Herald Holdings Limited

Stock Code : 00114

2015 ANNUAL REPORT

Contents

CORPORATE INFORMATION

Executive Directors

Robert Dorfman *Chairman*
Tang King-Hung ACA, FCCA, ACIS, CPA
Managing Director
Cheung Tsang-Kay, Stan PhD,
Hon LLD, Hon DBA, JP

Independent Non-Executive Directors

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

Secretary

Shum Kam-Hung ACIS, CPA

Principal Bankers

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking
Corporation Limited
Fubon Bank (Hong Kong) Limited

Auditors

KPMG
Certified Public Accountants

Solicitors

Stephenson Harwood

Principal Office

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

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Website

http://www.heraldgroup.com.hk

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2015 HK$'000	Year ended 31 March 2014 HK$'000
Turnover	1,265,104	1,339,770
Profit attributable to equity shareholders	16,222	26,474
Dividends paid and proposed	42,175	42,175
Earnings per share		
– Basic and diluted (HK cents)	2.69	4.39
Dividends paid and proposed, per share (HK cents)	7	7

	As at 31 March 2015 HK$'000	As at 31 March 2014 HK$'000
Net assets attributable to equity shareholders	818,231	843,496
Net assets attributable to equity shareholders per share (HK$)	1.36	1.40
Total assets	1,036,785	1,090,789
Number of issued and fully paid shares	602,490,763 shares	602,490,763 shares

CHAIRMAN'S STATEMENT

I am pleased to present the annual report of Herald Holdings Limited ("the company") and its subsidiaries (together referred to as "the group") for the year ended 31 March 2015.

Results

The turnover of the group for the year ended 31 March 2015 was HK$1,265 million which was down 6% from HK$1,340 million in the previous year. The net profit attributable to the equity shareholders of the company was HK$16.2 million, representing a decrease of 39% from HK$26.5 million a year earlier. The decline in net profit was primarily due to lower turnover and net foreign exchange losses of approximately HK$11.4 million arising mainly from the depreciation of the pound sterling. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

Like most of the toy factories in Mainland China, the Toys Division experienced very tough operating conditions. The price pressure resulting from intense competition among toy factories and the rise of wage rates have continued to erode the profit margin of the division. Compared to last year, the turnover of the division for the year under review decreased by 4% from HK$585 million to HK$564 million and its operating profit decreased by 62% from HK$22.8 million to HK$8.7 million.

Computer Products Division

The business of the Computer Products Division weakened in the fiscal year 2014/15 with its sales shrinking by 25% year-on-year to HK$217 million as both the tape head and thermostat businesses suffered setbacks during the year. The division saw its operating profit fall 64% to HK$11.3 million from HK$31.3 million in the previous year.

Housewares Division

Bolstered by the strong sales in the UK and Europe, the turnover of the Housewares Division grew 26% to HK$165 million from HK$131 million a year earlier. However, the results of the division were negatively affected by foreign exchange losses arising from the devaluation of the pound sterling. In comparison with an operating loss of HK$2.8 million in the previous year, the division recorded an operating profit of HK$0.6 million for the year ended 31 March 2015.

Timepieces Division

We are pleased to report that the Timepieces Division returned to profitability in the year under review. As a result of the continuous efforts in streamlining the operation, the division now benefits from lower operating costs. For the year ended 31 March 2015, the turnover of the division dropped 4% year-on-year to HK$319 million and its operating profit was HK$7.0 million as compared to an operating loss of HK$16.7 million last year.

Other Investments

The group had a gain of HK$0.9 million (2014: HK$0.2 million) on the revaluation of the investment properties for the year ended 31 March 2015. Net realized and unrealized gains amounting to HK$8.7 million (2014: HK$1.6 million) were recorded on trading securities. The dividend and interest income on trading securities amounted to HK$3.5 million for the year (2014: HK$4.0 million). At 31 March 2015, the group's trading securities amounted to HK$170 million, a decrease of HK$11 million from last year.

