HAIER HEALTHWISE HOLDINGS LIMITED

(Formerly known as Lung Cheong International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00348

Annual Report
2014/2015

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr Diao Yunfeng *(Chairman and Chief Executive Officer)*
Mr Leung Lun, M.H.
Ms Fang Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Ye Tian Liu
Mr Lai Yun Hung
Dr Ko Peter, Ping Wah

AUDIT COMMITTEE

Mr Lai Yun Hung *(Chairman)*
Mr Ye Tian Liu
Dr Ko Peter, Ping Wah

NOMINATION COMMITTEE

Mr Diao Yunfeng *(Chairman)*
Mr Ye Tian Liu
Mr Lai Yun Hung
Dr Ko Peter, Ping Wah
Ms Fang Fang

REMUNERATION COMMITTEE

Mr Ye Tian Liu *(Chairman)*
Mr Lai Yun Hung
Mr Leung Lun, M.H.
Dr Ko Peter, Ping Wah
Ms Fang Fang

COMPANY SECRETARY

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Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 00348

Corporate Structure

(as at 30 June 2015)

Chairman's Statement

On behalf of the board of directors (the "Board" and/or "Directors") of Haier Healthwise Holdings Limited (the "Company") and its subsidiaries (together the "Group"), I present to you the annual results of the Company and the Group for the year ended 31 March 2015.

RESULTS

For the year ended 31 March 2015 (the "Year" or "Period" or "FY14/15"), the Group's turnover increased by approximately ("approx.") 101% to approx. HK$389 million, compared with approx. HK$194 million for the year ended 31 March 2014 (the "FY13/14" or "Corresponding Period").

Gross profit margin for the Period was approx. 29% compared to approx. 31% in the Corresponding Period. Overall, profit attributable to owners of the Company was approx. HK$17 million compared with a profit of approx. HK$5 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the year ended 31 March 2015 (FY13/14: Nil).

BUSINESS REVIEW

During the Period, sales increased significantly due to the business diversification and introduction of the new revenue sources from consumer electronic products and commercial kitchen products.

The Group recorded a massive increase in profit for the year ended 31 March 2015 as compared to the profit recorded by the Group for the year ended 31 March 2014. The increase in consolidated profit was primarily attributable to share of result of an associate and fair value gain on contingent consideration of approx. HK$25 million for the year ended 31 March 2015.

On 5 January 2015, the name of the Company was changed from "Lung Cheong International Holdings Limited" to "Haier Healthwise Holdings Limited 海爾智能健康控股有限公司" to better reflect the Company's strategy and new business focus and the new shareholding structure.

Commercial kitchen products

In late 2013, the Group entered the commercial kitchen products business by the acquisition of Notton Limited and its wholly-owned subsidiary Era Creation Technology Limited ("Era Creation"). Era Creation holds the entire equity interest in 青島瑞迪燃氣具製造有限公司 ("Qingdao Ruidi"), which is engaged in research & development ("R&D"), manufacturing and sale of commercial products in the PRC. Qingdao Ruidi also owns several intellectual property rights in respect of advanced technologies in the area of environmental friendly kitchen products. The total consideration for the acquisition is HK$106 million, with covenant to profit guarantee for both 2014 and 2015. The Group paid the first cash installment of HK$8 million as scheduled after the

Chairman's Statement

acquisition closed in late August 2013 and is expected to settle the second and third payments (HK$8 million in form of cash and 100 million ordinary shares of the Company each) if the 2014 and 2015 profit guarantee is reached. Based on the audited consolidated financial statements of the Notton Limited and its subsidiaries for the year ended 31 December 2014, the audited consolidated profit after tax of the Target Group for the year ended 31 December 2014 is slightly below HK$11,000,000 thus the 2014 Profit Guarantee has not been fulfilled, hence the Group is not required to pay the second payment. The Group is still obliged to pay the third payment (HK$8 million in form of cash and 100 million ordinary shares of the Company) if the 2015 profit guarantee (HK$21 million) is reached though.

To further improve geographical coverage and business service quality, on 4 April 2014, 青島海爾瑞迪廚具工程有限公司 ("Haier Ruidi") acquired approx. 59.976% of the equity interest of 四川易方廚房設備有限公司 ("Sichuan Yi Fang") at a total consideration of RMB8 million (or equivalent to HK$10 million). Sichuan Yi Fang is principally engaged in R&D, production, sale and installation of commercial kitchen related equipment and accessories in the PRC, this acquisition resulted in an increase in goodwill of approx. HK$3 million.

During the Year, the commercial kitchen product segment contributed approx. HK$58 million to the Group's turnover, with the gross profit margin of 38%.

Consumer electronic products

(i) Childcare products

The market for childcare related products and services is huge and fast growing in China, based on the research conducted by CRCCI, the market is approx. RMB1.4 trillion in 2013. The recent easing of the one-child policy provides more catalysts and the market is expected to be approx. RMB2.6 trillion by 2017. Since the Group entered the childcare market, the Management has been working closely on R&D enhancement, product line expansion, distribution channel development and integration. The main products of the Group are our Haier and Brillante branded small and large baby appliances (electric sterilizer, baby bottle & food warmer, baby food processor, baby washing machine, baby air-conditioner, etc). We currently have approx. 100 Stock Keeping Unit ("SKU") and we expect a lot more to come in the coming months. Our newly launched Haier branded Infant formula preparation kit and steam electric sterilizer won the iF Design Award 2015.

Apart from the traditional baby appliances, we successfully developed a few smart devices during the Period. A smart baby monitor: iVa（愛娃）was soft launched in March 2015. This High-Tech Multi-Functional baby monitor not only closely monitor the baby's situation while timely taking care of the baby, it will also become a major entry point for the Internet of Things (IoT) in the future. We did the soft launch with JD.com（京東）and we would expect iVa and its related products to be our new revenue source next year.

During the Year, the Group generated approx. HK$91 million from childcare products with the gross profit margin of 33%.

Chairman's Statement

(ii) Water purifier

On 21 April 2014, Qingdao Oasis Intelligent Health Technology Company Limited ("OIHT") and Qingdao Goodaymart Lejia Trading Co., Ltd ("Goodaymart"), an indirect wholly-owned subsidiary of Haier Electronics Group., Ltd (1169.HK), entered into a joint venture agreement in relation to the establishment of the 青島日日順樂家水設備有限公司("Goodaymart Water") in July 2014. Goodaymart Water is principally engaged in R&D, production, wholesaling and retailing of water purification equipment and accessories, installation and maintenance of water purification equipment and provision of relevant aftersales services in the PRC. Goodaymart Water will be focused on "health and environment" and aims to become a prominent full-house water purification service provider. Upon the establishment of the Goodaymart Water, Goodaymart and OIHT owns 51% and 49% of the shareholding interest in the Goodaymart Water respectively. In addition, on 7 August 2014, OIHT and Goodaymart entered into a supplemental agreement to the effect that upon the establishment of the Goodaymart Water, OIHT and Goodaymart will own 51% and 49% of the shareholding interest in the Goodaymart Water respectively. The supplemental agreement was not successfully executed during the Period therefore OIHT remains 49% shareholding interest in the Goodaymart Water.

During the Year, Goodaymart Water as an associate company has contributed a profit of approx. HK$10 million to the Group.

Toys

With the expanded and additional production facilities which will be completed in stages at the Indonesian factory, the sales from the toys segment during the Year under review grew approx. 39% compared to the previous year. The growth was mainly attributable to the expanded production capacity and increase in orders from existing and new Original Equipment Manufacturing ("OEM") customers with toys destined for Europe, Korea and Japan markets. However, the increase in the overall labour and staff costs as a result of the annual increment of the Indonesian minimum salary lead to a lower gross margin in the toy manufacturing segment.

The sales driver in FY14/15 was mainly due to orders placed for a series of complex transforming toys from our new Korean customer with sales and promotion supported by the television animation being broadcasted all over Korea and received favourable responses. Our expansion in the Serang factory included additional production equipment which attracted construction block sets orders from our major Japanese customer. Continued high orders for electronic components for a popular brand licensed of dolls relating to an ongoing successful block buster movie kept our electronic assembly segment busy during the Year under review.

Chairman's Statement

The remaining Original Brand Manufacturing ("OBM") toys segment did not perform well as sales were approx. 23% less than the previous year despite that additional investments utilizing the intended fund from the 2012 Placing and new financing from a U.S. financial institution have been injected in research and product development and marketing and promotional activities. The lower Kid Galaxy sales were mainly attributable to continued weakness in the specialty toys market in North America although the US subsidiary has already made inroads into a few mass markets stores and a major on-line retailer. The lower sales were also attributable to the continued weakness of the international markets in particular Europe.

On 13 May 2014, the Group granted a total of 100,000,000 share options with the exercise price of HK$0.87 per share. The vesting of share options will be subject to achievement of individual performance targets during a two-year assessment period. During the Year, the Group has recognised non-cash equity-settled share-based payment expense approx. HK$6 million in the consolidated financial statements.

PLANS AND PROSPECTS

Commercial kitchen products

Commercial kitchen products is very fragmented in the PRC with no major players in the market. Market growth is driven by increasing demand for dining out as living standard rises, higher environmental standard and fuel cost saving motive. The Group's patented advanced infra technology for gas cooking appliances is able to offer the best energy efficiency in the market (70% as compared to the government standard of 45%), which allows more than 50% saving in gas consumption in comparison with traditional blast gas kitchen range. Our products have low carbon monoxide emission (20 times less than the national standard), and have quietness and even heating distribution ability. In addition, the Management expects the new government regulation on the minimum heat efficiency requirement for commercial kitchen appliances to be implemented in the foreseeable future. With our proprietary products and strong execution ability, the Group has successfully bid a few sizeable commercial kitchen Equipment Procurement Construction ("EPC") projects and would expect the revenue to be realised in the next year.

Chairman's Statement

Consumer electronic product

(i) Childcare products

The market for childcare related products and services continues to grow exponentially especially with the recent relaxation of the one-child policy which provides more catalysts in this industry. It is a competitive market, yet needs a strong local consolidator. During the Period, besides the traditional small and large baby appliances, the Group successfully launched smart devices and we aim to further strengthen this sector.

In addition to developing products by ourselves, we signed an agreement with Nuby (Nüby™ is one of the world's leading baby and infant feeding brands) to serve as its major distributor for pacifiers and accessories, teethers, bottles, hair & body care (baby shampoo, body wash, skin lotion etc) etc in the PRC. Relying on the Group's strong pipeline, the Management would expect to form strategic partnerships with a lot more international brands.

On the distribution side, we initiated Online to offline ("O2O") strategy during the Period, our products are currently available in various e-commerce channels and lots of the mother & baby stores in most of the major cities in the PRC. We aim to open a few baby care themed franchised stores which showcase all our products while providing consumers a pleasant place for interaction in the second half of 2015 calendar year.

The management further optimised our own mother and baby interactive platform: Haier 優知媽咪滙 (http://baby.haier.com) and has accumulated decent registered users and active daily visitors. With our continuous efforts, we expect a massive growth from this platform in the foreseeable future and we will further leverage and monetise this valuable resource in the years to come.

(ii) Water purifier

The continuous significant economic growth in the PRC has resulted in an accelerated urbanisation and a significant increase in disposable income and rapid growth of consumption which ensures the stable and healthy development of the water purifier industry in the PRC. Due to the increasing urbanisation rate, disposable income and individual consumption, urban residents have become increasingly willing to spend on discretionary goods, including home appliances such as water purifiers, to improve their living standards. Urban residents also increasingly realize that safe drinking water provide tangible health benefits.

Chairman's Statement

Water purifier in the PRC is considered as a sun-rising market which is characterised by high growth yet fragmented. In the PRC, consumers increasingly concern about water quality due to water pollution caused by various factors. The demand for clean water is increasingly strong and growing fast. Per China Market Monitor Report, the water purifier market penetration rate in developed countries is over 80% whereas only 4% in the PRC, the market size is approx. RMB18 billion in 2013 and is expected to reach RMB400 billion by 2020.

Water purifier is a great business with high growth and high profitability. Apart from one off revenue generated from devise sale, recurring revenue can also be generated from the replacement of filters which have a lifespan from 6 months to 36 months depending on water quality, daily usage and the function of the filter. The Group is pleased to enter this market in time with a strong JV partner who plays a leading role in the appliance logistics, distribution, installation and after-sales service.

The Directors believe it is in the interest of the Company to develop further in the water purifier business. On 4 January 2015, the Group entered into a memorandum of understanding in respect of the possible acquisition of all or part of potential vendor's beneficial interest in 51% equity interest in 青島海施水設備有限公司, a company to be established in the PRC in 2015, which will in turn own 100% equity interest in a company established in the PRC ("the Operating Company"). The Operating Company is a company established in the PRC with limited liability and will be principally engaged in the business on research, wholesale, retail, installation, maintenance and after-sales service of water purification equipment and accessories. To the best of the Directors' knowledge, information, and belief having made reasonable enquiries, the potential vendor and its group companies are in the process of conducting reorganisation of their water purification and related business. This possible acquisition is subject to, among other things, further negotiations and the entering into of the formal agreement in relation to the possible acquisition.

Toys

The construction and renovation of the Indonesian factory are expected to be completed before the end of the financial year ending 31 March 2016, utilizing the proceeds from the 2012 Placing as well as additional bank borrowings. Management expects the growth in sales to continue in the financial year 2015/16 but the gross margin is expected to be reduced.

The expected reduction in the gross margin is due to (i) an increase in the amount of depreciation on all the newly acquired building and equipment; and (ii) an increase in the overall labour and staff cost resulting from the imminent increase in the minimum wages and the additional costs on compliance and provision of social and health benefits. Consequently, the gross margin of this segment will remain the lowest among the Group's multiple revenue/reportable segments in the years to come.

Chairman's Statement

For financial year ending 31 March 2016, the Indonesian factory is involved in the production of a major movie related toy figure product for the worldwide markets with North and South American being the main destinations. However, the orders for electronic components produced in the Serang factory will be reduced substantially due to our major components customer losing a major licensed property for their product lines which supported the Indonesian electronic production section over the last few years.

To further boost sales in the OEM toys manufacturing segment, one of the options is for additional investment on factory expansion and production equipment. Management will have to review this OEM business segment from time to time to assess whether further capital investments are justifiable as currently Indonesian bank borrowings are the only available source of financing arrangements in place (due to our land and building location,) to support the needed growth. In view of the high borrowing costs, the Board may have to consider alternative financing methods which include participation of external investors if the Management decides to continue the expansion.

As for the Kid Galaxy OBM toy segment, the Management has to constantly review whether further investments are viable in view of the decrease in sales in FY14/15 and the slow recovery of the markets which Kid Galaxy is currently selling in, such as the international markets outside the U.S., namely Europe and Asia, which have not contributed much over the last few financial years. Although the gross margin is comparable to the Group's newer business segments, the continue requirement of addition investments into new product development, licensing fees, tooling, marketing and promotion costs are clouding this segment's future.

The Group has been undertaking business reengineering in the past few years, which has transformed the Group from a pure toy manufacturer into a multiple revenue streams group.

GROUP RESOURCES AND LIQUIDITY

As at 31 March 2015, the Group's cash and bank balances were approx. HK$107 million (FY13/14: HK$116 million). The Group's total bank borrowings were approx. HK$39 million (FY13/14: HK$20 million). The Group maintains a net cash position. As at 31 March 2015, the Group recorded total current assets of approx. HK$502 million (FY13/14: HK$466 million) and total current liabilities of approx. HK$86 million (FY13/14: HK$43 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 585% (FY13/14: 1,073%). The Group recorded an increase in shareholders' fund from approx. HK$568 million as at 31 March 2014 to a net asset position of approx. HK$623 million as at 31 March 2015. The increase was mainly due to the gain from the new businesses operation.

Chairman's Statement

APPRECIATION

In conclusion, I would like to sincerely thank my fellow Board members and senior management, and all the employees for their contribution and dedications to the Group, which enabled us to overcome the challenges encountered during the year of corporate realignment and reorganization. My appreciations go to our investors, customers, financiers and suppliers for their support to the Group during the past year.

Diao Yunfeng
Chairman and Chief Executive Officer
30 June 2015

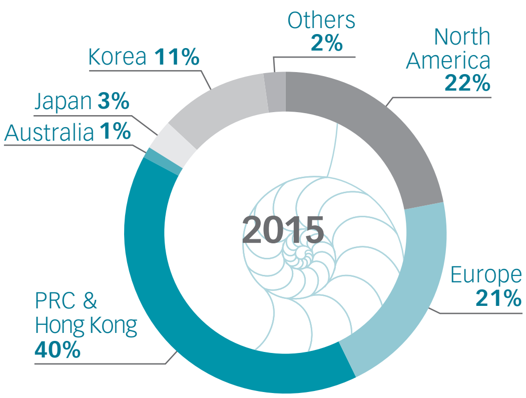
Review of Operations

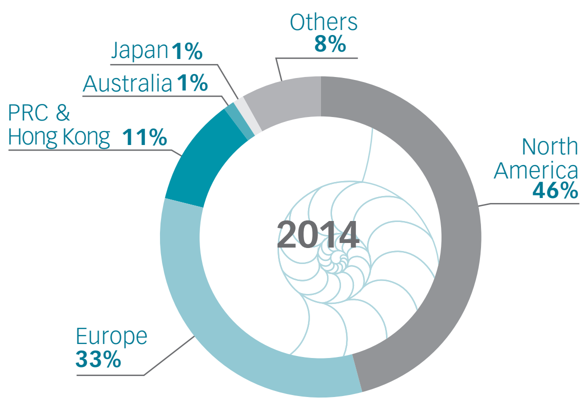
MARKET REVIEW

For the year ended 31 March 2015, Mainland China became the Group's major market mainly attributable to the contributions of the new businesses, accounting for approx. HK$153 million or approx. 39% (FY13/14: 11%) of the Group's sales. North America remained the major export destination for the Group's toy products, with shipments amounting to approx. HK$85 million compared to approx. HK$90 million in the Corresponding Period last year, accounted for approx. 22% (FY13/14: 46%) of the Group's total shipment. Shipments to Europe were approx. HK$80 million as compared with approx. HK$65 million in FY13/14, accounted for approx. 21% (FY13/14: 33%) of the Group's revenue. The drop in dollar term sales in North America was mainly attributable to the lower OBM Kid Galaxy orders and slow recoveries in the retail sectors. Exports to Korea was more than that in the previous year at approx. HK$44 million (FY13/14: HK$1 million), accounted for approx. 11% of the Group's total revenue compared to approx. 1% in FY13/14 due to the success of an transforming toys produced by the Group receiving favourable response in the market supported by Television broadcast. With popular licensed items produced by the Group's Indonesian factory selling well, shipment to Japan was approx. 3% of sales (FY13/14: 1%) during Year under review.

