held for use under operating leases	–	17
– other assets	29,513	30,253
Auditor's remuneration		
– audit services	3,498	3,188
– tax services	779	433
– other services	47	25
Impairment loss recognised on trade debtors (note 21(b))	87	795
Impairment loss recognised on other receivables	–	2,340
Operating lease charges: minimum lease payments#		
– land and buildings	9,826	9,422
– other assets	2,286	2,513
Share of jointly controlled entities' taxation	127	275
Rentals receivable from investment properties less direct outgoings of HK$286,000 (2010: HK$305,000)	(1,656)	(1,820)

Cost of inventories includes HK$272,327,000 (2010: HK$224,775,000) 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:

	2011 HK$'000	2010 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	23,115	32,997
Over-provision in respect of prior years	(392)	(2,991)
	22,723	30,006
Current tax – Outside Hong Kong		
Provision for the year	2,065	3,734
Over-provision in respect of prior years	(1,172)	(680)
	893	3,054
Deferred tax		
Origination and reversal of temporary differences	(1,358)	(2,073)
	22,258	30,987

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) 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 corporate income tax ("CIT") 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%). The CIT rate applicable to all other subsidiaries located in the PRC was 25% (2010: 12.5% to 25%) for the current year.

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	135,358	179,987
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	20,576	24,273
Tax effect of non-deductible expenses	11,745	9,404
Tax effect of non-taxable revenue	(11,720)	(8,898)
Tax effect of prior years' unrecognised tax losses utilised this year	(1,300)	(1,265)
Tax effect of tax losses not recognised	4,769	10,426
Tax effect of other temporary differences not recognised	(398)	1,073
Over-provision in respect of prior years	(1,564)	(3,671)
Others	150	(355)
Actual tax expense	22,258	30,987

7 Directors' remuneration

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

	2011				
	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	–	3,640	1,400	336	5,376
R Dorfman	–	3,510	1,350	324	5,184
M Y S Thong	–	3,485	1,193	318	4,996
K H Tang	–	2,540	910	115	3,565
Non-executive director					
D S Chang	180	–	–	–	180
Independent non-executive directors					
D T C Lie-A-Cheong	180	–	–	–	180
K M C Yeh	180	–	–	–	180
D T K Ng	180	–	–	–	180
	720	13,175	4,853	1,093	19,841

7 Directors' remuneration *(continued)*

	2010				
	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	–	3,640	1,400	336	5,376
R Dorfman	–	3,510	1,350	324	5,184
M Y S Thong	–	3,485	1,193	318	4,996
K H Tang	150	240	–	12	402
G Bloch	–	15	–	–	15
Non-executive director					
D S Chang	–	195	–	–	195
Independent non-executive directors					
D T C Lie-A-Cheong	180	–	–	–	180
K M C Yeh	180	–	–	–	180
D T K Ng	30	–	–	–	30
	540	11,085	3,943	990	16,558

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2010: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2010: two) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	6,670	6,670
Discretionary bonuses	3,355	3,355
Retirement scheme contributions	441	441
	10,466	10,466

The emoluments of the two (2010: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2011	2010
HK$4,000,001 – HK$4,500,000	1	1
HK$6,000,001 – HK$6,500,000	1	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$55,002,000 (2010: HK$46,251,000) which has been dealt with in the financial statements of the company.

Details of dividends paid and payable to equity shareholders of the company are set out in note 29(b).

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the company of HK$111,215,000 (2010: HK$147,110,000) and the weighted average number of shares of 602,491,000 (2010: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2010 and 2011, therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior years.

11 Segment reporting

The group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

(a) Segments results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in associate, interest in jointly controlled entities, deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include the group's share of revenue and expenses arising from the activities of the group's associate and jointly controlled entities.

The measure used for reporting segment profit is "profit from operations".

11 Segment reporting *(continued)*

(a) Segments results, assets and liabilities *(continued)*

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2011 and 2010 is set out below:

	2011						
	Toys HK$'000	Computer products HK$'000	Housewares HK$'000	Timepieces HK$'000	Investments HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	766,612	327,256	155,803	373,854	–	–	1,623,525
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	766,612	327,256	155,803	373,854	–	–	1,623,525
Reportable segment profit/(loss)	71,885	49,402	(11,003)	(10,817)	10,699	23,771	133,937
Interest income	387	18	108	198	2,816	–	3,527
Interest expense	–	–	–	–	–	–	–
Depreciation and amortisation for the year	(14,035)	(10,067)	(2,224)	(3,897)	(283)	(1,495)	(32,001)
Impairment losses on property, plant and equipment	–	–	(246)	(991)	–	–	(1,237)
Impairment losses on intangible assets	–	–	–	(1,697)	–	–	(1,697)
Reportable segment assets	335,266	193,313	117,131	197,479	205,833	67,719	1,116,741
Additions to non-current segment assets during the year	8,913	6,187	1,833	3,446	–	1,670	22,049
Reportable segment liabilities	117,053	35,178	40,502	31,037	–	394	224,164