Liquidity, financial resources and funding

The group continues to maintain its sound financial health. At the end of the financial year, the group had a strong balance sheet with healthy liquidity. At 31 March 2015, the total assets amounted to HK$1,037 million (2014: HK$1,091 million) which were financed by current liabilities of HK$196 million (2014: HK$224 million) including a mortgage loan of HK$9 million (2014: HK$12 million), non-current liabilities of HK$4 million (2014: HK$4 million), non-controlling interests of HK$19 million (2014: HK$20 million) and equity attributable to the company's equity shareholders of HK$818 million (2014: HK$843 million).

At 31 March 2015, the group's cash balances aggregated to HK$177 million, down from HK$215 million a year ago. The current assets at 31 March 2015 amounted to HK$725 million (2014: HK$795 million). The inventories decreased from HK$209 million to HK$188 million and the trade and other receivables decreased slightly from HK$191 million to HK$190 million. The trading financial assets at 31 March 2015 amounted to HK$170 million (2014: HK$181 million).

At 31 March 2015, the group's current liabilities decreased to HK$196 million from HK$224 million last year. Certain trading financial assets and bank deposits amounting to HK$155 million (2014: HK$108 million) were pledged to banks to secure banking facilities granted to the Group.

At 31 March 2015, the working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 3.70 as compared to 3.55 last year. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and bills receivable and cash and cash equivalents over current liabilities, increased to 1.71 from 1.58 in the previous year.

Contingent liabilities

At 31 March 2015, the group did not have any significant contingent liabilities.

Foreign exchange exposure

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

Prospect and general outlook

As reflected by the latest orders position, the turnover of the Toys Division for the current financial year is expected to increase over last year although the profit margins will continue to come under heavy pressure. Nevertheless, coupled with the cost savings achieved from improved operating efficiency, the division will be in a better position to report improved results.

On the other hand, the business of thin-film heads shows little sign of improvement but it is hoped that with the increase in demand of the smart thermostats, the results of the Computer Products Division will remain satisfactory.

The Housewares Division will likely record a loss for the year, following a fire accident at our Zhuhai factory in May 2015 that caused significant disruption to the business operations, including production stoppage for one month. The extent of loss will depend on the amount to be recovered from insurance claims.

The performance of the Timepieces Division is expected to continue to improve now that the restructuring of the operations has been successfully completed.

As the global market has not recovered as much as one would have liked, the current financial year will continue to be challenging for the group. Nevertheless, with the continuing efforts on improving the productivity and expanding the customer base, it is anticipated that the overall results of the group's core businesses will improve over last year.

CHAIRMAN'S STATEMENT

Dividend

At the forthcoming Annual General Meeting to be held on 16 September 2015, the directors will recommend a final dividend of HK4 cents per share (2014: HK4 cents). Together with the interim dividend of HK3 cents (2014: HK3 cents), the dividend for the year of HK7 cents (2014: HK7 cents) would represent an annual return of 7% (2014: 8%) on the company's average share price of HK$0.94 (2014: HK$0.88) in the year ended 31 March 2015.

The final dividend which will amount to HK$24,100,000 is calculated based on the total number of shares in issue as at 28 June 2015, being the latest practicable date prior to the announcement of the results.

Register of members

The Annual General Meeting is scheduled to be held on Wednesday, 16 September 2015. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the company will be closed from Monday, 14 September 2015 to Wednesday, 16 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the company's share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4.30 p.m. on Friday, 11 September 2015.

The proposed final dividend is subject to the passing of the ordinary resolution by the shareholders at the Annual General meeting. The record date for entitlement to the proposed final dividend is Friday, 25 September 2015. For determining the entitlement to the proposed final dividend, the register of members of the company will be closed from Thursday, 24 September 2015 to Friday, 25 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with Tricor Tengis Limited for registration no later than 4.30 p.m. on Wednesday, 23 September 2015. The payment of final dividend, if approved at the Annual General Meeting, will be made on Friday, 16 October 2015.