Turnover by Geographical Segment

For the year ended 31 March





PRODUCT REVIEW

Toys

The Group's toys segment recorded an increase in sales of approx. 39% from approx. HK$173 million in FY13/14 to approx. HK$241 million in FY14/15, accounting for approx. 62% of the Group's turnover. The increase in turnover of this category was attributable to the increase in orders of toys produced at our recently expanded Indonesian factory, particularly being well received in the market, in addition to some economies recovering from recent financial downturn.

Review of Operations

Consumer Electronic Products

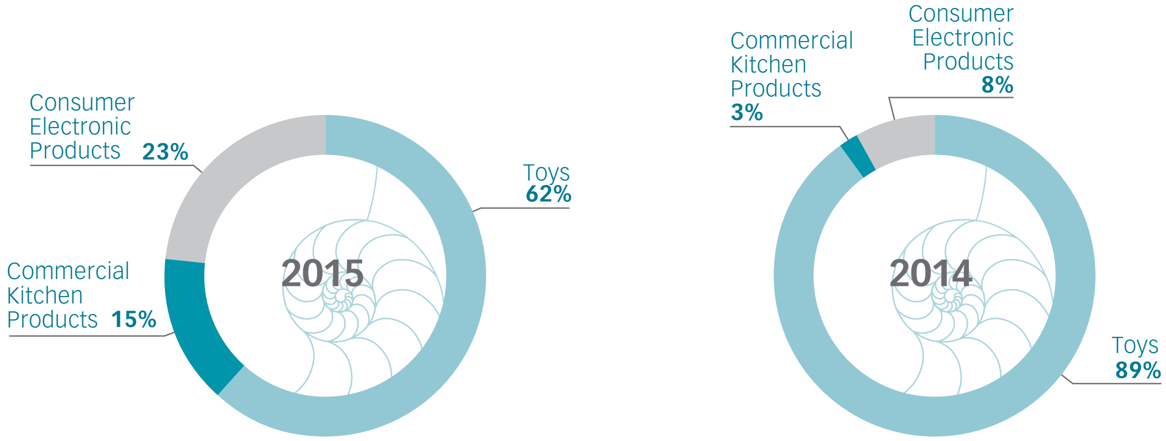
The subsidiaries of this segment generated approx. HK$91 million in revenue and a loss before income tax of approx. HK$20 million in FY14/15 compared with HK$15 million and 8 million respectively in FY13/14. The loss of this segment is mainly due to small economies of scale. The small and large Haier and Brillante branded baby appliances is the major revenue generator during the Period.

Commercial Kitchen products

The Group entered into this new segment of business upon the acquisition of Notton Limited since 19 August 2013. This segment contributed revenue of approx. HK$58 million and a profit before income tax of approx. HK$6 million in FY14/15 compared with HK$5 million and loss before income tax HK$3 million in FY13/14. During the Year, the Company started the sales of the cooking appliances and a few sizable commercial kitchen Equipment Procurement Construction ("EPC") contracts led to the increase in turnover and became profitable during the Period.

Turnover by Product Type

For the year ended 31 March



DIVISIONAL AND RESOURCES REVIEW

Kid Galaxy

The Manchester operation of the Kid Galaxy Inc. ("KGI"), takes care of marketing, product design, customer service and sales fulfillment functions for the North America market, being US and Canada. KGI and the international sales arm Kid Galaxy Limited ("KGL") have contributed sales of approx. HK$88 million for year ended 31 March 2015 compared to approx. HK$94 million in FY13/14. Its revenue derived mainly from own brands sales such as Elite Fleet, Morphibians, GoGo Auto and My First RC.

Review of Operations

In North America, the number of specialty stores continued to decrease from year to year, KGI was not able to maintain sales due to a the liquidation of a major customer which Kid Galaxy had been selling to over the year. There were increased sales to internet channels and other mass retail outlets but it was not sufficient to match previous years' records. During FY14/15, Kid Galaxy enriched its product mix with new product lines such as "Morphibians", "CyberCycle" and "My First Rides" just to name a few. These expanding product lines which were being introduced during the Year under review received encouraging market response from customers in FY14/15. In the US, KGI was able to increase sales from further penetration into the mass market and internet retail networks as well as sourcing new product ideas from new external suppliers.

Indonesia

During the Year under review, due to expansion in the Group's operations in South East Asia, the factory in Indonesia made greater contributions to the Group's turnover. Challenges in Southern China had prompted customers to place non-complex product orders with the Serang factory during the Year. With major customers willing to transfer orders to and new customers willing to test the newly available capacity of the South East Asia facility, the Group was able to take advantage of the local flexible labour structure and increased utilization of the enlarged Serang factory. The Serang factory in Indonesia, at peak production stage during the year ended 31 March 2015, has employed over 3,000 seasonal contract labour. The revenue of Serang factory in Indonesia, have contributed with sales approx. HK$153 million for the year 31 March 2015 compared to approx. HK$77 million in FY13/14.

China

Since last year, the Group diversified its businesses from a pure toy manufacturer into a multiple revenue streams group and focus on a new market which is China. The consumer electronic products and commercial kitchen products segments were in full operation and have contributed a turnover of approx. HK$149 million for the year ended 31 March 2015 compare with approx. HK$20 million in the previous year. The turnover of consumer electronic products was mainly attributed by the Haier and Brillante branded small and large baby appliances while the turnover of commercial kitchen products was mainly attributed by the minimum heat efficiency commercial kitchen appliances and some sizable EPC projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a working group, to be chaired by an Executive Director, comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The working group focuses on initiatives related to our stakeholders, our employees, the environment, our operating practices and the community.

ENVIRONMENTAL PROTECTION

Energy saving measures are enforced in the Group's office and factory premises resulting in reduction of electricity consumption and greenhouse gas emissions.

Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

PRODUCT SAFETY

Management always stressed the safety of our products as our first priority. We produce some of the world's most popular toys and brands for children and families, including Haier and Brillante branded childcare products and Haier branded water purifiers, and we know that with this comes the responsibility to ensure quality and safety. We strive to sustain the trust of our customers by employing strict standards that extend from product design to manufacturing and distribution.

The basic quality policy of the Group is to make safe, environmentally friendly products that can be used with confidence, and to offer our customers worldwide the quality that they will find essential. This embodies the principles upon which our safety and quality efforts are founded. In our efforts to improve safety and quality, we comply with laws and regulations, established industry strict standards and exert and monitor controls on the use of heavy metals and phthalates.

Compliance with laws and regulations means working to maintain safety and quality in every country by complying with laws and regulations where we operate. The Group has continued to learn and apply new methods or technologies in order to place stricter safety and quality standards to prevent problems from occurring.

To control heavy metals and phthalates, we use third-party test labs to analyze products for the presence of heavy metals, such as lead, and plasticizers (phthalates). If heavy metals or phthalates are found in any product, we immediately stop and prevent it and from going to the market. The Group continuously strives to ensure product safety and quality and to implement thorough controls.

The Group applies internal operation procedures designed to comply with ever changing and revised regulations and laws enforced by the US, Europe, Japan, the PRC and other regulations around the world.

Review of Operations

RESPONSIBLE MANUFACTURING

The Group is an active participant of the global toy industry's initiative to continuously improve factory working conditions, commonly referred to as the ICTI CARE process (ICP). The ICP is based on a code of ethical operating practices designed to promote safe and just working conditions in toy factories. The ICP provides the industry with a unified approach to responsible manufacturing. The Group has committed to manufacture our products and comply with the ICP process. The Group's Indonesian factory is registered with ICTI CARE are audited at least annually for compliance to the ICP Code of Conduct. Audits are conducted by an independent professional audit company that has been approved and trained by the ICTI CARE Foundation. Factories that completed an audit and meet the requirements of the ICP are then issued the ICP Seal of Compliance.

EMPLOYEES

As at 31 March 2015, the Group had approx. 3,430 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices, the Indonesian factory and the US sales office. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our long-term business partners for their continuous support over the past year. I would also like to extend my appreciation to our group management and staff for their effort and dedication, despite another challenging year we were facing.

Diao Yunfeng
Chairman and Chief Executive Officer
30 June 2015

Management Discussion and Analysis

FINANCIAL REVIEW

During the Year, the Group's recorded a significant increase in turnover for approx. 101% from HK$194 million for the year ended 31 March 2014 to HK$389 million for year ended 31 March 2015. This significant increase is resulting from the great contribution of Group's new businesses of consumer electronic products and commercial kitchen products.

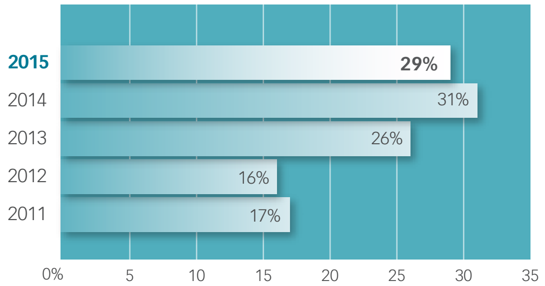
Cost of goods sold ("COGS"), increased approx. 107% compared to previous financial year. The increase was in line with the new businesses of consumer electronic products and commercial kitchen products expansion as well as toy business increase during the Year. The COGS were approx. HK$278 million in FY14/15 compared with approx. HK$134 million in FY13/14.

The gross profit increased to approx. HK$112 million for the year versus approx. HK$60 million in FY13/14. Gross profit margin was at approx. 29% (FY13/14: 31%), the slight decrease due to the increase in amount of depreciation on new acquired building and equipment and the overall staff cost in toy business.

In line with the significant increase in turnover, selling and distribution expenses for the year ended 31 March 2015 were relatively higher at approx. HK$53 million, representing an increase of approx. 128% against approx. HK$23 million in the previous year. The increase in selling expenses mainly attributed to increase in travelling expenses of approx. HK$4 million, marketing expenses of approx. HK$5 million, staff cost of approx. HK$11 million, transportation expenses of approx. HK$3 million, advertising expenses of approx. HK$2 million and other miscellaneous expenses of approx. HK$5 million.

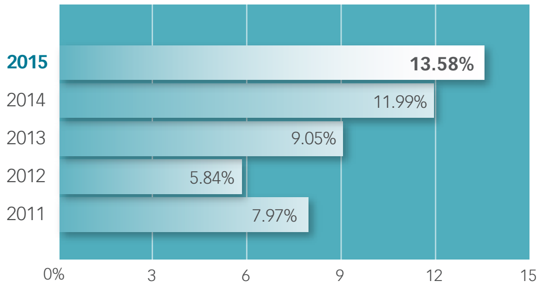
Gross Profit Ratio

For the year ended 31 March



Selling Expense / Turnover

For the year ended 31 March



Management Discussion and Analysis

General and Administrative ("G&A") expenses for the year ended 31 March 2015 amounted to approx. HK$83 million, resulting in increase overall G&A was approx. 57% higher than previous year (FY13/14: HK$53 million). During the Year, the new businesses of consumer electronic products and commercial kitchen products started full operation. In line with the operation of new businesses, the increase of G&A expenses mainly attributed to increase staff cost of approx. HK$10 million, rent and rate of approx. HK$5 million, the equity-settle share-based payment expense of apporx HK$6 million and other miscellaneous expenses approx. HK$7 million.

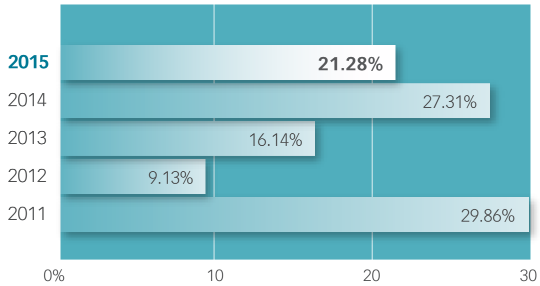
Management constantly reviewed the carrying amount of Goodwill of approx. HK$102 million generated from the acquisition old and new business. During the Year, the goodwill under consumer electronic products segment amounted to HK$4 million was impaired.

Finance costs incurred for trade facilities for the Year under review. Finance cost was approx. HK$2 million in both FY14/15 and FY13/14.

All in all, the Group recorded a profit attributable to shareholders of approx. HK$17 million in FY14/15 compared to a profit of approx. HK$5 million in FY13/14.

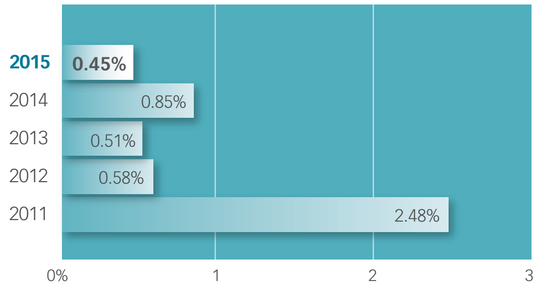
G&A/Turnover

For the year ended 31 March



Finance Costs/Turnover

For the year ended 31 March



Management Discussion and Analysis

GROUP RESOURCES AND LIQUIDITY

As a result of the original and new businesses expansion, non-current assets had increased greatly in value to approx. HK$238 million as at 31 March 2015. Property, plant and equipment assets owned by the Group under non-current assets increased by approx. HK$50 million to approx. HK$101 million as at 31 March 2015. The increase was attributable mainly to revaluation gain on the industrial land and factory buildings in Indonesia of HK$21 million and the purchase of the new machinery and equipment during the Year. Revaluation of property, plant and equipment has been part of the Group's periodic management assessment policy, taking into account the local property market conditions, current state of the toy manufacturing industry and overall utilization of production facilities.

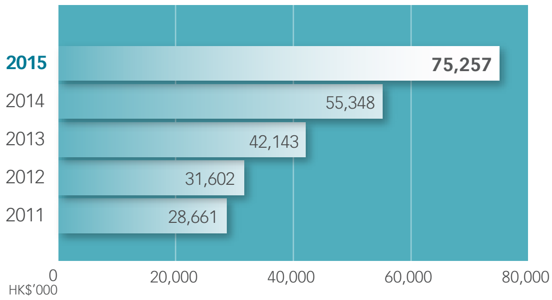
Goodwill was approx. HK$102 million of intangible assets as at 31 March 2015. During the Year, the Group acquired approx. 59.976% of the equity interest of Sichuan Yi Fang at a total consideration of RMB8 million (equivalent to HK$10 million). Sichuan Yi Fang is principal engaged in research and development, production, sales and installation of commercial kitchen related equipment and accessories in the PRC. Based on the revaluation report by independent professional valuer, the acquisition has resulted an increase in goodwill approx. HK$3 million.

Meanwhile, an impairment loss of approx. HK$4 million in respect of the goodwill arising from the acquisition of 深圳綠洲兒童用品有限公司 (formerly known as 深圳致訊電器有限公司) ("Shenzhen Oasis") was recognised during the Year.

Management placed much emphasize on inventory control and will only authorise purchases in line with sales orders. The increase in sales and the expansion of recent new business led to the increase in inventories of approx. 36% compared to previous year end date, value of stock increased from approx. HK$55 million in FY13/14 to approx. HK$75 million as at 31 March 2015. These are stock held mainly in the Indonesian factory and by an independently managed warehouse in the US and Mainland China. Stock turnover days were lower at 61 days compared with 99 days in the previous year due to the full operation of the new businesses.

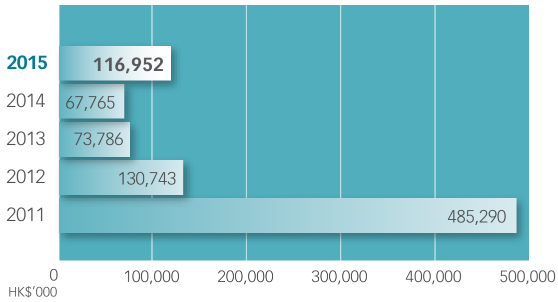
Inventories

As at 31 March



Total Liabilities

As at 31 March



Management Discussion and Analysis

In line with the expansion of new businesses trade receivables recorded an increase of approx. 220% as at 31 March 2015 to approx. HK$66 million, compared with approx. HK$21 million at the previous year. Debtor turnover days were higher at 41 days in FY14/15 compared with 31 days in FY13/14. During the Year, the top 5 customers accounted for approx. 40% of the Group's turnover, compared to approx. 58% in the previous financial year. Management regularly evaluates the Group's customers, assesses their known financial position and credit risks.

Cash and bank balance as at 31 March 2015 were approx. HK$107 million, compared with approx. HK$116 million as at 31 March 2014. The decrease in cash and balances were mainly due to the expansion of new businesses and the acquisition of new investment. The Group dealt with different revenue and expenditure currencies during the FY14/15 such as HK$, US$, RMB as well as Indonesian Rupiah. As at 31 March 2015, approx. HK$202 million was in the form of available-for-sale investment bond, placed with a Swiss based banking institute.

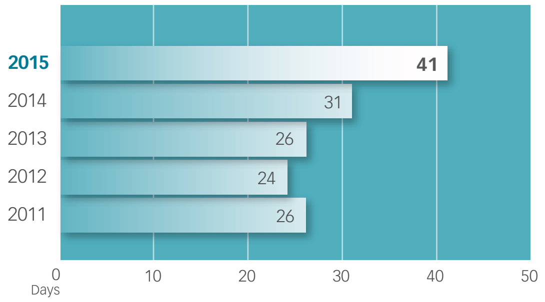
Trade payables, and other payable and accrued charges recorded a increase against the previous year. Trade payables, and other payables and accrued charges were approx. HK$52 million as at 31 March 2015 compared with approx. HK$28 million as at 31 March 2014. The increase in trade payables consisted mainly of payables relating to material purchases and the trading prodcuts, which were in line with the expansion of the new businesses. Creditor turnover days decreased to 28 days versus 35 days at the end of the previous year.

Borrowings under current liabilities increased to approx. HK$24 million as at 31 March 2015 from approx. HK$12 million at 31 March 2014, attributable mainly to a banking loan and trade facility offered by a local bank to our Indonesian subsidiary. The Trade facility is secured by the Group's Indonesian property, plant and equipment.