11 Segment reporting *(continued)*

(a) Segments results, assets and liabilities *(continued)*

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2011 and 2010 is set out below: *(continued)*

	2010						
	Toys HK$'000	Computer products HK$'000	Housewares HK$'000	Timepieces HK$'000	Investments HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	747,082	232,139	178,046	308,730	–	–	1,465,997
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	747,082	232,139	178,046	308,730	–	–	1,465,997
Reportable segment profit/(loss)	141,081	23,891	10,595	(19,494)	27,937	6,049	190,059
Interest income	215	10	73	66	2,422	–	2,786
Interest expense	–	–	–	(23)	–	–	(23)
Depreciation and amortisation for the year	(15,202)	(9,789)	(2,279)	(2,937)	(80)	(971)	(31,258)
Impairment losses on property, plant and equipment	–	–	(545)	(833)	–	–	(1,378)
Impairment losses on intangible assets	–	–	–	–	–	–	–
Reportable segment assets	330,538	170,793	121,577	162,380	173,495	48,050	1,006,833
Additions to non-current segment assets during the year	12,111	20,836	1,809	12,255	9	–	47,020
Reportable segment liabilities	96,680	39,541	32,515	32,743	–	301	201,780

11 Segment reporting *(continued)*

(b) Reconciliations of reportable segment profit, assets and liabilities

	2011 HK$'000	2010 HK$'000
Profit		
Reportable segment profit	133,937	190,059
Finance costs	–	(23)
Share of profit less loss of associate	617	904
Share of profits of jointly controlled entities	95	765
Unallocated corporate income and expenses	709	(11,718)
Consolidated profit before taxation	135,358	179,987

	2011 HK$'000	2010 HK$'000
Assets		
Reportable segment assets	1,116,741	1,006,833
Elimination of inter-segment receivables	(19,127)	(19,416)
	1,097,614	987,417
Interest in jointly controlled entities	10,935	5,405
Interest in associate	3,082	2,629
Deferred tax assets	10,086	8,815
Current tax recoverable	5,457	2,760
Unallocated corporate assets	40,722	75,479
Consolidated total assets	1,167,896	1,082,505

11 Segment reporting *(continued)*

(b) Reconciliations of reportable segment profit, assets and liabilities *(continued)*

	2011 HK$'000	2010 HK$'000
Liabilities		
Reportable segment liabilities	224,164	201,780
Elimination of inter-segment payables	(19,127)	(19,416)
	205,037	182,364
Current tax payable	16,063	18,278
Deferred tax liabilities	248	333
Unallocated corporate liabilities	4,716	4,577
Consolidated total liabilities	226,064	205,552

(c) Geographic information

The following table sets out information about the geographical location of (i) the group's revenue from external customers and (ii) the group's fixed assets, intangible assets and interests in associate and jointly controlled entities ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of fixed assets, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associate and jointly controlled entities.

	Revenue from external customers		Specified non-current assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Hong Kong (place of domicile)	100,793	83,599	79,523	59,804
North America	817,822	815,951	7	9
United Kingdom	393,764	323,796	15,370	18,914
Europe (excluding United Kingdom)	178,730	137,663	8,722	2,808
Asia (excluding Mainland China and Hong Kong)	76,359	61,712	–	–
Mainland China	8,834	6,475	166,211	173,044
Others	47,223	36,801	–	–
	1,522,732	1,382,398	190,310	194,775
	1,623,525	1,465,997	269,833	254,579

12 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 2009	249,882	290,702	9,300	20,573	570,457	30,700	10,375	611,532
Exchange adjustments	500	1,490	–	100	2,090	–	14	2,104
Additions	3,980	34,319	1,094	932	40,325	–	–	40,325
Acquisition of a subsidiary (note 15)	–	343	–	–	343	–	–	343
Disposals	(4,491)	(21,702)	–	(317)	(26,510)	–	–	(26,510)
Fair value adjustment	–	–	–	–	–	3,060	–	3,060
At 31 March 2010	249,871	305,152	10,394	21,288	586,705	33,760	10,389	630,854
Representing:								
Cost	238,409	305,152	10,394	21,288	575,243	–	10,389	585,632
Valuation – 1987	11,462	–	–	–	11,462	–	–	11,462
– 2010	–	–	–	–	–	33,760	–	33,760
	249,871	305,152	10,394	21,288	586,705	33,760	10,389	630,854
Accumulated amortisation, depreciation and impairment losses:								
At 1 April 2009	124,857	228,094	9,300	13,369	375,620	–	4,673	380,293
Exchange adjustments	248	1,201	–	44	1,493	–	12	1,505
Amortisation and depreciation charge for the year	6,470	21,118	405	2,277	30,270	–	328	30,598
Impairment loss	–	689	689	–	1,378	–	–	1,378
Written back on disposal	(3,148)	(19,162)	–	(294)	(22,604)	–	–	(22,604)
At 31 March 2010	128,427	231,940	10,394	15,396	386,157	–	5,013	391,170
Net book value:								
At 31 March 2010	121,444	73,212	–	5,892	200,548	33,760	5,376	239,684