Appreciation

On behalf of the board of directors and shareholders, I would like to extend my sincere thanks to all the group's employees for their efforts and hard work. Their commitment to the group, along with the support of our business partners, has been crucial to the success of the group.

Robert Dorfman
Chairman

Hong Kong, 29 June 2015

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2015.

Principal activities

The principal activity of Herald Holdings Limited ("the company") is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 37 to the financial statements.

The analysis of the principal activities and geographical locations of operations of the company and its subsidiaries ("the group") during the financial year are set out in note 11 to the financial statements.

Major customers and suppliers

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

	Percentage of the group's total	
	Sales	Purchases
The largest customer	35%	
Five largest customers in aggregate	54%	
The largest supplier		4%
Five largest suppliers in aggregate		16%

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

Financial statements

The profit of the group for the year ended 31 March 2015 and the state of the company's and the group's affairs as at that date are set out in the financial statements on pages 24 to 111.

Transfer to reserves

Profit attributable to equity shareholders of the company, before dividends, of HK$16,222,000 (2014: HK$26,474,000) has been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK3 cents (2014: HK3 cents) per share was paid on 15 January 2015. The directors now recommend the payment of a final dividend of HK4 cents (2014: HK4 cents) per share in respect of the year ended 31 March 2015.

REPORT OF THE DIRECTORS

Charitable donations

Charitable donations made by the group during the financial year amounted to HK$20,000 (2014: HK$520,000).

Fixed assets

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

Share capital

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

There were no purchases, sales or redemptions of the company's listed securities by the company or any of its subsidiaries during the financial year.

Directors

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

Executive directors

Mr Robert Dorfman
Mr Tang King-Hung
Dr Cheung Tsang-Kay, Stan

Independent non-executive directors

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

In accordance with Bye-law 87 of the company's Bye-laws, Dr Cheung Tsang-Kay, Stan and Mr Yeh Man-Chun, Kent retire from the board by rotation at the forthcoming Annual General Meeting and are eligible for re-election. Dr Cheung Tsang-Kay, Stan and Mr Yeh Man-Chun, Kent offer themselves for re-election.

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

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

REPORT OF THE DIRECTORS

Directors and senior management

Directors

Robert DORFMAN, aged 60, brother of Mr Gershon Dorfman, is the Chairman of the company. He was appointed as an executive director of the company in 1992 and was appointed Chairman on 1 April 2014. Mr Dorfman is a past Chairman of The Americas Area Committee of The Hong Kong General Chamber of Commerce and served from 1999 to 2009 as Chairman of the Vision 2047 Foundation. Mr Dorfman was Chairman of the World Presidents' Organisation's ("WPO") Board of Directors 2011/12. In addition, he is a Member of the Council of Lingnan University in Hong Kong. Mr Dorfman joined the group in 1983 and is a director of the principal subsidiaries of the company.

TANG King-Hung, ACA, FCCA, ACIS, CPA, aged 63, is the Managing Director of the company. He was appointed as an independent non-executive director on 28 September 2004 and re-designated as an executive director of the company on 1 February 2010 and was appointed Managing Director on 16 September 2013. Mr Tang is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Secretaries and Administrators. He has over 30 years of experience in auditing, accounting and financial management. Mr Tang also practises as a certified public accountant in Hong Kong. He is also a director of the principal subsidiaries of the company.

CHEUNG Tsang-Kay, Stan, PhD, Hon LLD, Hon DBA, JP, aged 71, has been an executive director of the company since 1992. He was Chairman of the company during the period from 4 July 2008 to 31 March 2014. Dr Cheung's community services in the past included Urban Council member, Broadcasting Authority member, The Hong Kong Polytechnic University Council member and Vice-Chairman of Occupational Safety & Health Council. Also, he was formerly a member of The Chinese People's Political Consultative Conference, Shanghai Municipal Committee and Trustee of Fudan University. He is currently Honorary Trustee and Adjunct Professor at Shanghai Jiao Tung University and Director (Overseas) of Soong Ching Ling Foundation of Shanghai. Dr Cheung joined the group in 1975 and is a director of the principal subsidiaries of the company.