Taking into consideration certain set offs, the total amount due from the related companies was approx. HK$0.2 million, while on the liability section, amount due to the related parties which are being classified as current liabilities accounted to approx. HK$5 million. The net current liabilities of the Group to the related company as at 31 March 2014 show a value of approx. HK$5 million.

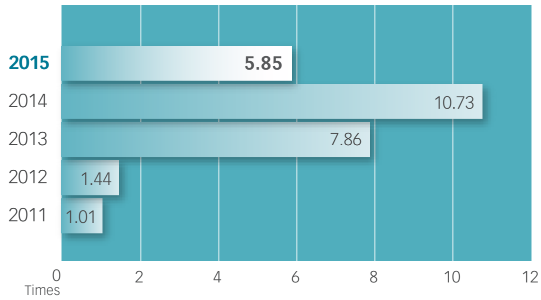
Debtor Turnover Days

As at 31 March



Current Ratio

As at 31 March



Management Discussion and Analysis

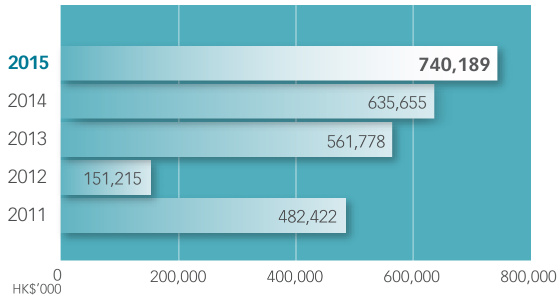
As at 31 March 2015, the Group had total assets of HK$740 million which was financed by shareholders' fund, payables and financial institutions credit facilities. The Group mainly generated revenue and incurred costs in HK$, US$ and RMB and did not have any related hedges for year ended 31 March 2015. No financial instruments were used for hedging purpose. The Group adopted a prudent funding and treasury policy and managed the fluctuation exposures of exchange rate and interest rate on specific transactions.

As at 31 March 2015, the Groups total borrowings amounted to about HK$39 million with about HK$24 million repayable on demand or within one year. The Group maintains a net cash position. All borrowings were denominated in either HK$ and US$ and bore interest at floating rates. As at 31 March 2015, the Group recorded total current assets of approx. HK$502 million and total current liabilities of approx. HK$86 million. The current ratio of the Group, calculated by dividing the total current assets by total current liabilities was 585%. The Group recorded an increase in shareholders' funds from approx. HK$568 million as at 31 March 2014 to approx. HK$623 million as at 31 March 2015. The increase was mainly resulting from gains from operations in FY14/15.

Save as aforesaid or as otherwise disclosed herein, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, any mortgages or charges, or other material contingent liabilities or guarantee at the close of business on 31 March 2015. Foreign currency amounts have been translated at the approx. exchange rates prevailing at the close of business on 31 March 2015.

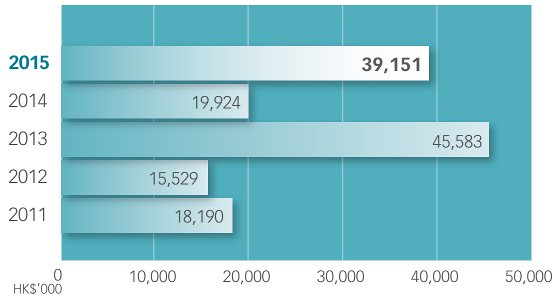
Total Assets

As at 31 March



Bank Borrowings

As at 31 March



Management Discussion and Analysis

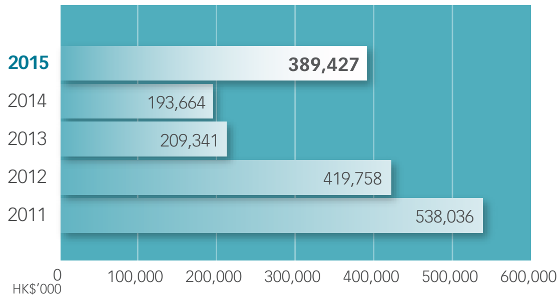
The Group's operation relied upon the support from suppliers and financial institutions. Facilities and credit terms are provided on the basis of which certain financial and operational undertakings are complied with. On behalf of the Board, the Directors are of the opinion that, after taking into accounts the Group's internal resources and cash flow from operations, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this report in the absence of unforeseen circumstances.

Use of Proceeds

On 6 November 2012, the Company entered into a Placing Agreement relating to placing of new shares. Details of Placing of New Shares and Possible were set out in the Company's announcements dated 19 November 2012 (the "2013 Placing") and the circular of the Company dated 26 February 2013 (the "2013 Placing Circular"). Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the 2013 Placing was approved by the Independent Shareholders at the Company's extraordinary general meeting ("EGM") held on 14 March 2013. All conditions precedent to the 2013 Placing as set out in the Placing Agreement has been fulfilled and net proceeds of approx. HK$389 million has been raised upon completion of the Placing on 2 April 2013.

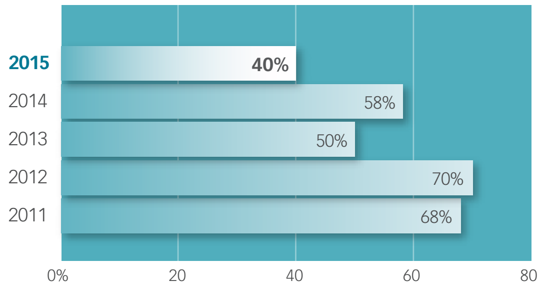
Turnover

For the year ended 31 March



Sales – Five Largest Customers Combined

For the year ended 31 March



Management Discussion and Analysis

The Company set out below the update on the use of proceeds from the 2013 Placing.

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this report
The 2013 Placing Approximately HK$389 million	(a) Approximately HK$5 million will be used for the feasibility study of using the Company's current manufacturing and operations facilities or to expand and upgrade the current facilities in Indonesia (if necessary); approximately HK$75 million will be used for carrying out the suggestion made in the feasibility study.	Approximately HK$1 million has been used for the feasibility study.
	(b) (i) Approximately HK$5 million will be used for performing a detail strategic review of the Company's operation;	Approximately HK$1.2 million has been used for performing a detail strategic review of the Company's operation.
	(ii) approximately HK$5 million will be used for the research and development of new lines of products and/or the related brand building or acquisitions, sales, marketing and promotion; and (iii) approximately HK$60 million will be used for the possible acquisition of new product lines.	Approximately HK$42.9 million has been used to set up a company, which is principally engaged in consumer electronic products; and approximately HK$12.7 million has been used to acquire 51% share interest in a company, which is principally engaged in the research and development, marketing & distribution of baby appliances in the PRC. Approximately HK$9.6 million has been used to set up a joint venture company, which is principally engaged in research and development, production, wholesaling, retailing of water purification equipment and accessories, installation and maintenance of water purification equipment and provision of relevant aftersales services in the PRC. The Directors believe that the business segment of baby appliances and water purifiers can complement the Group's existing business while further expand the Group's income base and add value to the shareholders of the Company.

Management Discussion and Analysis

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this report
	(c) Approximately HK$150 million will be used for possible acquisitions.	Approximately HK$8 million has been paid as part of the consideration for the acquisition of Notton Limited to enter the commercial kitchen industry. Approximately HK$23.7 million was used to expand the registered capital of Qingdao Ruidi, the operating subsidiary of Notton in the PRC. Approximately HK$12.5 million has been used to set up a new subsidiary under Qingdao Ruidi for commercial kitchen design, planning and project management. Approximately HK$10 million has been used to acquire 59.976% share interest of Sichuan Yi Fang Kitchen Equipment Co., Ltd. Which is principally engaged in research and development, production, sale and installation of commercial kitchen related equipment and accessories in the PRC.
	(d) Approximately HK$88 million will be used for the working capital of the Group, of which approximately HK$50 million will be used to support the increase in stock to cope with the organic growth of the business of the Company and the balance of approximately HK$38 million will be used for carrying out the plan as described in (a), (b) or possible acquisition in (c) above.	Approximately HK$20 million has been used for the working capital of the Group.

As disclosed in the announcement of the Company dated 31 May 2013, the Company placed approx. HK$350 million in its private banking account with a Swiss based banking institute and approx. HK$344 million was invested in high yield bonds issued by listed issuers in the open bond market. The Company's investment in the bond market is merely a temporary cash management exercise during the interim period and the Management has been liquidating the bond portfolio at market recently. As at 31 March 2015, of the HK$350 million we originally placed in the bank, approx. HK$202 million was in the form of bond and the rest amounted approx. HK$148 million together with the coupon income it generated has been wired out of that Swiss based banking institute for operation. The Company will maintain its intention with the intended use of proceeds as disclosed in the 2013 Placing Circular.

As at 31 March 2015, the Group had approx. HK$4 million non-cash valuation gain (FY13/14: HK$17 million valuation loss) on available-for-sale investments as shown in our consolidated statement of comprehensive income. The available-for-sale investments have generated approx. HK$19 million coupon income during the Year (FY13/14: HK$19 million). Management will continue to closely monitor and carefully manage the investments.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed achieving and maintaining a high standard of corporate governance practices as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules and the Company has complied with the code provisions set out in the CG Code save for the deviation from code provision A.2.1 which is explained in the relevant paragraphs in this Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiry of its Directors. All Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the Year under review.

THE BOARD

The Board is responsible for providing leadership and control of the Company and monitoring the performance of the management, approving the financial statements and annual budgets. It focuses on the formulation of business strategy, policy and control. Day-to-day operations of the Company are delegated to the executive directors and senior management of the Group. The Board reviews and approves key matters affecting the Company's strategic policies, finances and shareholders, such as financial statements, dividend policy and major corporate activities. Decisions of the Board are communicated to the management through executive directors who have attended Board meetings.

The Board currently comprises three Executive Directors and three Independent Non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board. The names and brief biographies are set out on pages 41 to 43 of this Annual Report.

The Independent Non-executive Directors are high calibre executives with diversified industry expertise and bring a wide range of skills and experience to the Company. One of the independent Non-executive Directors possesses recognized professional qualifications in accounting. All Independent Non-executive Directors bring independent judgement on issues of strategy, performance, risk and people through their contribution at Board meetings.

Corporate Governance Report

The Board has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the three Independent Non-executive Directors, representing half of the Board, are independent in character and they also meet the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings are scheduled at approx. quarterly intervals, and additional meetings will be held when required. The Directors have access to all relevant information as well as the advice and services of the company secretary of the Company. Independent professional advice may be taken by the Directors as required. There were six Board meetings held with full attendance during the year ended 31 March 2015.

Independent Non-executive Directors are appointed for a specific term of three years. All directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the articles of association of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr Leung Lun, M.H. was both the Chairman and Chief Executive of the Company throughout the Period under review until 26 October 2014. From 27 October 2014, Mr Diao Yunfeng succeeded Mr Leung Lun, M.H.. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership enabling the Company to operate efficiently. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with three of them being independent non-executive directors.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have been posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

NUMBER OF MEETINGS ATTENDED/HELD

The attendance records of each director at the meetings of the shareholders, the Board, Audit Committee, Remuneration Committee and Nomination Committee during the Year are set out below:

	Board	Remuneration Committee	Nomination Committee	Audit Committee	2014 AGM	EGM[4]
Executive Directors						
Mr Diao Yunfeng *(Chairman and Chief Executive Officer)* [1]	5/5	–	–	–	–	0/2
Mr Leung Lun, M.H. [2]	6/6	1/1	–	–	1/1	2/2
Mr Wong, Andy Tze On [3] (resigned on 24 September 2014)	1/1	–	–	–	1/1	–
Ms Fang Fang	6/6	1/1	1/1	–	1/1	2/2
Independent Non-executive Directors						
Mr Ye Tian Liu	6/6	1/1	1/1	2/2	1/1	0/2
Mr Lai Yun Hung	6/6	1/1	1/1	2/2	1/1	0/2
Dr Ko Peter, Ping Wah	6/6	1/1	1/1	2/2	1/1	2/2

Notes:

1. Mr Diao Yunfeng was appointed as an Executive Director on 24 September 2014 and was appointed as the Chairman and Chief Executive Officer and the Chairman of the Nomination Committee on 27 October 2014. From 24 September 2014 to 31 March 2015 (both days inclusive), five Board meetings were held and Mr Diao attended all five meetings. No Nomination Committee meeting was held on or after 27 October 2014 and up to 31 March 2015.

2. Mr Leung Lun M.H. resigned as the Chairman and Chief Executive on 27 October 2014.

3. Mr Wong, Andy Tze On resigned as Executive Director on 24 September 2014. Only one Board meeting was held during the period from 1 April 2014 to 24 September 2014.

4. During the year ended 31 March 2015, the Company convened two EGMs on 5 January 2015.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2015, the Directors have participated in continuous professional development programmes, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective Directors are kept and updated by the Company.

The Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

According to the records provided by the Directors to the Company pursuant to the CG Code, all Directors have participated in appropriate continuous professional development activities during the Year under review. The individual training record of each Director for the year ended 31 March 2015 is summarised below:

	Directors' duties and responsibilities/Corporate Governance/Updates on Laws, Rules and Regulations			Business related/ Accounting/Financial/ Management or other professional skills	
	Reading materials	Attending seminars/ conferences	In-house briefings	Reading materials	Attending seminars/ conferences
Executive Directors					
Mr Diao Yunfeng [1] *(Chairman and Chief Executive Officer)*	✓	✓	✓	✓	✓
Mr Leung Lun, M.H. [2]					
Mr Wong, Andy Tze On (resigned on 24 September 2014)	✓	✓	✓	✓	✓
Ms Fang Fang	✓	✓	✓	✓	✓
Independent Non-executive Directors					
Mr Ye Tian Liu	✓	✓	✓	✓	✓
Mr Lai Yun Hung	✓	✓	✓	✓	✓
Dr Ko Peter, Ping Wah	✓	✓	✓	✓	✓

Notes:

1. Mr Diao Yunfeng was appointed as an Executive Director on 24 September 2014 and was appointed as the Chairman and Chief Executive Officer and the Chairman of the Nomination Committee on 27 October 2014

2. Mr Leung Lun, M.H. resigned as the Chairman and Chief Executive on 27 October 2014.

Corporate Governance Report

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The Company has established a formal and transparent procedure for formulating policies on remuneration of directors and senior management of the Company. Details of the remuneration of each of the Directors for the year ended 31 March 2015 are set out in Note 15 to the consolidated financial statements.

The details of the five individual with highest emoluments are set out in Note 15(b) to the consolidated financial statements.

The remuneration of the members of senior management by band are set out in Note 15(c) to the consolidated financial statements.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee in 2005. The Remuneration Committee consists of three Independent Non-executive Directors, namely Mr Ye Tian Liu, Mr Lai Yun Hung and Dr Ko Peter, Ping Wah and two Executive Directors, namely Mr Leung Lun, M.H. and Ms Fang Fang. Mr Ye Tian Liu is the chairman of the Remuneration Committee. The function of the Remuneration Committee is to review and make recommendations to the Board on the Company's remuneration policy for all remuneration of directors and senior management. The fees of the Non-executive Directors (including the Independent Non-executive Directors) are determined by the Board.

All members of the Remuneration Committee met once during the year ended 31 March 2015 for a proposal on remuneration packages and employment contracts to be submitted to the Board.

The Company adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis in order to attract, retain and motivate talented executives/ employees to strive for future developments and expansion of the Company. To provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the executives/employees, a new share option scheme was adopted by the Company in 2012. Details of the 2012 share option scheme are set out on pages 38 to 40 of this Annual Report.

Corporate Governance Report

NOMINATION COMMITTEE

The Company has established a Nomination Committee in 2006. The Nomination Committee currently consists of three Independent Non-executive Directors, namely Mr Ye Tian Liu, Mr Lai Yun Hung and Dr Ko Peter, Ping Wah and two Executive Directors, namely Mr Diao Yunfeng and Ms Fang Fang. Mr Diao Yunfeng succeeded Mr Leung Lun, M.H. as the chairman of the Nomination Committee since 27 October 2014. The function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to complement the Group's corporate strategy.

The Company adopted a policy on board diversity on 25 June 2013. The review of effectiveness of the Board Diversity Policy was conducted by the Board and all findings are satisfactory.

In assessing the Board composition, the Nomination Committee will consider various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, industry and regional experience and length of service.

On selection of candidates for directorship of the Company, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity. All appointment will be based on merit.

During the year ended 31 March 2015, the Nomination Committee conducted an annual review of the structure, size and composition of the Board and the independence pursuant to code provision A.5.2 of the CG Code and recommended to the Board the appointment of Mr Diao Yunfeng as an Executive Director of the Company.

During the year ended 31 March 2015, the Nomination Committee held one meeting.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 14 March 2000. The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr Ye Tian Liu, Mr Lai Yun Hung and Dr Ko Peter, Ping Wah. Mr Lai Yun Hung is the chairman of the Audit Committee.

By reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board since the date of establishment. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process (including the preparation of the half yearly and annual results, internal controls and corporate governance).

Two Audit Committee Meetings were held with full attendance during the year ended 31 March 2015 to review the half-yearly and annual financial results and reports, financial reporting, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

Corporate Governance Report

The Company's annual results for the year ended 31 March 2015 has been reviewed by the Audit Committee.

The Audit Committee also met the external auditors twice in the absence of the Executive Directors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board has reviewed and is satisfied with the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

AUDITORS' REMUNERATION

During the year ended 31 March 2015, the remuneration paid or payable to the independent auditors for the audit services amounted to approx. HK$1,512,000 and non-audit services amounted to approx. HK$87,000.

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements as set out on pages 55 to 144. The statement of the external auditors about its reporting responsibilities on the financial statements is set out on pages 52 to 54.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report

INTERNAL CONTROL

The Directors have the overall responsibility for internal control of the Group, including risk management and establishing appropriate policies having regard to the objectives of the Company. During the Year under review, the Directors, through the Audit Committee, conducted a review on the effectiveness of the Company's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review and by a programme of internal audits. The Audit Committee reviews the effectiveness of the internal control of the Group. It receives reports from the internal and external auditors which include recommendation for improvement.

The Company has put in place an organizational structure with formal defined lines of responsibility and delegation of authority. There are also established procedures for planning, capital expenditure, treasury transactions, information and reporting systems, and for monitoring the Company's businesses and performance.