12 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 2010	249,871	305,152	10,394	21,288	586,705	33,760	10,389	630,854
Exchange adjustments	4,154	5,907	–	527	10,588	–	180	10,768
Additions	618	18,176	499	2,756	22,049	–	–	22,049
Reallocation of investment property	1,644	–	–	–	1,644	(1,644)	–	–
Disposals	–	(20,245)	(23)	(1,079)	(21,347)	–	–	(21,347)
Fair value adjustment	–	–	–	–	–	21,884	–	21,884
At 31 March 2011	256,287	308,990	10,870	23,492	599,639	54,000	10,569	664,208
Representing:								
Cost	244,825	308,990	10,870	23,492	588,177	–	10,569	598,746
Valuation – 1987	11,462	–	–	–	11,462	–	–	11,462
– 2011	–	–	–	–	–	54,000	–	54,000
	256,287	308,990	10,870	23,492	599,639	54,000	10,569	664,208
Accumulated amortisation, depreciation and impairment losses:								
At 1 April 2010	128,427	231,940	10,394	15,396	386,157	–	5,013	391,170
Exchange adjustments	2,233	4,982	–	363	7,578	–	154	7,732
Amortisation and depreciation charge for the year	6,574	20,586	109	2,244	29,513	–	333	29,846
Impairment loss	–	847	390	–	1,237	–	–	1,237
Written back on disposal	–	(18,812)	(23)	(898)	(19,733)	–	–	(19,733)
At 31 March 2011	137,234	239,543	10,870	17,105	404,752	–	5,500	410,252
Net book value:								
At 31 March 2011	119,053	69,447	–	6,387	194,887	54,000	5,069	253,956

12 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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
In Hong Kong						
– medium-term leases	50,520	31,210	25,503	25,678	–	–
Outside Hong Kong						
– freehold	–	–	10,007	8,997	–	–
– medium-term leases	3,480	2,550	83,543	86,769	5,069	5,376
– short-term leases	–	–	–	–	–	–
	54,000	33,760	119,053	121,444	5,069	5,376

(c) Certain land and buildings of the group were revalued as at 31 December 1987 by an independent firm of surveyors, Jones Lang LaSalle 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 2011 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 gain of HK$21,884,000 (2010: HK$3,060,000) has been recognised in the consolidated income statement during the year.

(e) During the year ended 31 March 2011, 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$1,237,000 (2010: HK$1,378,000). 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 2011, included in land and buildings held for own use was property carried at valuation less accumulated depreciation and impairment losses amounted to HK$3,631,000 (2010: HK$3,972,000). The carrying amount of these properties held for own use would have been HK$917,000 (2010: HK$1,111,000) had they been carried at cost less accumulated depreciation and impairment losses.

12 Fixed assets *(continued)*

(g) At 31 March 2011, the property ownership certificate in respect of property interests held under medium-term land use rights outside Hong Kong with carrying amount of HK$8,327,000 (2010: HK$8,705,000) as stated above has not been issued by the relevant government authority of the PRC. The group has settled the full amount of the purchase consideration and the directors represent that the group is in the process of obtaining the relevant certificates.

(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:

	2011 HK$'000	2010 HK$'000
Within 1 year	1,944	894

(i) During the year, certain investment properties were leased to a subsidiary in the group. In accordance with HKAS 16, *Property, plant and equipment* and HKAS 40, *Investment property*, the related portion of property was transferred from investment properties to land and buildings held for own use at fair value on the date of transfer.

13 Intangible assets

	The group		
	Licences HK$'000	Club memberships HK$'000	Total HK$'000
Cost:			
At 1 April 2009	–	2,120	2,120
Additions through business combination (note 15)	6,352	–	6,352
Exchange adjustments	(456)	–	(456)
At 31 March 2010	5,896	2,120	8,016
Accumulated amortisation and impairment losses:			
At 1 April 2009	–	260	260
Charge for the year	939	–	939
Exchange adjustments	(44)	–	(44)
At 31 March 2010	895	260	1,155
Net book value:			
At 31 March 2010	5,001	1,860	6,861

13 Intangible assets *(continued)*

	The group		
	Licences HK$'000	Club memberships HK$'000	Total HK$'000
Cost:			
At 1 April 2010	5,896	2,120	8,016
Exchange adjustments	343	–	343
At 31 March 2011	6,239	2,120	8,359
Accumulated amortisation and impairment losses:			
At 1 April 2010	895	260	1,155
Charge for the year	3,436	–	3,436
Impairment loss	1,697	–	1,697
Exchange adjustments	211	–	211
At 31 March 2011	6,239	260	6,499
Net book value:			
At 31 March 2011	–	1,860	1,860

Club memberships represent the rights to use the clubs' facilities, which have indefinite useful lives.