LIE-A-CHEONG Tai-Chong, David, SBS, OM, JP, aged 55, was appointed as an independent non-executive director of the company on 16 June 2005. Mr Lie-A-Cheong is the executive chairman of Newpower International (Holdings) Co., Ltd. and China Concept Consulting Ltd. He has been selected as a Member of the National Committee of the 8th, 9th, 10th and 11th Chinese People's Political Consultative Conference since 1993. Mr Lie-A-Cheong is currently the Honorary Consul of the Hashemite Kingdom of Jordan in the Hong Kong Special Administrative Region ("HKSAR"), a Vice-Chairperson of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council ("ECCPC"), cum Chairman of the Hong Kong-Taiwan Business Co-operation Committee ("BCC"), a Board Member of the Commission on Strategic Development, a Standing Committee Member of the China Overseas Friendship Association, a General Committee Member of the Hong Kong General Chamber of Commerce.

Directors and senior management *(continued)*

Directors *(continued)*

YEH Man-Chun, Kent, aged 60, was appointed as an independent non-executive director of the company on 5 October 2005. Mr Yeh was an independent non-executive director of Pacific Andes International Holdings Limited ("PAI"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period from 30 September 2004 to 16 August 2008 and is now the head of corporate development and planning for PAI. His diverse management and operational experience include business advisory services, corporate management, marketing, distribution and manufacturing. Mr Yeh had also been the managing director of Tai Ping Carpets International Limited. Mr Yeh received a Bachelor of Science degree in Industrial Engineering from the University of California, Berkeley, U.S.A. and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, U.S.A.

NG Tze-Kin, David, CA(AUST.), FCPA, aged 65, was appointed as an independent non-executive director of the company on 1 February 2010. Mr Ng holds a Master's Degree in Commerce from Macquarie University, Sydney and is an Australian Chartered Accountant and Chartered Secretary. Mr Ng had worked for PricewaterhouseCoopers Hong Kong between July 1969 and April 1977. After leaving PricewaterhouseCoopers, Mr Ng has been and is currently the managing director of a certified public accountants firm in Hong Kong. During the period from 28 June 2000 to 27 September 2004, Mr Ng was an independent non-executive director of Chaoyue Group Limited (formerly known as Graneagle Holdings Limited), a company listed on the Stock Exchange and he was subsequently re-designated as a non-executive director of Chaoyue Group Limited from 28 September 2004 to 16 October 2007. Mr Ng was also the Qualified Accountant for Air China Limited for the period from 15 November 2005 to 31 December 2008. Currently, he is an independent non-executive director of BEP International Holdings Limited, a company listed on the Stock Exchange.

Senior management

Gershon DORFMAN, aged 59, brother of Mr Robert Dorfman, received his primary and secondary education in Hong Kong, Japan and Switzerland. He then obtained a degree in Business Administration from the University of Washington. Before joining the group in 1983, he spent six years with a leading local watch manufacturing company. He is Managing Director of Herald Datanetics Limited and a director of certain of the group's companies.

KWOK Nam-Po, aged 64, obtained a diploma in Management Studies from The Hong Kong Polytechnic University. He joined the group in 1974. He has more than 30 years' experience in toy industry and is now Managing Director of Herald Metal and Plastic Works Limited, Dongguan Herald Metal and Plastic Company Limited and Dongguan Herald Toys Company Limited. He is currently a vice president of The Toys Manufacturer's Association of Hong Kong Limited as well as a committee member of The Hong Kong Toy Council.

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

As at 31 March 2015, the interests and short positions of directors and chief executives of the company in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Model Code") were as follows:

Interests in issued shares

(Shares of US$0.01 each of the company)

Directors	Number of shares: Personal interests	Interests of spouse	Other interests	Total	Percentage of total issued shares
Dr Cheung Tsang-Kay, Stan	1,897,500	830,000	143,216,297 (Note (i), (ii), (iii)&(iv))	145,943,797	24.22%
Mr Robert Dorfman	51,471,000	–	–	51,471,000	8.54%
Mr Tang King-Hung	500,000	–	2,000,000 (Note (iv))	2,500,000	0.41%

Notes:

(i) Dr Cheung Tsang-Kay, Stan is the beneficiary of a family trust which owned 85,538,356 shares.