COMPANY SECRETARY

Mr Mak Yee Chuen, Vincent, is the Company Secretary of the Group and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and the Chief Executive Officer, Mr Diao Yunfeng.

The biographical details of Mr Mak is set out on page 43 of this Report. Mr Mak has confirmed that he has undertaken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The procedures for shareholders of the Company to propose a person for election as a director of the Company are available on the Company's website (www.haier-healthwise.com.hk).

Corporate Governance Report

Procedures for shareholders to convene extraordinary general meeting and putting forward proposal at general meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision) (the "Law"). However, shareholders are requested to follow Article 72 of the Articles of Association (the "Articles") of the Company. Pursuant to article 72 of the Articles of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company, or on the written requisition of any one member which is a recognised clearing house, deposited at the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the Company:

Address:	Lung Cheong Building, 1 Lok Yip Road, Fanling, New Territories, Hong Kong (For the attention of Company Secretary)
Fax:	(852) 2677 6857

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

During the Year under review, the Company has made changes to its Memorandum and Articles of Association in relation to the change of name of the Company (both in English and Chinese). An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website www.haier-healthwise.com.hk on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website www.hkexnews.hk and on the Company's website in accordance with Rule 13.39(5) of the Listing Rules.

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong for any enquiries.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products.

An analysis of the Group's turnover and segment information is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 55.

DIVIDENDS

The Directors view that it would not be prudent to recommend any dividend in view of the result for the year ended 31 March 2015 (2014: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the Year are set out in page 58 and Note 35 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2015 are set out in Note 32 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, plant and equipment are set out in Note 17 to the financial statements.

Report of the Directors

EMOLUMENT POLICY

The Group's emolument policies are based on the salaries paid by comparable companies, employment conditions and responsibilities, and individual performance of the directors, senior management and general staff and are reviewed by the Remuneration Committee periodically.

The emoluments of the directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Company has adopted a share option scheme to provide a flexible and effective means of incentivising, rewarding, remunerating, compensating to eligible participants who contribute the success of the Group. Details of the schemes are set out in the paragraph headed "Share Option Scheme" below and Note 33 to the financial statements.

None of the directors waived any emoluments during the year ended 31 March 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 August 2015 to 2 September 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the annual general meeting of the Company to be held on 2 September 2015, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 28 August 2015.

INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries are set out in Note 20 to the financial statements.

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the last five years ended 31 March 2015.

	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**389,427**	193,664	209,341	419,758	538,036
Profit/(loss) before income tax	**16,957**	2,608	1,181	76,731	(196,106)
Income tax (expense)/credit	**(10,423)**	687	1,048	918	(1,398)
Profit/(loss) for the year	**6,534**	3,295	2,229	77,649	(197,504)
Attributable to:					
Owners of the Company	**17,037**	5,287	2,229	77,649	(197,504)
Non-controlling interests	**(10,503)**	(1,992)	–	–	–
	6,534	3,295	2,229	77,649	(197,504)
Total assets	**740,189**	635,655	561,778	151,215	482,422
Total liabilities	**116,952**	67,765	73,786	130,743	485,290
Total equity/(deficit)	**623,237**	567,890	487,992	20,472	(2,868)

DISTRIBUTABLE RESERVES

As at 31 March 2014 and 2015, in the opinion of the directors, the Company has no distributable reserves.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the Period under review.

Report of the Directors

SHARE OPTION SCHEME

On 14 September 2012, the shareholders of the Company approved the adoption of a share option scheme (“the Scheme”).

Details of the Scheme are as follows:

(1) Purpose

To provide a flexible and effective means of incentivising, rewarding, remunerating, compensating, to eligible participants who contribute the success of the Group.

(2) Eligible persons

Any person who is an employee (whether full time or part time) holding salaried office or employment under a contract of employment or service contract or terms of employment (“Contract”) with the Group or is a Director (including executive and non-executive directors) of the Group or any adviser, consultant, agent, contractor, customer and supplier of any member of the Group or any subsidiaries of the Company.

(3) Maximum number of shares

The scheme mandate limit of the Scheme was approved by a shareholders’ resolution passed in the EGM of the Company held on 14 September 2012, details of which have been set out in the circular dated 29 August 2012. Accordingly, the maximum number of shares available for issue under the Scheme is 345,775,799, representing 10% of the issued ordinary share capital of the Company as at the date of the EGM.

The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other Scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other Schemes if this will result in the limit being exceeded. Subject to specific approval of the shareholders of the Company, the 10% limit may be refreshed with reference to the date of such specific approval of the shareholders of the Company.

(4) Maximum entitlement of each eligible person

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible person in any 12-month period must not exceed 1% of the shares of the Company in issue.

(5) Time of exercise of option

An option may be exercised during the periods to be determined and notified by the Directors to the grantees at the time of making offers to grant share options to them provided that such periods shall not exceed the period of ten years from the date of offer.

(6) Acceptance of offers

Offers for the grant of share options must be accepted within 21 days after the offer date. Offers for grant of share options have to be accepted together with remittance in favour of the Company of HK$1.00.

(7) Basis of determining the option exercise price

The subscription price for the Shares under the Scheme shall be a price determined by the Directors at its discretion, provided that it shall not be less than the whichever is the highest of (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares. Details of the scheme are set out in the circular of the Company dated 29 August 2012.

(8) The remaining life of the Scheme

The Scheme will remain in force until 14 September 2022, being the date which falls ten years after the date of adoption of the Scheme.

Details of the share options movement and outstanding as at 31 March 2015 have been disclosed in Note 33 to the financial statements.

Report of the Directors

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for 10 years from 14 September 2012 to 14 September 2022 and for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Further details of the Scheme are set out in the circular of the Company date 29 August 2012.

On 13 May 2014, share options of 100,000,000 were granted by the Company to the senior management and employees of the subsidiaries and associate, and consultants at exercise price HK$0.87 per share.

The following table lists the details of movement in the options granted and outstanding under the Scheme during the Period:

	Number of share options									
Category of participants	Outstanding as at 1 April 2014	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding as at 31 March 2015	Exercise price HK$	Closing price immediately before the date of grant HK$	Weighted average closing price immediately before exercise HK$	Date of grant	Exercise period
Senior management of the subsidiaries and associate (Note 1)	–	25,000,000	–	–	25,000,000	0.87	0.86	–	13 May 2014	13 May 2015 – 12 May 2017
Employees of the subsidiaries and associate (Note 1)	–	24,000,000	–	–	24,000,000	0.87	0.86	–	13 May 2014	13 May 2015 – 12 May 2017
Consultants (Note 1)	–	51,000,000	–	–	51,000,000	0.87	0.86	–	13 May 2014	13 May 2015 – 12 May 2017
Total	–	100,000,000	–	–	100,000,000					

Note:

1. The options are vested in two tranches in the proportion of 40% and 60% on 13 May 2015 and 13 May 2016 respectively.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 March 2015 and up to the date of this report were:

Executive Directors:
Mr Diao Yunfeng *(Chairman and Chief Executive Officer)* (appointed on 24 September 2014)
Mr Leung Lun, M.H.
Mr Wong, Andy Tze On (resigned on 24 September 2014)
Ms Fang Fang

Independent Non-executive Directors:
Mr Ye Tian Liu
Mr Lai Yun Hung
Dr Ko Peter, Ping Wah

In accordance with Article 116 of the Company's articles of association (the "Articles"), the Directors retiring by rotation at the Annual General Meeting are Mr Leung Lun, M.H. and Dr Ko Peter, Ping Wah. Both Mr Leung Lun, M.H. and Dr Ko Peter, Ping Wah will retire and, being eligible, offer themselves for re-election as Directors at the Annual General Meeting.

Biographical details of Directors and senior management are set out as follows:

Executive Directors

Mr. Diao Yunfeng, aged 43, is our Executive Director since 24 September 2014 and was appointed as the Chairman, Chief Executive Officer and Chairman of Nomination Committee since 27 October 2014. He obtained his EMBA degree from the China Europe International Business School in the People's Republic of China ("PRC") and a bachelor degree from the Southeast University of the PRC.

He was awarded as the "Outstanding Entrepreneur" of Shandong Province. Mr. Diao joined Haier Group in 1995 and is currently the vice president of Haier Group, responsible for the development and management of various emerging segments of Haier Group, including the global home electric appliances, childcare related products and intelligent healthcare products, etc.

Mr. Diao has held a number of senior positions including the director of overseas marketing management of the Haier Group and the general manager of Haier International Business Corporation Limited, and under his leadership, the overseas business of Haier achieved one milestone after another. Mr. Diao has been responsible for the development and planning of the home electric appliances business for Haier since 2011, during which he has established an innovative platform for Haier childcare related products and intelligent healthcare products.

Report of the Directors

Mr Leung Lun, M.H., aged 66, is the founder of the Group. Mr Leung was appointed as an Executive Director of the Company in July 1997. Mr Leung is a member of the Remuneration Committee of the Company. He has nearly 50 years of experience in the toys manufacturing industry. Mr Leung is a director of the Chinese Overseas Friendship Association. He is also an honourable president of the Dongguan Toys Association of China, chairman of the Kowloon West Youth Care Committee, chairman of the Kowloon City District Fire Safety Committee, president of the Merchants Support For Rehabilitated Offenders Committee, chairman of the Friends of The Community Chest Kowloon City District Committee, chairman of the Hong Kong Kowloon City Industry and Commerce Association, vice president of The Hong Kong Chinese Importers' & Exporters' Association and vice president of the Hong Kong Economic & Trade Association. He was named an honourable citizen of Dongguan City and Zhaoqing City by the local authority in 1996 and 2009 respectively for his contribution to the cities.

Ms Fang Fang, aged 37, was appointed as an Executive Director of the Company in May 2013. She is a member of the Nomination Committee and Remuneration Committee of the Company. She is responsible for overseeing the strategic development, financial planning, investor relationship, corporate and business management of the Group. Ms Fang holds a bachelor's degree in Economics from the Fudan University, Shanghai and a master's degree in sociology from The Chinese University of Hong Kong. Ms Fang has over 10 years of experience in the field of financial investment and business management. Ms Fang was a non-executive director of FDS Networks Group Limited, a company listed on the Singapore Exchange Limited, from May 2009 to January 2013. Ms. Fang is currently a licensed person to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter571 of the Laws of Hong Kong) ("SFO").

Independent Non-Executive Directors

Mr Ye Tian Liu, aged 69, was appointed as an Independent Non-executive Director of the Company in November 1999. Mr Ye holds a master's degree in business administration. Mr Ye is also the chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee of the Company. He was formerly an executive director of a locally listed company for several years. He has extensive experiences in China trade and property investment.

Mr Lai Yun Hung, aged 63, is a partner of Lai & Wong, Certified Public Accountants as well as the managing director of Lai & C.K. Wong CPA Limited. Mr Lai chairs the Audit Committee and is also members of the Remuneration Committee and the Nomination Committee of the Company. He has over 32 years of work experience in audit and tax assignments in audit firms, with exposure in listed and unlisted companies engaging in various types of industries including banks, financial institutions, manufacturing and trading companies, travel agencies and solicitors firms. Mr Lai is an associate member of the Institute of Chartered Accountants in England and Wales (ACA), a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA (Practising)) in Hong Kong. Mr Lai was appointed as an Independent Non-executive Director of the Company in September 2004. He was also an independent non-executive director of Chi Cheung Investment Company Limited (now known as "LT Commercial Real Estate Ltd.") (stock code: 112), until 27 March 2013, whose shares are listed on the Stock Exchange of Hong Kong Limited.

Report of the Directors

Dr Ko Peter, Ping Wah, aged 66, was appointed as an Independent Non-executive Director of the Company on 28 September 2012. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He holds a Ph. D degree in business administration from the Bulacan State University, Republic of the Philippines, a master of science degree in business administration from the University of Bath, England and a bachelor's degree of law (Chinese Law) from the University of Beijing, China and a higher diploma in mechanical engineering from the Hong Kong Polytechnic University. He has been registered as a Lead Auditor & Tutor of ISO9000 for 15 years and as a Quality Management Consultant and Trainer for 19 years. He has been appointed as a part-time tutor of universities in Hong Kong and overseas for many years.

Company Secretary

Mr Mak Yee Chuen, Vincent, aged 58, was appointed as company secretary in July 2000. Mr Mak holds a master degree of laws from the University of Hong Kong and a master degree in business administration from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He is the founder and a partner of Vincent Mak & Company, Certified Public Accountants since 1987. He is also the principal of Vincent Mak & Co., Solicitors.

Senior Management

Mr Du Yilin, aged 39, is the general manager of the Childcare products. He joined the Haier Group in 1998. Mr Du has held several senior positions such as the general manager of a branch centre; TV segment distribution channel i.e. Guomei（國美）; household appliances products for Haier Group. Mr Du has 17 years of experience as senior management in the household appliance industry. He is knowledgeable in the development of domestic and foreign household appliances industry and well-experienced in corporate operations, internal control, sales and marketing, etc. He also has profound management experience in corporate strategic operational planning, building operating platform, developing operating system, integrating marketing planning, developing marketing system and brand management.

Mr Qu Guinan, aged 43, holds an EMBA degree from the University of International Business and Economics. He joined Haier Group in 1998 and has assumed various positions, including the general manager of trade and industry department, the general manager and marketing director of household appliance segment. He has 17 years of experience in large appliances, small appliances and water appliances sectors. He joined the Haier Water purifier business as director in May 2011 and has been the director and general manager of Goodaymart Water since it was established in July 2014.

Report of the Directors

Mr Nong Ren Jun, aged 45, is the general manager of the commercial kitchen business of Haier Ruidi. He joined the group in September 2013 with nearly 20 years experience in the management of commercial kitchen EPC projects and hotel projects.

Mr Leung Yuk Hung, Paul, aged 40, is the associate director responsible for the development of new investments and business ventures. Mr Leung is the son of Mr Leung Lun M.H., an Executive Director of the Company. He holds a bachelor of commerce (accounting and finance) degree and a bachelor of engineering (I.T.) degree from the University of Western Australia. He joined the Group in March 2003.

Mr Wong, Andy Tze On, CPA aged 48, was the former Executive Director responsible for formulation of the corporate strategies, corporate and business management, financial planning and management of the Group until his re-designation in September 2014 to concentrate on the overall management of the toy business as well as the business development of the Indonesia subsidiary. He was previously responsible for listing compliance, financier relationship and risk management as well as corporate communications of the Group. Mr Wong holds a business degree in accounting from the Curtin University of Technology, Western Australia. He joined the Group in June 1993. He is a member of the Australian Society of Certified Practising Accountants. Mr Wong was an Executive Director of the Company for the period from August 1997 to September 2014.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

One of the Executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 September 1997 and shall continue thereafter unless and until terminated by either the Company or the Director giving to the other party not less than six months' notice in writing to determine the same. Under the agreement, the Executive Director will receive a fixed monthly salary and/or may receive a year end bonus and a discretionary bonus.

None of the Independent Non-executive Directors has entered into written service contract with the Company for a term of three years which will be automatically renewed for another term of three years until it is terminated. According to the verbal arrangements, it may be terminated at any time by the Independent Non-executive Director giving not less than three months' prior written notice.

Apart from the above, none of the Directors has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2015, apart from the Lung Cheong (BVI) Holdings Limited ("Disposal Group"), the Directors were not aware of any business or interest of each Director, management shareholder and their respective associate, that competes or may compete with the business of the Group and any other conflict of interest which any such person have or may have with the Group.

Save as mentioned above, no contracts of significance in relation to the Company's business to which the Company, any of its holding companies or subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, or a controlling shareholder or any of its subsidiaries is a party, subsisted at the end of the Year or at any time during the Year.

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY SECURITIES

At 31 March 2015, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of 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 contained in the Listing Rules were as follows:

Name of Director	Name of company	Capacity	Number and class of securities (Note 1)	Approximate percentage on the issued share capital of the same class of securities
Leung Lun	the Company	Interest in a controlled corporation	1,079,082,240 ordinary shares (L) (Note 2)	19.11%
	Lung Cheong Investment Limited	Interest in a controlled corporation	1,000 ordinary shares (L)	100%
	Rare Diamond Limited	Beneficial interest	70 ordinary shares (L)	70%
Fang Fang	the Company	Beneficial interest	12,000,000 ordinary shares (L)	0.21%

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the relevant company.

2. These shares were held by Lung Cheong Investment Limited, a company wholly-owned by Rare Diamond Limited. Rare Diamond Limited is beneficially owned as to 70% by Mr Leung Lun, M.H., an Executive Director of the Company and 30% by Mr Leung Chung Ming, who is the brother of Mr Leung Lun, M.H..

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

Apart from the Scheme, at no time during the Period was the Company, its holding companies or its subsidiaries a party to any arrangements to enable the Directors, chief executives of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2015, the following persons, other than a Director or chief executive of the Company, had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Number of ordinary shares of HK$0.10 each (Note 1)	Capacity	Approximate percentage of interest
Haier Electrical Appliances Second Holdings (BVI) Limited	1,510,000,000 (L)	Beneficial owner	26.74%
Qingdao Haier Collective Asset Management Association	1,510,000,000 (L) (Note 2)	Interest of controlled corporation	26.74%
Qingdao Haier Investment and Development Co., Ltd.	1,510,000,000 (L) (Note 2)	Interest of controlled corporation	26.74%
Lung Cheong Investment Limited	1,079,082,240 (L)	Beneficial owner	19.11%
Rare Diamond Limited	1,079,082,240 (L) (Note 3)	Interest of controlled corporation	19.11%

Notes:

1. The letter "L" represents the entity's interests in the shares and underlying shares of the Company.

2. These shares were registered in the name of Haier Electrical Appliances Second Holdings (BVI) Limited, the entire issued share capital of which is wholly-owned by Qingdao Haier Investment and Development Co., Ltd., which is beneficially owned as to 63.42% by Qingdao Haier Collective Asset Management Association.

3. These shares were registered in the name of Lung Cheong Investment Limited, the entire issued share capital of which is owned by Rare Diamond Limited. Rare Diamond Limited is beneficially owned as to 70% by Mr Leung Lun, M.H., an Executive Director of the Company, and 30% by Mr Leung Chung Ming, who is the brother of Mr Leung Lun, M.H.