The amortisation charge of licences for the year is included in administrative expenses in the consolidated income statement.

During the year ended 31 March 2011, the directors carried out an assessment of the recoverable amount of the club memberships and licences and as a result, impairment losses of HK$Nil (2010: HK$Nil) and HK$1,697,000 (2010: HK$Nil) were recognised respectively during the year. The estimates of recoverable amount of club memberships were based on recent observable market prices, while the estimates of recoverable amount of licenses were based on the value in use where the directors assessed that these assets are unable to generate positive cash flows to the group.

14 Investments in subsidiaries

	The company	
	2011 HK$'000	2010 HK$'000
Unlisted equities, 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 2011 are set out in note 37 to the financial statements.

15 Business combination

On 20 January 2010, the group acquired a 100% equity interest in Wesco Limited for a consideration of HK$29,369,000. Wesco Limited is engaged in sales and distribution of clocks, watches and electronic products.

The acquired business contributed a revenue of HK$8,257,000 and a net loss of HK$2,179,000 to the group for the period from 20 January 2010 to 31 March 2010. If the acquisition had occurred on 1 April 2009, management estimates that consolidated revenue would have been HK$1,527,505,000, and consolidated profit for the period would have been HK$149,730,000.

The acquisition had the following effect on the group's assets and liabilities on the acquisition date:

	Note	Pre-acquisition carrying amounts HK$'000	Recognised values on acquisition HK$'000
Property, plant and equipment	12(a)	343	343
Intangible assets	13	–	6,352
Inventories		8,257	8,257
Trade and other receivables		28,466	28,466
Bank overdrafts		(1,791)	(1,791)
Trade and other payables		(12,004)	(12,004)
Tax payable		(254)	(254)
Net identifiable assets and liabilities acquired		23,017	29,369
Fair value of net assets acquired and consideration paid, satisfied in cash			29,369
Less: bank overdrafts acquired			1,791
Net cash outflow in respect of the acquisition			31,160

16 Interest in associate

	The group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	1,486	1,391
Goodwill	1,315	1,238
Amount due from associate	281	–
	3,082	2,629

The particulars of the associate, which is an unlisted corporate entity, are listed below:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest held by a subsidiary	Principal activity
Fire Rock International Ltd	Limited liability company	United Kingdom	1,000 ordinary shares of GBP1 each	30%	Distribution of clocks, watches and electronic products

Summary financial information on associate

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2011					
100 per cent	7,632	(2,678)	4,954	17,122	2,058
Group's effective interest	2,289	(803)	1,486	5,137	617
2010					
100 per cent	6,288	(1,651)	4,637	16,712	3,012
Group's effective interest	1,886	(495)	1,391	5,014	904

17 Interest in jointly controlled entities

	The group	
	2011 HK$'000	2010 HK$'000
Share of net assets	3,590	3,874
Amount due to a jointly controlled entity	(104)	(98)
Loan to a jointly controlled entity (note 17(a))	7,449	1,629
	10,935	5,405

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

Name of jointly controlled entities	Form of business structure	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital/ registered capital	Percentage of ownership interest held by the subsidiaries	Principal activity
Ningbo Herald Metal Products Company Limited	Established	PRC	Registered capital of US$280,000	40%	Manufacture of housewares
Ventura Watch AG	Limited liability company	Switzerland	1,000 ordinary shares of CHF260 each	55%	Distribution of clocks, watches and electronic products

In the opinion of the directors, the group does not have the power to govern the financial and operating policies of Ventura. Accordingly, this investment has been treated as a jointly controlled entity.

Summary financial information on the jointly controlled entities – group's effective interest

	2011 HK$'000	2010 HK$'000
Non-current assets	721	2,583
Current assets	9,909	2,925
Current liabilities	(3,005)	(720)
Non-current liabilities	(4,035)	(914)
Net assets	3,590	3,874

17 Interest in jointly controlled entities *(continued)*

Summary financial information on the jointly controlled entities – group's effective interest *(continued)*

	2011 HK$'000	2010 HK$'000
Income	8,067	5,585
Expenses	(7,845)	(4,545)
Profit before taxation	222	1,040
Income tax	(127)	(275)
Profit for the year	95	765

(a) The loan to a jointly controlled entity is unsecured, interest bearing at 4.75% and repayable on 31 December 2012.

18 Other financial assets

	The group	
	2011 HK$'000	2010 HK$'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 group 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.

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%

19 Trading securities

	The group	
	2011	2010
	HK$'000	HK$'000
Listed equity securities, at market value		
– in Hong Kong	42,937	40,259
– outside Hong Kong	16,996	16,230
	59,933	56,489
Unlisted structured products, at fair value (note 19(a))	16,577	12,912
Unlisted managed funds, at fair value (note 19(b))	66,006	31,789
Unlisted debt securities, at fair value	9,810	3,552
Listed debt securities, at market value	3,916	11,738
	156,242	116,480

(a) Structured products

The group acquired certain structured products for short-term investment purposes, which include equity-linked notes and currency-linked notes. These structured products are issued by financial institutions with high credit rating and with maturity ranging from 1 month to 3 months when acquired. 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 debt and equity securities and commodities throughout the world.