(ii) Dr Cheung Tsang-Kay, Stan is the founder of a separate family trust which owned 37,455,308 shares. His spouse and family members are the beneficiaries of this family trust.

(iii) Dr Cheung Tsang-Kay, Stan was interested in 20,222,633 shares together with other family members.

(iv) Mr Tang King-Hung is a director of Seasons Treasure Holdings Limited ("STH") which owned 2,000,000 shares. Dr Cheung Tsang-Kay, Stan and his spouse are also directors of STH which is beneficially owned by the family trust mentioned in note (ii).

All the interests stated above represent long positions.

An employee of the company has been granted options under the company's share option scheme, details of which are set out in the section "Share option scheme" below.

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

Share option scheme

The company adopted a share option scheme ("the share option scheme") on 16 September 2013 for the primary purpose of motivating the eligible participants under the scheme to utilise their performance and efficiency for the benefit of the group.

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

The share option scheme became effective on 16 September 2013 and remains in force for 10 years from that date. The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Unless otherwise determined by the directors of the company, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors of the company to each grantee, but in any event not later than 10 years from the date of grant of the option. Each option gives the holder the right to subscribe for one share of US$0.01 each in the company.

The total number of shares available for issue under the share option scheme as at 31 March 2015 was 60,249,076 shares which represented 10% of the issued share capital of the company as at the date of adoption of the share option scheme. In respect of the maximum entitlement of each participant under the share option scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the company's shares in issue.

At 31 March 2015, the directors and employees of the company had the following interests in options to subscribe for shares of the company (market value per share at 31 March 2015 was HK$0.92) granted for a nominal consideration of HK$1 from each grantee for acceptance of the offer under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of the company.

	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of shares acquired on exercise of options during the year	No. of options forfeited during the year	No. of options outstanding at the year end	Date granted	Period during which options are exercisable	Exercise price per share	Market value per share at date of grant of options *	Market value per share on exercise of options *
Employees	–	6,000,000	–	–	6,000,000	23 January 2015	23 January 2015 to 22 January 2025	HK$ 0.97	HK$ 0.97	–

* being the weighted average closing price of the company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 1(r)(ii) and note 28(b) to the financial statements respectively.

Share option scheme *(continued)*

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

Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures

Other than the interests disclosed in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" in respect of directors, the following shareholders were interested in 5% or more of the issued share capital of the company as at 31 March 2015 according to the register of interests required to be kept by the company under section 336 of the SFO.

Interests in issued shares

(Shares of US$0.01 each of the company)

		Number of shares				Percentage
	Note	Personal interests	Interests of spouse	Other interests	Total	of total issued shares
Substantial shareholders						
Ms Ng Yiu Chi Eleanor	(i)	830,000	107,658,489	37,455,308	145,943,797	24.22%
Goldfinch Cook Investments Ltd ("GCIL")	(ii)	85,538,356	–	–	85,538,356	14.20%
HSBC International Trustee Ltd ("HIT")	(ii)	–	–	122,993,664	122,993,664	20.41%
Other persons						
Mrs Sheri Tillman Dorfman	(iii)	–	51,471,000	–	51,471,000	8.54%
Mr Gershon Dorfman		37,740,799	–	–	37,740,799	6.26%
Mrs Lydia Dorfman	(iv)	–	37,740,799	–	37,740,799	6.26%
Moral Excel Holdings Ltd ("MEH")	(ii)	35,455,308	–	2,000,000	37,455,308	6.22%

Notes:

(i) The entire interests in shares of 145,943,797 are duplicated by those disclosed under Dr Cheung Tsang-Kay, Stan, the spouse of Ms Ng Yiu Chi Eleanor, in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures".