Save as disclosed above, as at 31 March 2015, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Report of the Directors

PRE-EMPTIVE RIGHTS

In the event that the Company issues, otherwise than pursuant to the Old Scheme and the Scheme, for cash consideration of any new shares or securities (including options and warrants) in the Company convertible into ordinary shares (the "New Issue Securities"), the holders of the Company's preference shares (the "Preference Shares") are entitled to subscribe, or procure subscribers to subscribe, for all or part of the New Issue Securities. Any New Issue Securities not subscribed for by the holders of Preference Shares may be subscribed for by the holders of ordinary shares in the Company upon terms and conditions no more favourable than those offered to the holder of Preference Shares.

MANAGEMENT CONTRACTS

Other than the contracts of service with the Directors or any persons engaged in the full-time employment of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2015	2014
	%	%
Sales		
– the largest customer	**11**	18
– five largest customers combined	**40**	58
Purchases		
– the largest supplier	**20**	39
– five largest suppliers combined	**54**	52

No directors or their associates except for Disposal Group (as defined in the Listing Rules) and no shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee had reviewed (together with the management and external auditor) the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2015.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

BOARD OF DIRECTORS

Mr Diao Yunfeng was appointed as an Executive Director on 24 September 2014, and was appointed as the Chairman and Chief Executive Officer and the Chairman of the Nomination Committee of the Company with effect from 27 October 2014.

CONTINUING CONNECTED TRANSACTIONS

At an EGM held on 5 January 2015, an ordinary resolution was passed by the independent shareholders which approved the master purchase agreement dated 23 October 2014 entered into between LC Global Holdings Corporation (“LC Global”), a subsidiary of the Company, and Lung Cheong (BVI) Holdings Limited which is owned as to 30% by Mr Leung Chung Ming and 70% by Mr Leung, Kenneth Yuk Wai who is a son of one of the Company’s executive Directors, Mr Leung Lun, M.H., (the “Master Purchase Agreement”) in relation to, among other matters, the supply of consumer electronic products, radio control/wireless products, electronic and plastic toys for a term up to 31 March 2017. The proposed annual caps in relation to the transactions under the Master Purchase Agreement for the period commencing from 1 April 2014 to 31 March 2015 and each of the period/years ending 31 March 2016 and 31 March 2017 would not exceed HK$60 million, HK$75 million and HK$95 million respectively.

For FY14/15, purchases from the Disposal Group amounted to approx. HK$48 million in line with the resolution approved by independent shareholders at the Company’s EGM held on 5 January 2015.

Report of the Directors

In accordance with Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company reviewed the continuing connected transactions in the paragraph above and confirmed that the transactions were entered into:

(i) In the ordinary and usual course of business of the Company;

(ii) Either on normal commercial terms or on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) In accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditors, BDO Limited, were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" Issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the public float of the shares of the Company is sufficient to meet the minimum level as prescribed in the Listing Rules.

AUDITORS

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the appointment of BDO Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practice are set out in the Corporate Governance Report on pages 25 to 34 of this Annual Report.

On behalf of the Board
Haier Healthwise Holdings Limited

Diao Yunfeng
Chairman and Chief Executive Officer
30 June 2015

Independent Auditor's Report

BDO

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TO THE SHAREHOLDERS OF HAIER HEALTHWISE HOLDINGS LIMITED
(FORMERLY KNOWN AS LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Haier Healthwise Holdings Limited (formerly known as Lung Cheong International Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 144, which comprise the consolidated and company statements of financial position as at 31 March 2015 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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 judgment, 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 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 qualified audit opinion.

BASIS FOR QUALIFIED OPINION

The consolidated financial statements included the financial statements for the year ended 31 March 2015 of P.T. Lung Cheong Brothers Industrial ("PTLC"), a wholly owned subsidiary of the Company in Indonesia.

– Included in the tax payable and deferred tax assets stated in the consolidated statement of financial position as at 31 March 2015 are the amounts of HK$1,658,000 and HK$780,000 contributed by PTLC.

– Included in the income tax expense stated in the consolidated statements of comprehensive income for the year ended 31 March 2015 is the amount of HK$1,767,000 incurred by PTLC.

We were unable to obtain sufficient appropriate audit evidence about the carrying amounts of tax payable and deferred tax assets or liabilities of PTLC as at 31 March 2015 and the related expenses for the year then ended as management did not provide the supporting information. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Independent Auditor's Report

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 2015 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number: P05309

1 July 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	6	**389,427**	193,664
Cost of sales		**(277,506)**	(134,088)
Gross profit		**111,921**	59,576
Other income, gains and losses, net	7	**17,408**	20,791
Selling and distribution expenses		**(52,887)**	(23,224)
General and administrative expenses		**(82,852)**	(52,895)
Share of result of an associate	21	**9,512**	–
Finance costs	9	**(1,760)**	(1,640)
Fair value gain on contingent consideration	39(b)	**15,615**	–
Profit before income tax	8	**16,957**	2,608
Income tax (expense)/credit	10	**(10,423)**	687
Profit for the year		**6,534**	3,295
Other comprehensive income for the year, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(203)**	(3,371)
Revaluation of available-for-sale investments		**3,663**	(16,539)
Surplus on revaluation of land and buildings		**21,102**	–
Total other comprehensive income for the year, net of tax		**24,562**	(19,910)
Total comprehensive income for the year		**31,096**	(16,615)
Profit for the year attributable to:			
Owners of the Company		**17,037**	5,287
Non-controlling interests		**(10,503)**	(1,992)
		6,534	3,295
Total comprehensive income for the year attributable to:			
Owners of the Company		**41,756**	(14,623)
Non-controlling interests		**(10,660)**	(1,992)
		31,096	(16,615)
Earnings per share attributable to owners of the Company			
– Basic	13	**0.31 cents**	0.10 cents
– Diluted	13	**0.29 cents**	0.09 cents

Statements of Financial Position

As at 31 March 2015

	Notes	The Group 2015 HK$'000	The Group 2014 HK$'000	The Company 2015 HK$'000	The Company 2014 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	17	**100,912**	50,543	**–**	–
Goodwill	18	**102,357**	100,970	**–**	–
Intangible assets	19	**10,419**	6,859	**–**	–
Interests in subsidiaries	20	**–**	–	**572,062**	558,964
Interest in an associate	21	**18,904**	–	**–**	–
Deferred tax assets	30	**5,575**	11,545	**–**	–
		238,167	169,917	**572,062**	558,964
Current assets					
Inventories	22	**75,257**	55,348	**–**	–
Trade and other receivables, deposits and prepayments	23	**95,195**	38,417	**–**	–
Available-for-sale investments	24	**201,680**	250,768	**–**	–
Amounts due from related companies	25	**231**	4,049	**–**	9
Amount due from an associate	21	**21,135**	–	**–**	–
Tax recoverable		**1,532**	1,017	**9**	11
Cash and cash equivalents	26	**106,992**	116,139	**2**	159
		502,022	465,738	**11**	179
Current liabilities					
Trade and other payables and accrued charges	27	**52,108**	27,775	**629**	625
Borrowings	28	**24,094**	12,110	**–**	–
Amounts due to related companies	25	**5,004**	3,519	**–**	–
Tax payable		**4,661**	13	**–**	–
		85,867	43,417	**629**	625
Net current assets/(liabilities)		**416,155**	422,321	**(618)**	(446)
Total assets less current liabilities		**654,322**	592,238	**571,444**	558,518

Statements of Financial Position

As at 31 March 2015

	Notes	The Group 2015 HK$'000	The Group 2014 HK$'000	The Company 2015 HK$'000	The Company 2014 HK$'000
Non-current liabilities					
Other payable	27	**–**	7,710	**–**	–
Borrowings	28	**15,057**	7,814	**–**	–
Provision for long service payment	29	**2,451**	2,148	**–**	–
Deferred tax liabilities	30	**13,577**	6,676	**–**	–
		31,085	24,348	**–**	–
Net assets		**623,237**	567,890	**571,444**	558,518
EQUITY					
Share capital	32	**564,776**	555,776	**564,776**	555,776
Reserves	35	**67,127**	14,705	**6,668**	2,742
Equity attributable to owners of the Company		**631,903**	570,481	**571,444**	558,518
Non-controlling interests	34	**(8,666)**	(2,591)	**–**	–
Total equity		**623,237**	567,890	**571,444**	558,518

On behalf of the board

Leung Lun, M.H.
Director

Diao Yunfeng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Share capital HK$'000 (Note 32)	Share premium HK$'000	Shares to be issued HK$'000 (Note 31)	Share option reserve HK$'000 (Note 33)	Warrant reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Land and buildings revaluation reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1 April 2013	345,776	59,498	389,000	–	4,789	(28,043)	–	28,891	(311,919)	487,992	–	487,992
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(3,371)	–	–	–	(3,371)	–	(3,371)
Revaluation of available-for-sale investments	–	–	–	–	–	–	(16,539)	–	–	(16,539)	–	(16,539)
Profit for the year	–	–	–	–	–	–	–	–	5,287	5,287	(1,992)	3,295
Total comprehensive income for the year	–	–	–	–	–	(3,371)	(16,539)	–	5,287	(14,623)	(1,992)	(16,615)
Consideration shares to be issued for business acquisitions (Note 39(b))	–	–	82,000	–	–	–	–	–	–	82,000	–	82,000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	(599)	(599)
Placement of shares	200,000	189,216	(389,000)	–	–	–	–	–	–	216	–	216
Exercise of warrants	10,000	5,855	–	–	(959)	–	–	–	–	14,896	–	14,896
At 31 March 2014	555,776	254,569	82,000	–	3,830	(31,414)	(16,539)	28,891	(306,632)	570,481	(2,591)	567,890
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(46)	–	–	–	(46)	(157)	(203)
Revaluation of available-for-sale investments	–	–	–	–	–	–	3,663	–	–	3,663	–	3,663
Surplus on revaluation of land and buildings	–	–	–	–	–	–	–	21,102	–	21,102	–	21,102
Profit for the year	–	–	–	–	–	–	–	–	17,037	17,037	(10,503)	6,534
Total comprehensive income for the year	–	–	–	–	–	(46)	3,663	21,102	17,037	41,756	(10,660)	31,096
Recognition of equity-settled share-based payment expenses	–	–	–	6,164	–	–	–	–	–	6,164	–	6,164
Acquisition of a subsidiary (Note 39(a))	–	–	–	–	–	–	–	–	–	–	4,585	4,585
Lapse of profit guarantee – share portion (Note 39(b))	–	–	(41,000)	–	–	–	–	–	41,000	–	–	–
Exercise of warrants	9,000	5,363	–	–	(861)	–	–	–	–	13,502	–	13,502
At 31 March 2015	564,776	259,932	41,000	6,164	2,969	(31,460)	(12,876)	49,993	(248,595)	631,903	(8,666)	623,237

Nature and purpose of reserves are disclosed in Note 35.

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Operating activities			
Profit before income tax		**16,957**	2,608
Adjustments for:			
Interest income		**(19,446)**	(19,279)
Interest expenses		**1,760**	1,640
Share of result of an associate		**(9,512)**	–
Depreciation of property, plant and equipment		**8,093**	4,148
Amortisation of intangible assets		**639**	289
Impairment loss on trade receivables, net		**5,649**	41
Impairment loss on goodwill		**3,523**	–
Gain on disposal of property, plant and equipment		**(383)**	(287)
Gain on disposal of available-for-sale investments		**(977)**	(1,594)
Equity-settled share-based payment expenses		**6,164**	–
Addition to provision for long service payment		**597**	571
Fair value gain on contingent consideration		**(15,615)**	–
Operating cash flows before changes in working capital		**(2,551)**	(11,863)
Increase in inventories		**(18,938)**	(9,825)
Increase in trade and other receivables, deposits and prepayments		**(61,114)**	(19,990)
Decrease in amounts due from related companies		**3,818**	3,030
Increase in amount due from an associate		**(21,135)**	–
Increase/(decrease) in trade and other payables and accrued charges		**38,334**	(7,940)
Increase/(decrease) in amounts due to related companies		**1,485**	(4,328)
Cash used in operations		**(60,101)**	(50,916)
Interest received		**19,446**	19,279
Income tax paid		**(825)**	(5,184)
Net cash used in operating activities		**(41,480)**	(36,821)

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(32,355)**	(10,989)
Purchase of intangible assets		**(4,070)**	(2,469)
Purchase of available-for-sale investments		**–**	(278,838)
Cash outflow from acquisition of a subsidiary	39(a)	**(8,188)**	(9,460)
Capital injection to an associate		**(9,330)**	–
Decrease in restricted bank deposits		**–**	30,094
Proceeds from disposal of property, plant and equipment		**1,819**	305
Proceeds from disposal of available-for-sale investments		**48,547**	13,125
Net cash used in investing activities		**(3,577)**	(258,232)
Financing activities			
Interest paid		**(1,760)**	(1,640)
Placing of new shares		**–**	216
Exercise of warrants		**13,502**	14,896
New borrowings from banks		**33,088**	19,924
Repayment of borrowings		**(16,949)**	(41,146)
Net cash generated from/(used in) financing activities		**27,881**	(7,750)
Net decrease in cash and cash equivalents		**(17,176)**	(302,803)
Effect of foreign exchange rate changes		**8,029**	767
Cash and cash equivalents at beginning of year		**116,139**	418,175
Cash and cash equivalents at end of year	26	**106,992**	116,139

Notes to the Financial Statements

31 March 2015

1. ORGANISATION AND OPERATIONS

Haier Healthwise Holdings Limited 海爾智能健康控股有限公司 (formerly known as Lung Cheong International Holdings Limited) (the "Company") is a limited liability company incorporated in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and the principal place of business of the Company is at Lung Cheong Building, 1 Lok Yip Road, Fanling, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively as the "Group") are principally engaged in development, engineering, manufacture and sale of toys, consumer electronic and commercial kitchen products during the year. The principal activities of its subsidiaries are set out in Note 20 to the financial statements.

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

(a) Adoption of new/revised HKFRSs – Effective 1 April 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The adoption of these amendments has no material impact on the Group's financial statements.

Notes to the Financial Statements

31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS12 and HKAS 28 (2011)	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July, 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July, 2014
3 Effective for annual periods beginning on or after 1 January, 2016
4 Effective for annual periods beginning on or after 1 January, 2017
5 Effective for annual periods beginning on or after 1 January, 2018

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Notes to the Financial Statements

31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *Continued*

Amendments to HKAS 1 – Disclosure Initiative

The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and the presentation of the financial statements to their circumstance and the needs of users.

The key areas addressed by the changes are as follows:

– Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

– Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;

– Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;

– Accounting policies: how to identify a significant accounting policy that should be disclosed;

– Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Notes to the Financial Statements

31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *Continued*

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *Continued*

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investments Entities: Applying the Consolidation Exception

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

Notes to the Financial Statements

31 March 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(c) The disclosure requirements of the new Hong Kong Companies Ordinance relating to the preparation of financial statements

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") requiring financial statements disclosures with reference to the new Hong Kong Companies Ordinance, Cap. 622 (the "New Companies Ordinance") will first apply to the Company in its financial year ending on 31 March 2016.

The directors consider that there will be no impact on the Group's financial position or performance, however the New Companies Ordinance would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and certain related notes need not be included.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs and Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs"). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the "Listing Rules".

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for the land and buildings and the available-for-sale investments, which are measured at fair values as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are relatively significant to the consolidated financial statements are disclosed in Note 5.

Notes to the Financial Statements

31 March 2015

3. BASIS OF PREPARATION – *Continued*

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Business combination and basis of consolidation – *Continued*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change on any of these elements of control.

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

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(c) Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associate's net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(d) Goodwill – *Continued*

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Buildings comprise mainly factories, showrooms and offices. Freehold land and buildings are carried at revalued amount, being fair value, based on periodic, but at least triennial, valuations by external independent valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under land and buildings revaluation reserve. Decreases that offset previous increases of the same asset are offset against previous increase on earlier valuations and thereafter any further losses are recognised in profit or loss.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(e) Property, plant and equipment – *Continued*

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

Depreciation of property, plant and equipment, is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the shorter of the lease terms and 5-20 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	2-5 years
Motor vehicles	5 years
Moulds	2-5 years

The assets' residual values, estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in general and administrative expenses.

Patents	5-10 years

(g) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

– it is technically feasible to develop the product for it to be sold;

– adequate resources are available to complete the development;

– there is an intention to complete and sell the product;

– the Group is able to sell the product;

– expenditure on the project can be measured reliably; and

– sale of the product will generate future economic benefits.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that relevant asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that relevant asset.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of production overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses and, where appropriate, the cost of conversion from their existing state to a finished condition.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amounts due from related parties and an associate and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of other reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial instruments – *Continued*

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

– significant financial difficulty of the debtor;

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

– granting concession to a debtor because of debtor's financial difficulty; or

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

i) For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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 have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial instruments – *Continued*

Impairment loss on financial assets – *Continued*

ii) For available-for-sale financial assets

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

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Financial liabilities

The Group classifies all of its financial liabilities as financial liabilities at amortised costs and are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables and accrued charges, borrowings, and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Financial instruments – *Continued*

Derecognition

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(k) Share-based payment transactions

Equity-settled share-based payment transactions

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(m) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, 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 expenditures 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.

(o) Income taxes

Income taxes represent the sum of the tax currently payable and deferred tax.

i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(o) Income taxes – *Continued*

ii) ***Deferred tax*** – *Continued*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currency") are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(p) Foreign currencies – *Continued*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as exchange fluctuation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve. On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(q) Employee benefits

i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Employee entitlements to long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for long service leave as a result of services rendered by employees up to end of reporting period.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(q) Employee benefits – *Continued*

ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(r) Pension obligations

The Group participates in several defined contribution retirement benefit schemes. A defined contribution plan is a retirement benefit scheme under which the Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The schemes are generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that 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. The capitalistion of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

31 March 2015

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of value-added tax rebates and discounts and after elimination of sales with the Group.

Sale of goods are recognised when the Group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Service income is recognised when services are provided.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Useful lives, residual values and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – *Continued*

(b) Impairment of property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The recoverable amounts are determined based on fair value less costs to sell which are based on the best information available to reflect the amount obtainable at the end of reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the expected growth in revenues, timing of future capital expenditures, growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviewed.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimations at the end of each reporting period.

(e) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provision at the end of each reporting period.