(c) At 31 March 2011, trading securities of HK$137,554,000 (2010: HK$82,705,000) are pledged to banks to secure the banking facilities, which include revolving credit facility and investment trading line granted to the group.

20 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The group	
	2011 HK$'000	2010 HK$'000
Raw materials	86,583	61,779
Work in progress	34,320	39,189
Finished goods	67,753	58,225
	188,656	159,193

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The group	
	2011 HK$'000	2010 HK$'000
Carrying amount of inventories sold	1,226,718	1,068,644
Write-down of inventories	6,866	2,118
	1,233,584	1,070,762

21 Trade and other receivables

	The group		The company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade debtors and bills receivable	148,301	126,109	–	–
Less: allowance for doubtful debts (note 21(b))	(502)	(661)	–	–
	147,799	125,448	–	–
Deposits, prepayments and other receivables	35,752	40,765	215	140
Derivative financial instruments	157	1,025	–	–
	183,708	167,238	215	140

21 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$3,307,000 (2010: HK$3,195,000) and HK$Nil (2010: HK$Nil) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

The directors carried out a review of the recoverable amount of deposits, prepayments and other receivables during the year ended 31 March 2010. Based on their review, impairment loss of HK$2,340,000 was recognised to profit or loss for that 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	
	2011 HK$'000	2010 HK$'000
Neither past due nor impaired		
Current	115,361	92,336
Past due but not impaired		
Less than 1 month past due	17,821	27,793
1 to 3 months past due	11,813	3,982
More than 3 months but less than 12 months past due	2,804	1,337
Amounts past due	32,438	33,112
	147,799	125,448

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 30(a).

21 Trade and other receivables *(continued)*

(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(n)(i)).

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

	The group	
	2011 HK$'000	2010 HK$'000
At the beginning of the year	661	751
Impairment loss recognised	87	795
Uncollectible amounts written off	(246)	(885)
At the end of the year	502	661

(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 21(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.

22 Amounts due from/to subsidiaries

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

23 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	
	2011 HK$'000	2010 HK$'000
Cash at bank	49,593	57,015

24 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	The group		The company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Deposits with banks	8,987	40,695	1,008	1,004
Cash at bank and in hand	290,654	271,050	990	995
Cash and cash equivalents in the balance sheet	299,641	311,745	1,998	1,999
Less: Deposits with banks with more than three months to maturity when placed	–	(3,900)		
Cash and cash equivalents in the consolidated cash flow statement	299,641	307,845		

24 Cash and cash equivalents *(continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2011 HK$'000	2010 HK$'000
Profit before taxation		135,358	179,987
Adjustments for:			
Interest income	4	(3,765)	(3,095)
Dividend income from listed securities	4	(1,733)	(1,907)
Share of profit less loss of associate	16	(617)	(904)
Share of profits of jointly controlled entities	17	(95)	(765)
Depreciation	5(c)	29,513	30,270
Amortisation of land lease premium	5(c)	333	328
Loss/(gain) on disposal of property, plant and equipment	4	1,022	(1,454)
Valuation gain on investment properties	12(d)	(21,884)	(3,060)
Impairment losses on property, plant and equipment	12(e)	1,237	1,378
Impairment losses on intangible assets	13	1,697	–
Amortisation of intangible assets	13	3,436	939
Net realised and unrealised gains on trading securities	4	(6,055)	(23,518)
Finance costs	5(a)	–	23
Foreign exchange loss		1,373	2,783
Changes in working capital:			
Increase in amount due from associate		(281)	–
Increase in amounts due from jointly controlled entities		(5,814)	(1,630)
(Increase)/decrease in inventories		(29,463)	36,183
(Increase)/decrease in trade and other receivables		(16,470)	11,556
Increase/(decrease) in trade and other payables		23,167	(7,519)
Decrease in provision for long service payments		(355)	(673)
Cash generated from operations		110,604	218,922

25 Trade and other payables

	The group		The company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors and bills payable	52,720	52,957	–	–
Accruals and other payables	154,026	130,622	2,084	1,957
	206,746	183,579	2,084	1,957

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	
	2011	2010
	HK$'000	HK$'000
By date of invoice		
Within 1 month	46,375	44,709
Over 1 month but within 3 months	4,828	6,335
Over 3 months	1,517	1,913
	52,720	52,957

26 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	The group		The company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Provision for Hong Kong Profits Tax for the year	23,115	32,997	2	44
Provisional Profits Tax paid	(15,685)	(22,273)	(46)	(25)
	7,430	10,724	(44)	19
Balance of Profits Tax provision relating to prior years	1,554	(39)	–	–
	8,984	10,685	(44)	19
Taxation outside Hong Kong	(606)	1,433	–	
Balance of provision relating to prior years	2,228	3,400	–	–
	1,622	4,833	–	–
	10,606	15,518	(44)	19
Representing:				
Current tax recoverable	(5,457)	(2,760)	(44)	–
Current tax payable	16,063	18,278	–	19
	10,606	15,518	(44)	19

26 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:

	Depreciation allowances in excess of related depreciation HK$'000	Tax losses HK$'000	Provisions HK$'000	Others HK$'000	Total HK$'000
Deferred tax arising from:					
At 1 April 2009	641	(3,812)	(4,685)	1,476	(6,380)
Exchange adjustments	(29)	–	–	–	(29)
Credited to profit or loss	(107)	(618)	(843)	(505)	(2,073)
At 31 March 2010	505	(4,430)	(5,528)	971	(8,482)
At 1 April 2010	505	(4,430)	(5,528)	971	(8,482)
Exchange adjustments	2	–	–	–	2
(Credited)/charged to profit or loss	(293)	3,637	(2,915)	(1,787)	(1,358)
At 31 March 2011	214	(793)	(8,443)	(816)	(9,838)

	2011 HK$'000	2010 HK$'000
Net deferred tax assets recognised on the consolidated balance sheet	(10,086)	(8,815)
Net deferred tax liabilities recognised on the consolidated balance sheet	248	333
	(9,838)	(8,482)

(ii) The company

No deferred tax has been recognised as the company does not have any significant temporary differences at 31 March 2010 and 2011.

26 Income tax in the balance sheet *(continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the group has not recognised deferred tax assets totalling HK$32,235,000 (2010: HK$29,164,000) in respect of depreciation in excess of the related depreciation allowances, cumulative tax losses and provisions of HK$3,427,000 (2010: HK$4,431,000), HK$146,177,000 (2010: HK$124,184,000) and HK$654,000 (2010: HK$968,000) 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$23,284,000 (2010: HK$21,800,000) which can be carried forward for up to five years from the year in which the loss originated. The remaining balance of HK$122,875,000 (2010: HK$102,384,000) does not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 March 2011, temporary differences relating to undistributed profits of subsidiaries amounted to HK$18,451,000 (2010: HK$12,689,000). Deferred tax liabilities of HK$923,000 (2010: HK$634,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 Provision for long service payment

	The group HK$'000
At 1 April 2010	3,362
Write back of provision during the year	(345)
Provision utilised	(10)
At 31 March 2011	3,007

According to Part VB of the Hong Kong Employment Ordinance ("the Ordinance"), the group is liable to make long service payment 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 payment that is 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.

28 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 2011, there was no forfeited contribution which is available to reduce the contributions payable in future years (2010: 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.

28 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.

29 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

The company

	Note	Share capital HK$'000	Share premium HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 1 April 2009		46,994	18,737	277,160	342,891
Changes in equity for 2010:					
Profit and total comprehensive income for the year		–	–	46,251	46,251
Dividend approved in respect of the previous year	29(b)	–	–	(30,125)	(30,125)
Dividend declared in respect of the current year	29(b)	–	–	(18,075)	(18,075)
Balance at 31 March 2010 and 1 April 2010		46,994	18,737	275,211	340,942
Changes in equity for 2011:					
Profit and total comprehensive income for the year		–	–	55,002	55,002
Dividend approved in respect of the previous year	29(b)	–	–	(36,149)	(36,149)
Dividend declared in respect of the current year	29(b)	–	–	(18,075)	(18,075)
Balance at 31 March 2011		46,994	18,737	275,989	341,720

29 Capital, reserves and dividends *(continued)*

(b) Dividends

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

	2011 HK$'000	2010 HK$'000
Interim dividend declared and paid of HK3 cents (2010: HK3 cents) per share	18,075	18,075
Final dividend proposed after the balance sheet date of HK6 cents (2010: HK6 cents) per share	36,149	36,149
	54,224	54,224

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

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

	2011 HK$'000	2010 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6 cents (2010: HK5 cents) per share	36,149	30,125

29 Capital, reserves and dividends *(continued)*

(c) Share capital

Authorised and issued share capital

	2011		2010	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:				
Shares of US$0.01 each	1,000,000	78,000	1,000,000	78,000
Issued and fully paid:				
At the beginning and at the end of the year	602,491	46,994	602,491	46,994

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.

(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.

29 Capital, reserves and dividends *(continued)*

(d) Nature and purpose of reserves *(continued)*

(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(v).

(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 2011, the aggregate amount of reserves available for distribution to equity shareholders of the company was HK$275,989,000 (2010: HK$275,211,000). After the balance sheet date the directors proposed a final dividend of HK6 cents (2010: HK6 cents) per share, amounting to HK$36,149,000 (2010: HK$36,149,000). 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.

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 2011, the group's strategy, which was unchanged from 2010, 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 2011 was 19% (2010: 19%) and 0.7% (2010: 0.8%) respectively.