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6. TURNOVER AND SEGMENT INFORMATION

Information on the operating/reportable segments is provided to the chief operating decision-makers (the "CODM") to enable them to make strategic decisions. Such segment information is reported in accordance with the internal reporting procedure and the Group's internal organisation and reporting structure.

The Group has three reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing and sale of toys
- Sale of consumer electronic products
- Manufacturing and sale of commercial kitchen products

Inter-segment transactions are priced with reference to prices charged to external customers for similar order. Corporate revenue, expenses, assets and liabilities are not allocated to the reportable segments as these items have not been used by the CODM in measuring the segments' profit or loss, assets and liabilities.

(a) Segment revenue and results

For the year ended 31 March 2015

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Reportable segment total HK$'000
Revenue to external customers	240,856	90,539	58,032	389,427
Segment profit/(loss) before income tax	(158)	(19,626)	6,074	(13,710)

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6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(a) Segment revenue and results – *Continued*

For the year ended 31 March 2014

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Total HK$'000
Revenue to external customers	173,290	15,497	4,877	193,664
Segment profit/(loss) before income tax	3,394	(7,546)	(2,614)	(6,766)

	2015 HK$'000	2014 HK$'000
Reportable segment loss	**(13,710)**	(6,766)
Interest income	**19,040**	18,627
Gain on disposal of available-for-sale investments	**977**	1,594
Share of result of an associate	**9,512**	–
Fair value gain on contingent consideration	**15,615**	–
Equity-settled share-based payment expenses	**(1,990)**	–
Unallocated corporate expenses		
– Staff costs	**(4,842)**	(5,061)
– Legal and professional fee	**(2,464)**	(2,349)
– Consultancy service expense	**(3,600)**	–
– Others	**(1,581)**	(3,437)
Consolidated profit before income tax	**16,957**	2,608

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6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2015 HK$'000	2014 HK$'000
Segment assets		
Toys	**191,469**	140,642
Consumer electronic products	**82,173**	53,801
Commercial kitchen products	**187,590**	128,335
Segment assets	**461,232**	322,778
Available-for-sale investments	**201,680**	250,768
Interest in an associate	**18,904**	–
Unallocated corporate assets		
– Cash and cash equivalents	**50,809**	58,694
– Others	**7,564**	3,415
Consolidated total assets	**740,189**	635,655

	2015 HK$'000	2014 HK$'000
Segment liabilities		
Toys	**84,168**	43,402
Consumer electronic products	**15,612**	6,681
Commercial kitchen products	**16,912**	17,636
Segment liabilities	**116,692**	67,719
Unallocated corporate liabilities	**260**	46
Consolidated total liabilities	**116,952**	67,765

6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(c) Other segment information included in segment results or segment assets

For the year ended 31 March 2015

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	(13)	(49)	(344)	(19,040)	(19,446)
Interest expenses	1,648	31	81	–	1,760
Income tax expense	2,524	3,285	4,614	–	10,423
Share of result of an associate	–	–	–	(9,512)	(9,512)
Depreciation of property, plant and equipment	4,689	1,237	2,167	–	8,093
Amortisation of intangible assets	–	201	438	–	639
Impairment loss on trade receivables, net	6	–	5,643	–	5,649
Impairment loss on goodwill	–	3,523	–	–	3,523
Gain on disposal of property, plant and equipment	(383)	–	–	–	(383)
Gain on disposal of available-for-sale investments	–	–	–	(977)	(977)
Additions to property, plant and equipment	23,753	7,925	664	13	32,355
Additions to intangible assets	–	1,485	2,585	–	4,070
Research and development service income	–	–	(9,001)	–	(9,001)
Equity-settled share-based payment expenses	–	1,070	3,104	1,990	6,164

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6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(c) Other segment information included in segment results or segment assets – *Continued*

For the year ended 31 March 2014

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	(287)	(347)	(18)	(18,627)	(19,279)
Interest expenses	1,612	28	–	–	1,640
Income tax expense/(credit)	1,376	(1,427)	(636)	–	(687)
Depreciation of property, plant and equipment	3,468	358	322	–	4,148
Amortisation of intangible assets	–	–	289	–	289
Impairment loss on trade receivables, net	41	–	–	–	41
Gain on disposal of property, plant and equipment	(287)	–	–	–	(287)
Gain on disposal of available-for-sale investments	–	–	–	(1,594)	(1,594)
Additions to property, plant and equipment	10,170	731	88	–	10,989
Additions to intangible assets	–	2,469	–	–	2,469

6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(d) Geographical information

Information about the Group's revenue and non-current assets by geographical region, according to the location which the product is shipped and the location of assets, is as follows:

For the year ended 31 March 2015

	Revenue HK$'000	Non-current assets HK$'000 (Note (i))
United States of America and Canada	85,212	3,534
Europe (Note (ii))	79,648	–
China	153,228	145,689
Australia	1,807	–
Japan	12,172	–
Hong Kong	662	77
Korea	44,450	–
Indonesia	–	83,284
Others	12,248	8
	389,427	232,592

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6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(d) Geographical information – *Continued*

For the year ended 31 March 2014

	Revenue HK$'000	Non-current assets HK$'000 (Note (i))
United States of America and Canada	89,836	3,419
Europe (Note (ii))	64,528	–
China	20,519	110,189
Australia	1,966	–
Japan	1,846	–
Hong Kong	1,380	71
Korea	433	–
Indonesia	–	44,693
Others	13,156	–
	193,664	158,372

Note:

(i) Excluding deferred tax assets.

(ii) The products are first exported to one of the European countries ("Shipping Port Countries") and then distributed to different European countries by the customers. The information of European countries to where the products are finally shipped is not available and the cost to develop it would be excessive. The directors are of the opinion that the Shipping Port Countries included in this category are not disclosed as such disclosure might be misleading.

6. TURNOVER AND SEGMENT INFORMATION – *Continued*

(e) Information on major customers

Revenue from one customer (2014: three customers) of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2015 **HK$'000**	2014 HK$'000
Customer A from toys segment	**44,672**	N/A
Customer B from toys segment	**N/A**	35,496
Customer C from toys segment	**N/A**	32,227
Customer D from toys segment	**N/A**	19,729

7. OTHER INCOME, GAINS AND LOSSES, NET

	2015 **HK$'000**	2014 HK$'000
Interest income	**19,446**	19,279
Sample income and others	**1,323**	839
Research and development service income	**9,001**	–
Gain on disposal of property, plant and equipment	**383**	287
Gain on disposal of available-for-sale investments	**977**	1,594
Impairment loss on trade receivables, net	**(5,649)**	(41)
Impairment loss on goodwill	**(3,523)**	–
Exchange losses, net	**(4,550)**	(1,167)
	17,408	20,791

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8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2015 HK$'000	2014 HK$'000
Costs of inventories recognised as expenses	**277,300**	134,088
Auditors' remuneration	**1,512**	1,021
Depreciation of property, plant and equipment	**8,093**	4,148
Amortisation of intangible assets	**639**	289
Employee benefits expense (excluding directors) (Note 14)	**93,515**	41,450
Directors' emoluments (Note 15)	**4,160**	4,224
Research and development costs (included in general and administrative expenses)	**4,885**	3,387
Minimum lease payments under operating lease	**2,681**	1,501

9. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Total interest expenses for financial liabilities that are not at fair value through profit or loss:		
Interests on loans from banks wholly repayable within five years	**1,760**	1,640

10. INCOME TAX EXPENSE/(CREDIT)

No Hong Kong profits tax has been provided for the Group's Hong Kong subsidiaries as they did not derive any assessable profits for the year (2014: Nil).

Enterprise income tax ("EIT") has been provided at the rate of 25% (2014: 25%) on the estimated assessable profits for the year arising from the PRC.

Overseas profits tax has been provided at the appropriate rates in the countries in which they operate.

10. INCOME TAX EXPENSE/(CREDIT) – *Continued*

The amount of income tax expense/(credit) in the consolidated statement of comprehensive income represents:

	2015 HK$'000	2014 HK$'000
PRC enterprise income tax		
– provision in current year	**3,189**	–
– under-provision in prior years	**3**	–
	3,192	–
Overseas profits tax – current year	**1,767**	–
Deferred tax expense/(credit) (Note 30)	**5,464**	(687)
Income tax expense/(credit)	**10,423**	(687)

Income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2015 HK$'000	2014 HK$'000
Profit before income tax	**16,957**	2,608
Income tax expense calculated at the tax rate of 16.5% (2014: 16.5%)	**2,798**	430
Effect of different tax rates in other countries	**860**	(1,062)
Income not subject to taxation	**(6,653)**	(365)
Expenses not deductible for tax purpose	**4,453**	16
Utilisation of previously unrecognised tax losses	**–**	(326)
Under-provision in prior years	**3**	–
Reversal of tax losses recognised in prior years	**3,200**	–
Deferred tax benefits arising from tax losses and others not recognised	**5,762**	620
Income tax expense/(credit)	**10,423**	(687)

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11. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The consolidated profit for the year attributable to the owners of the Company for the year ended 31 March 2015 includes a loss of approximately HK$6,740,000 (2014: a profit of approximately HK$8,337,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The directors do not recommend any dividend in respect of the year ended 31 March 2015 (2014: Nil).

13. EARNINGS PER SHARE

	2015 HK cents	2014 HK cents
Basic earnings per share	**0.31**	0.10
Diluted earnings per share	**0.29**	0.09

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2015 HK$'000	2014 HK$'000
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**17,037**	5,287

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,582,853,887**	5,383,730,600
Effect of dilution		
– Warrants	**260,941,321**	304,603,669
– Share options (Note)	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**5,843,795,208**	5,688,334,269

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13. EARNINGS PER SHARE – *Continued*

Note: The share options of the Company granted in the period are treated as contingently issuable shares because their issue is contingent upon the performance assessments of the share option holders. No adjustment for the share options was made in calculating the diluted earnings per share.

14. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense excluding directors' emoluments comprises:

	2015 HK$'000	2014 HK$'000
Wages and salaries	**84,135**	37,376
Other staff benefits	**2,989**	3,303
Equity-settled share-based payment expenses (Note 33)	**4,047**	–
Pension costs – defined contribution plans (Note 16)	**2,344**	771
	93,515	41,450

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	2015 HK$'000	2014 HK$'000
Fees for independent non-executive directors	**212**	180
Other emoluments:		
Basic salaries, bonus, housing and other allowances and benefits in kind	**3,900**	3,980
Provident fund scheme contributions (Note 16)	**48**	64
	4,160	4,224

No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No directors waived their emoluments in respect of the years ended 31 March 2015 and 2014.

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15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – *Continued*

(a) Directors' emoluments – *Continued*

The emolument of each director for the year ended 31 March 2015 is set out below:

Name of director	Fees HK$'000	Basic salaries and bonus HK$'000	Housing and other allowances and benefits in kind HK$'000	Provident fund scheme contributions HK$'000	Total HK$'000
Mr Diao Yunfeng (Note ii)	32	–	–	–	32
Mr Leung Lun, M.H.	–	1,500	780	12	2,292
Mr Wong, Andy Tze On (Note i)	–	360	180	18	558
Ms Fang Fang	–	1,080	–	18	1,098
Mr Ye Tian Liu	60	–	–	–	60
Mr Lai Yun Hung	60	–	–	–	60
Dr Ko Peter, Ping Wah	60	–	–	–	60
	212	2,940	960	48	4,160

The emolument of each director for the year ended 31 March 2014 is set out below:

Name of director	Fees HK$'000	Basic salaries and bonus HK$'000	Housing and other allowances and benefits in kind HK$'000	Provident fund scheme contributions HK$'000	Total HK$'000
Mr Leung Lun, M.H.	–	1,500	780	15	2,295
Mr Wong, Andy Tze On	–	720	360	36	1,116
Ms Fang Fang	–	620	–	13	633
Mr Ye Tian Liu	60	–	–	–	60
Mr Lai Yun Hung	60	–	–	–	60
Dr Ko Peter, Ping Wah	60	–	–	–	60
	180	2,840	1,140	64	4,224

Note:

(i) Mr Wong, Andy Tze On resigned on 24 September 2014.

(ii) Mr Diao Yunfeng was appointed on 24 September 2014.

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – *Continued*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) directors whose emoluments are disclosed in the analysis presented above. The emoluments payable to the remaining two (2014: two) individuals during the year are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, bonus, housing and other allowances and benefits in kind	**1,617**	1,617
Provident fund scheme contributions	**62**	60
	1,679	1,677

The emoluments paid or payable to the above individuals were within the following bands:

	2015 No. of Individuals	2014 No. of Individuals
Nil to HK$1,000,000	**2**	2

(c) Senior managements' emolument

The emoluments paid or payable to the senior managements were within the following band:

	2015 No. of Individuals	2014 No. of Individuals
Nil to HK$1,000,000	**5**	2

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16. PENSION COSTS

The Group has two provident fund scheme arrangements for its Hong Kong employees: (a) the ORSO Scheme and (b) the MPF Scheme.

The ORSO Scheme has been granted an exemption from registration for MPF purposes. Under the ORSO Scheme, contributions of both the employers and employees are calculated at 5% of the monthly salary of the employees. The employees are entitled to all the employers' contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Forfeited contributions are used to reduce the employers' contributions.

Under the MPF Scheme, contributions amounting to 5% of the employee's relevant income, as defined in the MPF Ordinance, up to a maximum of HK$1,500 (2014: HK$1,250) are respectively made by the Group and the employee. The contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustee of the MPF Scheme.

The Group also contributes to certain defined contribution schemes for its employees in the United States of America and PRC. Contributions are made at a certain percentage of the basic salaries of employees.

The total amount of retirement benefit costs, including director's provident fund scheme contribution charged to the Group's profit or loss for the year ended 31 March 2015 was HK$2,392,000 (2014: HK$835,000).

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17. PROPERTY, PLANT AND EQUIPMENT

	The Group							
	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
At 1 April 2013								
Cost or valuation	35,272	–	418	16,359	6,779	664	29,738	89,230
Accumulated depreciation and impairment	(35)	–	(377)	(12,807)	(5,769)	(335)	(28,002)	(47,325)
Net book value	35,237	–	41	3,552	1,010	329	1,736	41,905
Net book amount at 1 April 2013	35,237	–	41	3,552	1,010	329	1,736	41,905
Additions	–	5,462	131	3,476	1,031	–	889	10,989
Disposals	–	–	–	–	(18)	–	–	(18)
Acquired through business combinations	–	–	96	902	348	238	1,693	3,277
Depreciation charge	(85)	–	(105)	(1,995)	(766)	(102)	(1,095)	(4,148)
Exchange differences	(431)	(156)	–	(807)	(21)	(47)	–	(1,462)
Net book value at 31 March 2014	34,721	5,306	163	5,128	1,584	418	3,223	50,543
At 31 March 2014								
Cost or valuation	34,841	5,306	645	19,930	8,119	855	32,320	102,016
Accumulated depreciation and impairment	(120)	–	(482)	(14,802)	(6,535)	(437)	(29,097)	(51,473)
Net book value	34,721	5,306	163	5,128	1,584	418	3,223	50,543
Net book amount at 1 April 2014	34,721	5,306	163	5,128	1,584	418	3,223	50,543
Additions	–	2,545	–	10,435	9,645	247	9,483	32,355
Disposals	–	–	–	(221)	–	(84)	(1,131)	(1,436)
Acquired through business combinations (Note 39(a))	–	–	–	1,809	48	108	4,990	6,955
Transfer from construction in progress	6,988	(6,988)	–	–	–	–	–	–
Depreciation charge	(41)	–	(161)	(3,044)	(1,516)	(191)	(3,140)	(8,093)
Surplus on revaluation	28,139	–	–	–	–	–	–	28,139
Exchange differences	(6,452)	(863)	2	(4)	(429)	(19)	214	(7,551)
Net book value at 31 March 2015	63,355	–	4	14,103	9,332	479	13,639	100,912
At 31 March 2015								
Cost or valuation	63,497	–	647	28,449	18,432	1,049	18,713	130,787
Accumulated depreciation and impairment	(142)	–	(643)	(14,346)	(9,100)	(570)	(5,074)	(29,875)
Net book value	63,355	–	4	14,103	9,332	479	13,639	100,912

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17. PROPERTY, PLANT AND EQUIPMENT – *Continued*

Notes:–

(a) As at 31 March 2015 and 2014, the land and buildings represent a freehold land and certain factories situated in Indonesia.

(b) The Group's land and buildings were revalued at 31 March 2015 on a market value basis by qualified valuers from KJPP Husni, Joediono & Rekan, an independent firm of chartered surveyors. The surplus on revaluation, net of applicable deferred income taxes, was credited to land and buildings revaluation reserve.

The fair value of land and buildings is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2015 HK$'000
Opening balance (level 3 recurring fair value)	**34,721**
Transfer from construction in progress	**6,988**
Depreciation charge for the year	**(41)**
Surplus on revaluation	**28,139**
Exchange difference	**(6,452)**
Closing balance (level 3 recurring fair value)	**63,355**

The fair value of the land and building was estimated using a market comparison approach. Fair values are based on prices for recent market transactions in similar properties with adjustments for differences in the location and condition of the Group's properties. These adjustments are based on unobservable inputs.

Significant unobservable inputs	Range
(Discount)/premium on quality of properties	(15%) – 18%

Higher premiums or discounts for the quality of the Group's properties compared to recent sales will result in correspondingly higher or lower fair values.

There were no changes to the valuation techniques during the period. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

(c) The carrying amount of the revalued land and buildings would have been HK$9,044,000 (2014: HK$2,007,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

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18. GOODWILL

	The Group	
	2015	2014
	HK$'000	HK$'000
At 1 April:		
Cost and net carrying amount	**100,970**	2,500
Net carrying amount at 1 April	**100,970**	2,500
Acquired through business acquisition (Note 39(a))	**3,380**	98,470
Impairment during the year	**(3,523)**	–
Exchange difference	**1,530**	–
Net carrying amount at 31 March	**102,357**	100,970
At 31 March:		
Cost	**105,880**	100,970
Accumulated impairment	**(3,523)**	–
Net carrying amount	**102,357**	100,970

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating unit ("CGUs") that are expected to benefit from that business combination. As at 31 March 2015, the goodwill arose from the acquisitions of CGUs which are engaged in manufacturing and sale of commercial kitchen products, sale of consumer electronic products, and sale of toys respectively, is as follows:

	2015	2014
	HK$'000	HK$'000
Commercial kitchen products	**99,857**	95,006
Consumer electronic products	**–**	3,464
Toys	**2,500**	2,500
	102,357	100,970

Notes to the Financial Statements

31 March 2015

18. GOODWILL – *Continued*

Commercial kitchen products and consumer electronic products

The directors determined the respective recoverable amount of the CGUs of the commercial kitchen products and the consumer electronic products as at 31 March 2015 from their value-in-use based on the valuations performed by an independent firm of professional valuers using the income approach method.