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

30 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, 18% (2010: 21%) and 57% (2010: 59%) of the total trade receivables were due from the group's largest customer and the five largest customers respectively.

Cash and bank deposits are placed with financial institutions with sound credit ratings. Trading securities are principally listed or liquid securities issued by counterparties with 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. Except for the financial guarantees given in note 32(b), the group does not provide any financial guarantees which would expose the group to credit risk.

30 Financial risk management and fair values *(continued)*

(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 tables show 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

	2011			2010		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within one year or on demand HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000	Within one year or on demand HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Trade and other payables	206,746	206,746	206,746	183,579	183,579	183,579
Derivatives settled gross:						
Forward exchange contracts:						
– outflow	(34,052)	(34,052)		(27,835)	(27,835)	
– inflow	34,211	34,211		28,748	28,748	

30 Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

The company

	2011			2010		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within one year or on demand HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000	Within one year or on demand HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Trade and other payables	2,084	2,084	2,084	1,957	1,957	1,957
Amount due to a subsidiary	165	165	165	923	923	923
	2,249	2,249	2,249	2,880	2,880	2,880

(c) Interest rate risk

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

At 31 March 2011, 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$3,350,000 (2010: HK$3,283,000). Other components of the consolidated equity would not be affected 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 2010.

30 Financial risk management and fair values *(continued)*

(d) Currency risk

The group is exposed to 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 2011, forward foreign exchange contracts with net fair value assets of HK$157,000 (2010: HK$1,025,000) entered into by the group has been recognised as derivative financial instruments. 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

	Exposure to foreign currencies (Expressed in Hong Kong dollars) 2011		
	United States Dollars HK$'000	Pound Sterling HK$'000	Renminbi HK$'000
Other financial assets	4,680	–	–
Trading securities	77,345	11,392	5,749
Trade and other receivables	102,508	–	655
Pledged bank balances	9,383	12	1,544
Cash and cash equivalents	158,122	7,624	10,193
Trade and other payables	(32,401)	–	(10,754)
Gross exposure arising from recognised assets and liabilities	319,637	19,028	7,387
Notional amounts of forward foreign exchange contracts	23,400	–	(5,332)
Overall net exposure	343,037	19,028	2,055

30 Financial risk management and fair values *(continued)*

(d) Foreign currency risk *(continued)*

(i) Exposure to currency risk (continued)

The group *(continued)*

	Exposure to foreign currencies (Expressed in Hong Kong dollars) 2010		
	United States Dollars HK$'000	Pound Sterling HK$'000	Renminbi HK$'000
Other financial assets	4,680	–	–
Trading securities	61,745	10,942	–
Trade and other receivables	88,039	–	576
Pledged bank balances	24,788	12	–
Cash and cash equivalents	164,330	8,761	13,265
Trade and other payables	(41,917)	–	(10,502)
Gross exposure arising from recognised assets and liabilities	301,665	19,715	3,339
Notional amounts of forward foreign exchange contracts	28,860	–	–
Overall net exposure	330,525	19,715	3,339

(ii) Sensitivity analysis

The following table indicates the instantaneous 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 the US$ would be materially unaffected by any changes in movement in value of US$ against other currencies.

30 Financial risk management and fair values *(continued)*

(d) Foreign currency risk *(continued)*

(ii) Sensitivity analysis (continued)

The group

	2011		2010	
	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%	4,897	10%	3,031
	(10)%	(4,897)	(10)%	(3,031)
Pound Sterling	10%	12,014	10%	11,028
	(10)%	(12,014)	(10)%	(11,028)
Renminbi	10%	(1,980)	10%	(1,660)
	(10)%	1,980	(10)%	1,660

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 2010.

30 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 19).

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 debt and equity securities and commodities throughout the world. Their performance is assessed at least bi-annually against performance of similar funds available in the market.

At 31 March 2011, it is estimated that an increase/decrease of 10% (2010: 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

	2011		2010	
	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%	3,303	10%	3,833
	(10)%	(3,303)	(10)%	(3,833)
– Standard and Poor's 500 Index	10%	1,237	10%	706
	(10)%	(1,237)	(10)%	(706)
– FTSE 100 Index	10%	1,186	10%	1,169
	(10)%	(1,186)	(10)%	(1,169)

30 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 2010.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

30 Financial risk management and fair values *(continued)*

(f) Fair values *(continued)*

(i) Financial instruments carried at fair value (continued)

2011

	The group		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Assets			
Trading securities	63,849	92,393	156,242
Derivative financial instruments:			
– Forward foreign exchange contracts	–	157	157
	63,849	92,550	156,399

2010

	The group		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Assets			
Trading securities	68,227	48,253	116,480
Derivative financial instruments:			
– Forward foreign exchange contracts	–	1,025	1,025
	68,227	49,278	117,505

During the year there were no significant transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2010 except for amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see note 22). Given these terms, it is not meaningful to disclose their fair values.