The income approach method is based on the projection of future cash flows of the commercial kitchen products segment and the consumer electronic products segment derived from the financial budgets approved by management covering a five-year period. Cash flow beyond the five-year period are extrapolated as there is zero growth for the commercial kitchen products segment and the consumer electronic products segment in the PRC.

Management expected the growth of commercial kitchen products segment and consumer electronic products segment will become obvious in the coming five-year period because of the government policies regarding the heat efficiency requirement for commercial kitchen products and the relaxation of one-child policy. Therefore, the financial budgets reflect the expected growth in sales and profits covering the five-year period.

The discount rates in a range from 16% to 18% (2014: 13%) and 15% (2014: 13%) adopted in the future cash flows projections of the CGUs of the commercial kitchen products and the consumer electronic products respectively are pre-tax and reflect specific risks relating to the relevant markets.

During the year ended 31 March 2015, impairment loss of approximately HK$3,523,000 has been recognised in respect of the goodwill arising from the acquisition of 深圳綠洲兒童用品有限公司 (formerly known as 深圳致訊電器有限公司) ("Shenzhen Oasis"), which was classified under the consumer electronic products segment, as more than planned selling and administrative expenses were incurred during market penetration.

Toys

The recoverable amount of the CGU of the toys trading business in the USA is determined by the value-in-use calculation. The calculation was carried out by cash flow projection based on financial budget approved by management covering a five-year period. Cash flow beyond the five-year period is extrapolated using estimated weighted average growth rate of 3% (2014: 3%), which do not exceed the long-term growth rate for the industry in the corresponding country.

The discount rate of 25% (2014: 19%) adopted in the value-in-use calculation of the CGU of toys is pre-tax and reflect specific risks relating to the relevant markets.

18. GOODWILL – *Continued*

Management individually reassessed the recoverable amounts of each goodwill as at 31 March 2015 by reference to the discounted cash flow calculations with the above estimations and was of the opinion that except the goodwill attached in the consumer electronic products segment being fully impaired, the remaining goodwill arising from acquisitions were recoverable.

19. INTANGIBLE ASSETS

Patents	**The Group** HK$'000
Cost:	
At 1 April 2013	–
Acquired through business combination	4,679
Additions	2,469
At 31 March 2014	7,148
Additions	4,070
Exchange difference	138
At 31 March 2015	11,356
Accumulated amortisation:	
At 1 April 2013	–
Charge for the year	289
At 31 March 2014	289
Charge for the year	639
Exchange difference	9
At 31 March 2015	937
Carrying amount:	
At 31 March 2015	10,419
At 31 March 2014	6,859

Notes to the Financial Statements

31 March 2015

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2015	2014
	HK$'000	HK$'000
Unlisted investments, at cost	**473,812**	473,812
Amounts due from subsidiaries (Note)	**507,366**	494,496
Amounts due to subsidiaries (Note)	**(36,116)**	(36,344)
	945,062	931,964
Less: provision for impairment loss	**(373,000)**	(373,000)
	572,062	558,964

Note:

The amounts due from subsidiaries are unsecured, interest-free and in substance, represent quasi-equity loans to the subsidiaries, except for an amount due from a subsidiary of HK$390,000,000 (2014: HK$390,000,000) bearing interest at 2.8% (2014: 3.9%) per annum.

The amounts due to subsidiaries are unsecured, interest-free and will not be repayable within one year.

Particulars of the subsidiaries of the Company at 31 March 2015 and 2014 are as follows:

Name of company	Place of incorporation and operations	Particulars of issued share capital/ registered capital	Effective percentage holding		Nature of business
			2015	2014	
Shares held directly:					
LC Global Holdings Corporation	British Virgin Islands	Ordinary US$50,001	**100**	100	Investment holdings
Future Empire Limited	British Virgin Islands	Ordinary US$50,000	**100**	100	Investment holdings

Notes to the Financial Statements

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20. INTERESTS IN SUBSIDIARIES – *Continued*

Name of company	Place of incorporation and operations	Particulars of issued share capital/ registered capital	Effective percentage holding 2015	Effective percentage holding 2014	Nature of business
Shares/investments held indirectly:					
P.T. Lung Cheong Brothers Industrial	Republic of Indonesia	Rupiah 96,305,804,000	**100**	100	Manufacture of toys and electronic products
Kid Galaxy Global Limited	British Virgin Islands	Ordinary US$2	**100**	100	Investment holdings
Kid Galaxy Corporation	British Virgin Islands	Ordinary US$11	**100**	100	Investment holdings
Lung Cheong Asia Holdings Limited	British Virgin Islands	Ordinary US$50,001	**100**	100	Investment holdings
Lung Cheong Overseas Corporation	British Virgin Islands	Ordinary US$50,000	**100**	100	Trading of toys
Kid Galaxy Inc.	United States of America ("USA")	Ordinary US$100,010	**100**	100	Trading of toys
LC Technology Limited	Hong Kong	Ordinary HK$30,010,000	**100**	100	Trading of toys and electronic products
Kid Galaxy Limited	Hong Kong	Ordinary HK$10,010,000	**100**	100	Trading of toys
Future Empire Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holdings
Notton Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holdings
Era Creation Technology Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holdings
Qingdao Oasis Intelligent Health Technology Company Limited (Formerly known as Qingdao Oasis Child Care Company Limited)	The People Republic of China ("PRC")	Ordinary US$10,000,000	**100**	100	Trading of consumer electronic products

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20. INTERESTS IN SUBSIDIARIES – *Continued*

Name of company	Place of incorporation and operations	Particulars of issued share capital/ registered capital	Effective percentage holding 2015	Effective percentage holding 2014	Nature of business
Shares/investments held indirectly:					
Qindao Ruidi Gas Appliances Manufacturing Limited ("Qingdao Ruidi")	PRC	Ordinary RMB30,000,000	**100**	100	Research, development, manufacturing & sales of commercial kitchen products
Qingdao Haier Ruidi Kitchen Appliances & Engineering Company Limited	PRC	Ordinary RMB10,000,000	**100**	100	Research, development, production, sales and installation of commercial kitchen products
Sichuan Yi Fang Kitchen Equipment Company Limited ("Sichuan Yi Fang")	PRC	Ordinary RMB16,000,000	**59.976**	N/A	Research and development, production, sales and installation of commercial kitchen related equipment and accessories
深圳綠州兒童用品有限公司 (formerly known as 深圳致迅電器有限公司) ("Shenzhen Oasis")	PRC	Ordinary RMB5,000,000	**51**	51	Trading of consumer electronic products
深圳貝立安母嬰用品有限公司 ("Shenzhen Brillante")	PRC	Ordinary RMB2,000,000	**51**	51	Research & development, marketing & distribution of children products
青島綠州創智科技信息有限公司	PRC	Ordinary RMB10,000	**100**	N/A	Dormant

Notes to the Financial Statements

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21. INTEREST IN AN ASSOCIATE

	The Group	
	2015 **HK$'000**	2014 HK$'000
Unlisted shares, at cost	**9,330**	–
Share of result of an associate	**9,512**	–
Exchange difference	**62**	–
	18,904	–
Amount due from an associate	**21,135**	–

The amount due from an associate is unsecured, interest-free and repayable on demand.

Particulars of the Group's associate are as follows:

Name of the associate	Form of business structure	Place of incorporation	Percentage of ownership interest 2015	Percentage of ownership interest 2014	Place of operation and principle activity
青島日日順樂家水設備有限公司 ("Goodaymart Water")	Corporation	PRC	**49%**	N/A	Wholesaling and retailing, installation and maintenance of water purification equipment and accessories and provision of relevant aftersales services in PRC

Notes to the Financial Statements

31 March 2015

21. INTEREST IN AN ASSOCIATE – *Continued*

The summarised financial information in respect of the associate held by the Group at the end of reporting period is set out below:

	2015 HK$'000
Goodaymart Water	
Current assets	**222,942**
Non-current assets	**4,580**
Current liabilities	**(198,654)**
Net assets	**28,868**
Group's share of net assets of the associate (Note)	**18,904**

	For the period from date of incorporation on 14 July 2014 to 31 March 2015 HK$'000
Revenue	**217,070**
Profit for the period	**19,412**
Group's share of result of the associate for the year	**9,512**

Note: Since the other shareholder of Goodaymart Water has not yet paid up their respective shares as at 31 March 2015, the amount of the Group's share of net assets of the associate represents the total cash contribution by the Group at the incorporation date plus the subsequent change of net assets in share holding pro-rata basis.

22. INVENTORIES

	The Group	
	2015 HK$'000	2014 HK$'000
Raw materials	**24,379**	11,522
Work-in-progress	**19,623**	18,179
Finished goods	**31,255**	25,647
	75,257	55,348

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The carrying amounts of trade and other receivables, deposits and prepayments are as follows:

	The Group	
	2015 HK$'000	2014 HK$'000
Trade receivables	**71,715**	20,670
Less: allowance for doubtful debts	**(5,613)**	(41)
	66,102	20,629
Other receivables, deposits and prepayments	**29,093**	17,788
	95,195	38,417

(a) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

Allowance for doubtful debts on trade receivables

	The Group	
	2015 HK$'000	2014 HK$'000
At beginning of year	**41**	895
Amounts written off for the year	**(112)**	(895)
Addition to impairment loss	**5,649**	41
Exchange difference	**35**	–
At end of year (Note (i))	**5,613**	41

Note:

(i) Included in the above allowance for doubtful debts in respect of trade and other receivables is a provision for individually impaired trade receivables of HK$5,613,000 (2014: HK$41,000) with a carrying amount before provision of HK$10,691,000 (2014: HK$41,000).

Notes to the Financial Statements

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23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

(b) The ageing analysis of the trade receivables, net of allowance for doubtful debts, is as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
0-90 days	**38,859**	18,542
91-180 days	**19,207**	1,839
181-365 days	**8,000**	143
Over 365 days	**36**	105
	66,102	20,629

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade terms include letter of credit, deposits before shipments and credit period ranging from 30 to 90 days but business partners with strong financial backgrounds may be offered longer credit terms.

(c) Below is the ageing analysis of the carrying amounts of trade receivables that are past due at the end of the reporting period but for which the Group has not provided for impairment loss because management are of the opinion that the fundamental credit quality of the customers has not deteriorated:

	The Group	
	2015	2014
	HK$'000	HK$'000
Within 30 days past due	**11,596**	1,893
31 to 90 days past due	**9,742**	437
Over 90 days past due	**656**	721
	21,994	3,051

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

(c) *Continued*

Trade receivables that are neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that are 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 provision for impairment is necessary in respect of these balances as there have 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.

24. AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2015	2014
	HK$'000	HK$'000
Debt securities – at fair value		
– Listed in Hong Kong	**94,023**	112,277
– Listed outside Hong Kong	**107,657**	138,491
	201,680	250,768

Notes to the Financial Statements

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25. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

(a) Amounts due from related companies

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000	As at 1 April 2013 HK$'000	Maximum balances outstanding during the year ended 31 March 2015 HK$'000	Maximum balances outstanding during the year ended 31 March 2014 HK$'000
Companies controlled by a director's close family members					
Lung Cheong (BVI) Holdings Limited	–	11	11	11	11
Lung Cheong Toys Limited	–	618	6,580	618	6,580
Lung Cheong Digitech (HK) Company Limited	11	–	–	11	–
Dongguan L C Technology Co., Ltd.	–	2,015	–	2,015	2,651
	11	2,644	6,591	N/A	N/A
Companies related to our substantial shareholders	220	1,405	–	N/A	N/A
	231	4,049	6,591	N/A	N/A

(b) Amounts due from/to related companies are unsecured, interest-free and repayable on demand.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent the bank balances and cash which earn interest on floating rates based on daily bank deposit rates. The carrying amount of the bank balances and cash approximate to their fair value.

27. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
CURRENT				
Trade payables	**28,798**	5,867	**–**	–
Other payables and accrued charges	**23,310**	21,908	**629**	625
	52,108	27,775	**629**	625
NON-CURRENT				
Other payable	**–**	7,710	**–**	–
	52,108	35,485	**629**	625

At 31 March 2015, the ageing analysis of the trade payables was as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
0-90 days	**22,768**	5,587
91-180 days	**5,766**	55
181-365 days	**26**	70
Over 365 days	**238**	155
	28,798	5,867

Notes to the Financial Statements

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28. BORROWINGS

	The Group	
	2015	2014
	HK$'000	HK$'000
CURRENT		
Bank loans – secured (Note (b)(ii))	**4,680**	–
– unsecured	**3,906**	–
	8,586	–
Trust receipt loans – secured (Note (b)(i))	**15,508**	12,110
	24,094	12,110
NON-CURRENT		
Bank loan – secured (Note (b)(i))	**15,057**	7,814
	39,151	19,924

At 31 March 2015, total current and non-current trust receipt loans and bank loans were scheduled to repay as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
On demand and within one year	**24,094**	12,110
More than one year, but not exceeding two years	**–**	1,563
More than two years, but not exceeding five years	**15,057**	6,251
	39,151	19,924

Notes to the Financial Statements

31 March 2015

28. BORROWINGS – *Continued*

(a) As at 31 March 2015, except borrowings of HK$30,565,000 (2014: HK$19,924,000) were interest-bearing at fixed rate of 6.75% (2014: 6.75%) per annum, other borrowings were interest-bearing at variable rate ranging from LIBOR plus 3.0% to LIBOR plus 3.25% per annum (2014: Nil).

(b) As at 31 March 2015, certain of the Group's borrowings and banking facilities are secured by the following:

(i) Legal charge over the Group's land and buildings situated in Republic of Indonesia, with carrying value of HK$63,355,000 (2014: HK$34,721,000).

(ii) Pledge of a subsidiary's fixture and equipment, inventories and trade receivables with carrying value of HK$1,033,000, HK$7,758,000 and HK$7,062,000 respectively.

(c) At 31 March 2015, the Group had a total banking facilities of approximately HK$54,460,000 (2014: HK$33,172,000) of which HK$15,309,000 (2014: HK$13,248,000) had not been utilised.

29. PROVISION FOR LONG SERVICE PAYMENT

	The Group	
	2015	2014
	HK$'000	HK$'000
At beginning of year	**2,148**	1,846
Addition	**597**	571
Exchange difference	**(294)**	(269)
At end of year	**2,451**	2,148

The amounts represent the provision for long service payment for the Group's employees in Hong Kong and Indonesia. It is regulated by the Labour Law in Hong Kong and Indonesia respectively.

Notes to the Financial Statements

31 March 2015

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets:

	The Group			
	Available-for-sale investments HK$'000	Cumulative tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 April 2013	–	4,264	1,051	5,315
Acquired through business combination	–	2,661	–	2,661
Credited to profit or loss (Note 10)	–	687	–	687
Credited to other comprehensive income	3,268	–	–	3,268
Exchange difference	–	–	(156)	(156)
At 31 March 2014	3,268	7,612	895	11,775
Acquired through business combination (Note 39(a))	–	–	262	262
Charged to profit or loss (Note 10)	–	(2,212)	(52)	(2,264)
Reversal of previously recognised tax loss charged to profit or loss (Note 10)	–	(3,200)	–	(3,200)
Charged to other comprehensive income	(724)	–	–	(724)
Exchange difference	–	(187)	(87)	(274)
At 31 March 2015	2,544	2,013	1,018	5,575

Notes to the Financial Statements

31 March 2015

30. DEFERRED TAX – *Continued*

Deferred tax liabilities:

	Revaluation of land and buildings HK$'000
At 1 April 2013	7,475
Exchange difference	(569)
At 31 March 2014	6,906
Charged to other comprehensive income	7,034
Exchange difference	(363)
At 31 March 2015	13,577

Net deferred tax (liabilities)/assets:

At 31 March 2015	(8,002)
At 31 March 2014	4,869

Notes to the Financial Statements

31 March 2015

30. DEFERRED TAX – *Continued*

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2015	2014
	HK$'000	HK$'000
Deferred tax assets	**5,575**	11,545
Deferred tax liabilities	**(13,577)**	(6,676)
	(8,002)	4,869

Deferred tax assets are recognised for estimated tax losses carry forward to the extent that the realisation of the related tax benefits through future taxable profits are probable. The Group did not recognise deferred tax assets in respect of estimated losses amounting to approximately HK$42,685,000 (2014: HK$17,782,000) that can be carried forward against future taxable income. All tax losses may be carried forward indefinitely except for the amount of approximately HK$4,234,000 (2014: HK$6,950,000) which will expire from 2022 to 2034 and HK$31,374,000 which may be carried forward for a period of five years from their respective years of origination.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$3,226,000 (2014: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARES TO BE ISSUED

Consideration shares to be issued represent the share portion of the consideration arising from the acquisition of Notton Limited and its subsidiaries (the "Acquired Group") completed on 19 August 2013. 100,000,000 ordinary shares of the Company will be issued if the profit of Acquired Group reaches HK$11,000,000 for the year ended 31 December 2014 and another 100,000,000 ordinary shares of the Company will be issued if the profit of the Acquired Group reaches HK$21,000,000 for the year ending 31 December 2015. The fair value of the contingent consideration shares was determined to be HK$82,000,000 with reference to the quoted market price of the Company's share of HK$0.41 each at the date of acquisition.

Notes to the Financial Statements

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31. SHARES TO BE ISSUED – *Continued*

During the year, 100,000,000 shares to be issued was lapsed as the Acquired Group failed to fulfil the profit guarantee for the year ended 31 December 2014. Total amount of HK$41,000,000 shares to be issued were transferred to retained earnings accordingly.