30 Financial risk management and fair values *(continued)*

(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 unlisted debt securities are based on price quoted by financial institutions.

31 Commitments

(a) At 31 March 2011, the total future minimum lease payments of the group under non-cancellable operating leases are payable as follows:

	The group			
	2011		2010	
	Land and buildings HK$'000	Others HK$'000	Land and buildings HK$'000	Others HK$'000
Within 1 year	9,073	447	6,593	1,384
After 1 year but within 5 years	12,330	4,568	10,743	1,073
After 5 years	–	–	1,686	–
	21,403	5,015	19,022	2,457

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.

31 Commitments *(continued)*

(b) Capital commitments outstanding at 31 March 2011 not provided for in the financial statements were as follows:

	The group	
	2011 HK$'000	2010 HK$'000
Contracted for	287	740

32 Contingent liabilities

(a) 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.

(b) As at the balance sheet date, the company has issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK$111,900,000 (2010: HK$111,900,000).

As at the balance sheet date, the directors do not consider to be probable that a claim will be made against the company under any of the guarantees issued. The maximum liability of the company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by the relevant subsidiaries of HK$Nil (2010: HK$Nil).

The company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

33 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:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	28,773	25,593
Post-employment benefits	1,534	1,431
	30,307	27,024

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

34 Non-adjusting post balance sheet event

Subsequent to the balance sheet date, the directors proposed a final dividend, further details are disclosed in note 29(b).

35 Accounting judgements and estimates

Note 30 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 interests in leasehold land

If circumstances indicate that the carrying amounts of property, plant and equipment and interests 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 fair value less costs to sell 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.

(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.

35 Accounting judgements and estimates *(continued)*

(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.

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

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 March 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the group:

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial Instruments*	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011

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.

37 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	Percentage of ownership interest held by the subsidiaries	Principal activity
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	Trading of toys
			1,953,000 deferred shares of HK$10 each	–	100	
Dongguan Herald Toys Company Limited@	PRC	PRC	Registered capital of HK$15,000,000	–	100	Manufacture of toys
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 and sale of computer products
Zhuhai Herald Datanetics Limited#	PRC	PRC	Registered capital of HK$38,000,000	–	80	Manufacture of computer products

37 Details of principal subsidiaries *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. *(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 activity
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
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	1,630,247 ordinary shares of GBP1 each	–	100	Sales and distribution of housewares
Zeon Limited	United Kingdom	United Kingdom	2,783,750 ordinary shares of GBP1 each	–	100	Sales and distribution of clocks, watches and electronic products
			165,417 preferred shares of GBP1 each	–	100	
Wesco Limited	United Kingdom	United Kingdom	32,500 ordinary shares of GBP1 each	–	100	Sales and distribution of clocks, watches and electronic products
Zeon Far East Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	–	100	Trading of clocks and watches

37 Details of principal subsidiaries *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the group. *(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 activity
Herald Electronics Limited	Hong Kong	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100	Trading of clocks
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 operation 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 2013
- Zhuhai Herald Houseware Limited: 23 April 2012
- Shanghai Herald Electronics Company Limited: 1 November 2019

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

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

Five Year Summary

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Results					
Turnover	1,623,525	1,465,997	1,640,914	1,554,006	1,550,091
Profit before taxation	135,358	179,987	81,503	143,939	122,443
Income tax	(22,258)	(30,987)	(33,706)	(25,811)	(13,775)
Profit for the year	113,100	149,000	47,797	118,128	108,668
Attributable to:					
– Equity shareholders of the company	111,215	147,110	51,736	117,946	111,120
– Non-controlling interests	1,885	1,890	(3,939)	182	(2,452)
Profit for the year	113,100	149,000	47,797	118,128	108,668
Assets and liabilities					
Fixed assets	253,956	239,684	231,239	228,931	181,522
Intangible assets	1,860	6,861	1,860	1,990	1,820
Interest in associate	3,082	2,629	–	–	–
Interest in jointly controlled entities	10,935	5,405	2,398	2,345	1,998
Other financial assets	4,680	4,680	4,680	4,680	–
Deferred tax assets	10,086	8,815	6,895	4,879	6,128
Current assets	883,297	814,431	726,379	747,057	700,212
Current liabilities	(222,809)	(201,857)	(198,119)	(194,118)	(179,596)
Total assets less current liabilities	945,087	880,648	775,332	795,764	712,084
Non-current liabilities	(3,255)	(3,695)	(4,550)	(2,914)	(3,426)
Net assets	941,832	876,953	770,782	792,850	708,658
Capital and reserves					
Share capital	46,994	46,994	46,994	47,349	47,392
Reserves	870,758	806,881	702,068	716,391	631,169
Total equity attributable to equity shareholders of the company	917,752	853,875	749,062	763,740	678,561
Non-controlling interests	24,080	23,078	21,720	29,110	30,097
Total equity	941,832	876,953	770,782	792,850	708,658