32. SHARE CAPITAL

	Authorised			
	Convertible cumulative redeemable preference shares of US$100,000 each		**Ordinary shares of HK$0.1 each**	
	Number of shares	US$'000	Number of shares '000	HK$'000
At 1 April 2013, 31 March 2014 and 2015	40	4,000	10,000,000	1,000,000

	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US$100,000 each		**Ordinary shares of HK$0.1 each**	
	Number of shares	US$'000	Number of shares '000	HK$'000
At 1 April 2013	–	–	3,457,758	345,776
Placing of new shares (Note)	–	–	2,000,000	200,000
Exercise of warrants	–	–	100,000	10,000
At 31 March 2014	–	–	5,557,758	555,776
Exercise of warrants	–	–	90,000	9,000
At 31 March 2015	–	–	5,647,758	564,776

Notes to the Financial Statements

31 March 2015

32. SHARE CAPITAL – *Continued*

Note:

On 2 April 2013, the issued ordinary shares of the Company were increased from HK$345,776,000 to HK$545,776,000 through a placing exercise (the "Placing") for the issue of 2,000,000,000 ordinary shares with par value of HK$0.1 each.

A sum of HK$389,216,000 in cash was received in the Placing, after the net of related expenses borne by the Company of approximately HK$10,784,000. The directors considered that the Placing was taken place for the purposes of raising sufficient fund for general working capital and expansion of business.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Scheme, which was adopted by an ordinary resolution of the shareholders on 14 September 2012, constitutes a share option scheme governed by Chapter 17 of the Listing Rules.

Under the Scheme, share options can be exercised at any time during the periods to be determined and notified by the directors of the Company to the grantees at the time of making offers to grant share options to them, provided that such periods shall not exceed the period of ten years from the date of grant. The scheme mandate limit of the Scheme was refreshed pursuant to a shareholders' resolution passed in the extraordinary general meeting of the Company last held on 14 September 2012 (the "EGM"). The maximum number of shares available for issue under the Scheme is 345,775,799, representing 10% of the issued ordinary share capital of the Company as at the date of the EGM, 14 September 2012 and thereafter. The subscription price for the shares under the Scheme shall be a price determined by the directors at its discretion, provided that it shall not less than the higher of (i) the closing price of the shares stated in the daily quotation sheets of Stock Exchange on the date of grant and (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of share options. A nominal consideration of HK$1 is payable for each of the share options granted.

Notes to the Financial Statements

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33. SHARE OPTION SCHEME – *Continued*

During the year, 100,000,000 share options (2014: Nil) were granted by the Company to the senior management and employees of its subsidiaries and associate and consultants (together as the "Grantees") at the exercise price of HK$0.87 per share. The share options outstanding are subject to the achievement of individual and company level performance targets with below vesting timetable:

1. If both of the individual and company level performance targets are met on or before 13 May 2015, 40% of share options granted to the respective Grantee will be exercisable on 13 May 2015.

2. If both of the individual and company level performance targets are met on or before 13 May 2016, the remaining 60% of share options granted to the respective Grantee will be exercisable on 13 May 2016.

Grantee	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2013 and 31.3.2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2015
Category I:								
– Senior management	13.5.2014	13.5.2015 to 12.5.2017	0.87	–	25,000,000	–	–	25,000,000
Category II:								
– Employees	13.5.2014	13.5.2015 to 12.5.2017	0.87	–	24,000,000	–	–	24,000,000
Category III:								
– Consultants (Note i)	13.5.2014	13.5.2015 to 12.5.2017	0.87	–	51,000,000	–	–	51,000,000
Total for all categories				–	100,000,000	–	–	100,000,000
Exercisable at the end of the year								–
Weighted average exercise price					HK$0.87			HK$0.87
Weighted average remaining contractual life at the end of the year								2.12 years

Notes to the Financial Statements

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33. SHARE OPTION SCHEME – *Continued*

Note:

(i) The Company granted share options to the consultants in return for their provision of management consultancy services to the Group.

At 31 March 2015, the number of shares in respect of which options under the Scheme had been granted and remained outstanding was 100,000,000 (2014: Nil), representing 1.77% of the total shares of the Company in issued at that date.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share-based payment schemes operated by the Company.

	2015
Option pricing model used	**Binomial option pricing model**
Weighted average share price at grant date (HK$)	**0.82**
Exercise price (HK$)	**0.87**
Weighted average contractual life (Years)	**2.951**
Expected volatility (%)	**57.980**
Expected dividend yield (%)	**Nil**
Risk-free interest rate (%)	**0.593**

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

During the year ended 31 March 2015, the Company recognised total expenses of approximately HK$6,164,000 (2014: Nil) in relation to the share options granted by the Company.

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34. NON-CONTROLLING INTERESTS

Shenzhen Oasis and its wholly-owned subsidiary, 51% owned by the Group and Sichuan Yi Fang, 59.976% owned by the Group have material non-controlling interests ("NCI"). Summarised financial information in relation to the NCI of Shenzhen Oasis and its wholly-owned subsidiary and Sichuan Yi Fang, before intra-group elimination are presented below:

	Year ended 2015 HK$'000	For the period from date of acquisition on 22 September 2013 to 31 March 2014 HK$'000
Shenzhen Oasis and its wholly-owned subsidiary		
Revenue	**78,221**	17,130
Loss for the period	**(18,090)**	(4,065)
Total comprehensive income for the year/period	**(18,389)**	(4,065)
Loss and total comprehensive income allocated to NCI	**(9,011)**	(1,992)
Cash flow generated from/(used in) operating activities	**5,178**	(9,316)
Cash flow used in investing activities	**(879)**	(344)
Cash flow generated from financing activities	**–**	13,245
Net cash inflow	**4,299**	3,585

	2015 HK$'000	2014 HK$'000
As at 31 March		
Non-current assets	**4,390**	6,753
Current assets	**43,409**	24,656
Current liabilities	**(68,172)**	(36,697)
Net liabilities	**(20,373)**	(5,288)
Accumulated non-controlling interests	**(11,601)**	(2,591)

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31 March 2015

34. NON-CONTROLLING INTERESTS – *Continued*

	For the period from date of acquisition on 4 April 2014 to 31 March 2015 HK$'000
Sichuan Yi Fang	
Revenue	15,099
Loss for the period	(4,094)
Total comprehensive income for the period	(4,121)
Loss and total comprehensive income allocated to NCI	(1,649)
Cash flow generated from operating activities	3,096
Cash flow used in investing activities	(431)
Net cash inflow	2,665

	2015 HK$'000
As at 31 March	
Non-current assets	6,352
Current assets	16,806
Current liabilities	(15,195)
Net assets	7,963
Accumulated non-controlling interests	2,935

35. RESERVES

The Group

The natures and purposes of reserves are set out below:

Share premium

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 4(k) to the financial statements.

Warrant reserve

Warrant reserve represents the amount of proceeds on issue of warrants.

Exchange fluctuation reserve

Exchange fluctuation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(p) to the financial statements.

Investment revaluation reserve

Investment revaluation reserve represents change in fair values of available-for-sale financial assets.

Land and buildings revaluation reserve

Land and buildings revaluation reserve represents the cumulative net change in the fair value of land and buildings held at the end of reporting period and are dealt with in accordance with the accounting policy in Note 4(e) to the financial statements.

Accumulated losses

It represents the cumulative net gains and losses recognised in profit or loss.

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35. RESERVES – *Continued*

The Company

	Share premium HK$'000	Shares to be issued HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2013	146,799	389,000	–	4,789	(433,295)	107,293
Profit and total comprehensive income for the year	–	–	–	–	8,337	8,337
Consideration shares to be issued for business acquisitions	–	82,000	–	–	–	82,000
Placement of shares	189,216	(389,000)	–	–	–	(199,784)
Exercise of warrants	5,855	–	–	(959)	–	4,896
At 31 March 2014	341,870	82,000	–	3,830	(424,958)	2,742
Loss and total comprehensive income for the year	–	–	–	–	(6,740)	(6,740)
Recognition of equity-settled share-based payment expenses	–	–	6,164	–	–	6,164
Lapse of profit guarantee – share portion	–	(41,000)	–	–	41,000	–
Exercise of warrants	5,363	–	–	(861)	–	4,502
At 31 March 2015	347,233	41,000	6,164	2,969	(390,698)	6,668

36. CONTINGENT LIABILITIES

At 31 March 2015 and 2014, the Group had no contingent liabilities.

37. COMMITMENTS

(a) Capital commitments

At 31 March, the Group had the following significant capital commitments:

Acquisition of property, plant and equipment

	2015 **HK$'000**	2014 HK$'000
The Group		
Contracted for but not provided	–	684

(b) Operating lease commitments

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable leases in respect of rented premises which fall due as follows:

	2015 **HK$'000**	2014 HK$'000
The Group as lessee		
Not later than one year	**1,683**	910
Later than one year but not later than five years	**261**	349
	1,944	1,259

Operating lease payments represent rentals payable by the Group on its leased office premises. Leases are negotiated for terms ranging from two to five years (2014: two to five years) and rentals are fixed over the terms of the leases.

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38. RELATED PARTY TRANSACTIONS

During the year, the Group had transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Besides, transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

(a) During the year, the Group entered into the following material transactions with related parties:

Related party relationship	**Type of transaction**	**Transaction amount**	
		2015 HK$'000	2014 HK$'000
Companies related to the Group's substantial shareholders	Purchase	**34,565**	–
Companies related to the Group's substantial shareholders	Sales	**31,016**	2,031
Companies controlled by a director's close family members	Purchase	**48,498**	47,691
Companies related to the Group's substantial shareholders	Service expense	**440**	–

38. RELATED PARTY TRANSACTIONS – *Continued*

(b) Key management personnel compensation

The key management personnel includes the directors, whose emoluments is disclosed in Note 15(a) and key management of the Company during the year. The emoluments of the key management excluding directors were as follows:

	2015	2014
	HK$'000	HK$'000
Short-term benefits	**2,446**	798
Post-employment benefits	**148**	15
	2,594	813

39. BUSINESS ACQUISITION

(a) Acquisition of Sichuan Yi Fang

On 4 April 2014, the Group acquired approximately 59.976% of the equity interest of 四川易方廚房設備有限公司 (Sichuan Yi Fang Kitchen Equipment Co., Ltd.) ("Sichuan Yi Fang"), a company whose principal activities are research and development, production, sales and installation of commercial kitchen related equipment and accessories in the PRC. The acquisition was made with the aims to enhance the Group's exposure in developing the commercial kitchen design, planning and project management business in the PRC.

Notes to the Financial Statements

31 March 2015

39. BUSINESS ACQUISITION – *Continued*

(a) Acquisition of Sichuan Yi Fang – *Continued*

The following table summarises the consideration paid for the business acquisition completed in the current period, and the fair value of identifiable assets and liabilities of the acquiree at the acquisition date:

	Sichuan Yi Fang HK$'000
Property, plant and equipment	6,955
Deferred tax assets	262
Inventories	971
Trade and other receivables, deposits and prepayments	1,313
Cash and cash equivalents acquired	1,812
Trade and other payables and accrued charges	(108)
	11,205
Non-controlling interests	(4,585)
	6,620
Goodwill arising on acquisition	3,380
Total consideration satisfied by cash	10,000
Cash flow:	
Cash payment	(10,000)
Cash and cash equivalents acquired	1,812
Net cash outflow arising from acquisition	(8,188)

Notes to the Financial Statements

31 March 2015

39. BUSINESS ACQUISITION – *Continued*

(a) Acquisition of Sichuan Yi Fang – *Continued*

The acquisition-related costs of approximately HK$170,000 have been expensed and are included in administrative expenses.

The fair value of trade and other receivables amounted to approximately HK$1,313,000. The gross amount of these receivables is HK$1,313,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group has elected to measure the non-controlling interest in Sichuan Yi Fang at the proportionate share of the acquiree's identifiable net assets.

Since the acquisition date, Sichuan Yi Fang has contributed revenue of HK$15,099,000 and loss of HK$4,094,000 to the Group's revenue and profit. If the acquisition had occurred on 1 April 2014, the Group's revenue and profit would have been HK$389,427,000 and HK$6,534,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved has the acquisition been completed on 1 April 2014, nor is it intended to be a projection of future performance.

(b) Acquisition of Notton Limited

On 19 August 2013, the Group acquired 100% of the equity interests of Notton Limited, a company whose principal activity is investment holding. Notton Limited, through its wholly-owned subsidiary Era Creation Technology Limited, holds the entire equity interest of Qingdao Ruidi, which is engaged in research, development, manufacturing and sale of commercial kitchen products in the PRC.

Notes to the Financial Statements

31 March 2015

39. BUSINESS ACQUISITION – *Continued*

(b) Acquisition of Notton Limited – *Continued*

The above consideration included a cash consideration of HK$8,000,000 paid at the acquisition date and a performance-based contingent consideration of HK$8,000,000 in cash and 100,000,000 ordinary shares of the Company ("Tranche A contingent consideration"), if the profit of Notton Limited and its subsidiaries for the year ending 31 December 2014 reaches HK$11,000,000 and another HK$8,000,000 in cash and 100,000,000 ordinary shares of the Company ("Tranche B contingent consideration"), if the profit of Notton Limited and its subsidiaries for the year ending 31 December 2015 reaches HK$21,000,000.

At the acquisition date, the fair value of the contingent consideration in cash of HK$15,419,000 was estimated by applying the discount rate of 2.5% per annum and the fair value of the contingent consideration shares of HK$82,000,000 was determined by reference to the quoted market price of the Company's share of HK$0.41 at the date of acquisition.

The Tranche A contingent consideration in cash of HK$8,000,000 and the 100,000,000 shares to be issued was lapsed as the Acquired Group failed to fulfill the profit guarantee for the year ended 31 December 2014. Total amount of HK$8,000,000 contingent consideration in cash was recognised as fair value gain on contingent consideration in profit or loss and total amount of HK$41,000,000 shares to be issued were transferred to retained earnings accordingly. The directors are of the opinion that the profit guarantee for the year ending 31 December 2015 shall not be met. Therefore, the Tranche B contingent consideration in cash of HK$7,615,000 has been revalued to Nil and a fair value gain on contingent consideration was recognised in profit or loss for the year. The Tranche B contingent consideration shares to be issued of HK$41,000,000 remains no change in equity.

40. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of net debts, comprising the borrowings disclosed in Note 28, less of cash and cash equivalents and available-for-sale investments, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 32 and 35, respectively.

The Group's management reviews the capital structure periodically. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, issue of new share as well as new debts or redemption of existing debts.

The gearing ratio at the end of reporting period was as follows:

	2015 **HK$'000**	2014 HK$'000
Debts	**39,151**	19,924
Cash and cash equivalents	**(106,992)**	(116,139)
Available-for-sale investments	**(201,680)**	(250,768)
Net debts	**(269,521)**	(346,983)
Equity	**623,237**	567,890
Net debts to equity ratio	**N/A**	N/A

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41. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow and fair value interest rate risk and foreign exchange risk.

(a) Credit risk

The Group's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables and available-for-sale investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 21% (2014: 11%) and 54% (2014: 41%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. 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 customers as well as pertaining to the economic environment in which the customers operate.

In addition, the Group had concentration of credit risk on its liquid funds as 88% (2014: 90%) of bank balances were placed in five banks. However, the credit risk on liquid funds and available-for-sale investments is limited because the counterparties are banks and listed debt issuers with high credit-ratings assigned by international credit-rating agencies.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group maintains availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

Notes to the Financial Statements

31 March 2015

41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(b) Liquidity risk – *Continued*

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
2015				
Trade and other payables and accrued charges	52,108	52,108	52,108	–
Borrowings	39,151	44,748	27,804	16,944
Amounts due to related companies	5,004	5,004	5,004	–
	96,263	101,860	84,916	16,944

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
2015				
Trade and other payables and accrued charges	629	629	629	–

Notes to the Financial Statements

31 March 2015

41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(b) Liquidity risk – *Continued*

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
2014				
Trade and other payables and accrued charges	35,485	36,065	28,065	8,000
Borrowings	19,924	21,586	12,110	9,476
Amounts due to related companies	3,519	3,519	3,519	–
	58,928	61,170	43,694	17,476

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
2014				
Trade and other payables and accrued charges	625	625	625	–

41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(b) Liquidity risk – *Continued*

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in above table. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
At 31 March 2015	**39,151**	**44,748**	**27,804**	**1,016**	**15,928**
At 31 March 2014	19,924	20,709	12,897	1,562	6,250

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 28 to the financial statements. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Notes to the Financial Statements

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41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(c) Interest rate risk – *Continued*

The following table details the interest rate profile of the Group's total debts at the end of reporting period.

	2015 Effective interest rate %	2015 HK$'000	2014 Effective interest rate %	2014 HK$'000
At fixed rate				
Bank loans	6.75	15,057	6.75	7,814
Trade receipt loans	6.75	15,508	6.75	12,110
		30,565		19,924
At variable rate				
Bank loans	0.19	8,586	–	–
		39,151		19,924
Net fixed rate borrowing as a percentage of total debts		78%		100%

At 31 March 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit before tax by approximately HK$43,000 (2014: Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next end of reporting period. The analysis is performed on the same basis for 2014.

Notes to the Financial Statements

31 March 2015

41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(d) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not hedge its foreign exchange exposure.

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2015		2014	
	RMB'000	US$'000	RMB'000	US$'000
Trade and other receivables	–	2,911	36,666	6,307
Cash and cash equivalents	1,271	6,940	43,831	2,484
Available-for-sale investments	56,964	16,728	58,412	22,915
Amounts due from related parties	–	–	828	–
Trade and other payables	–	–	–	–
Amounts due to related parties	–	–	(2,371)	–
Borrowings	–	(4,476)	–	(2,554)
Overall net exposure	58,235	22,103	137,366	29,152

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41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(d) Foreign exchange risk – *Continued*

The following table indicates the approximate change in the Group's profit for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year HK$'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year HK$'000
RMB	5%	3,086	5%	3,747
	(5%)	(3,086)	(5%)	(3,747)
US$	5%	(403)	5%	2,166
	(5%)	403	(5%)	(2,166)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against Hong Kong dollars. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit or loss for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

41. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(e) Fair values

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of the financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

– the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

– the fair value of available-for-sale investments is calculated using quoted prices.

(i) Recurring fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

	2015 HK$'000	2014 HK$'000
Available-for-sale investments	**201,680**	250,768

(ii) The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short term maturities.

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42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2015 and 2014 may be categorised as follows:

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**213,586**	158,605
Available-for-sale investments	**201,680**	250,768
	415,266	409,373
Financial liabilities		
Financial liabilities measured at amortised cost	**96,263**	58,941

43. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 30 June 2015.

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