(ii) GCIL is a company owned by a family trust which was interested in 85,538,356 shares held by GCIL, as noted in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures". MEH is another company owned by a separate family trust which was interested in 37,455,308 shares held by MEH and its subsidiary company. HIT, the trustee of these trusts, is deemed to be interested in the 122,993,664 shares owned by these trusts.

Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures *(continued)*

Interests in issued shares *(continued)*

Notes: *(continued)*

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

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

All the interests stated above represent long positions.

Save as disclosed above, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

Sufficiency of public float

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

Directors' interests in contracts

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

Bank loan

Particulars of the bank loan of the group as at 31 March 2015 are set out in note 25 to the financial statements.

Employees

As at 31 March 2015, the number of employees of the group was approximately 235 (2014: 238) in Hong Kong, 4,592 (2014: 4,677) in Mainland China and 78 (2014: 78) in Europe. The group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

Retirement schemes

Particulars of employee retirement schemes of the group are set out in note 28 to the financial statements.

Pre-emptive rights

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

Confirmation of independence

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

Auditors

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

By order of the board

Robert Dorfman
Chairman

Hong Kong, 29 June 2015

CORPORATE GOVERNANCE REPORT

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

Corporate governance practices

The company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2015 except that the independent non-executive directors are not appointed for a specific term, which deviates from the code provision A.4.1. However, the independent non-executive directors are subject to retirement from office by rotation under the requirements of the Bye-laws of the company. As such, the company considers that sufficient measures have been taken to ensure that the company's corporate governance practices are no less exacting than those in the CG Code.

Directors' securities transactions

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

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

Board of directors

The Board of the company during the financial year and up to 29 June 2015 comprised:

Executive directors:

Mr Robert Dorfman *(Chairman)*
Mr Tang King-Hung *(Managing Director)*
Dr Cheung Tsang-Kay, Stan

Independent non-executive directors:

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

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

The company has three independent non-executive directors representing more than one third of the Board. One of the three independent non-executive directors has the appropriate accounting and financial management expertise under Rule 3.10 of the Listing Rules. The independent non-executive directors are able to obtain independent professional advice at the company's expenses whenever they deem necessary. The company has received confirmation from each independent non-executive director of his independence and considers that each of them is independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Several directors and senior management have family relationships with each other, the details of which are set out in the biographical details of Directors and Senior Management on pages 9 to 10. None of the directors and senior management has other material financial, business or relevant relationships with each other.

The Board meets regularly to review the financial and operating performance of the group. Four regular board meetings were held during the financial year. Attendance of individual director at the regular Board meetings, the Committee meetings and the Annual General Meeting during the financial year is set out below:

	Number of meetings attended/eligible to attend				
Executive directors:	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr Robert Dorfman	4/4	N/A	N/A	1/1	1/1
Mr Tang King-Hung	4/4	N/A	1/1	N/A	1/1
Dr Cheung Tsang-Kay, Stan	4/4	N/A	N/A	1/1	1/1
Independent non-executive directors:					
Mr Lie-A-Cheong Tai-Chong, David	4/4	3/3	N/A	1/1	1/1
Mr Yeh Man-Chun, Kent	4/4	3/3	1/1	1/1	1/1
Mr Ng Tze-Kin, David	4/4	3/3	1/1	1/1	1/1

Chairman and managing director

The Board has appointed Mr Robert Dorfman as the Chairman and Mr Tang King-Hung as the Managing Director of the company. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Managing Director is responsible for the day-to-day management of the group's businesses.

Directors' training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year under review, the company had arranged for directors to attend training sessions which placed emphasis on the roles, functions and duties of a listed company director. In addition to the training arranged by the company, the directors have also participated in other continuous professional development activities.

The training received by the directors during the year ended 31 March 2015 is summarised below:

	Types of training
Executive directors:	
Mr Robert Dorfman	A, B
Mr Tang King-Hung	A, B
Dr Cheung Tsang-Kay, Stan	A, B
Independent non-executive directors:	
Mr Lie-A-Cheong Tai-Chong, David	A, B
Mr Yeh Man-Chun, Kent	A, B
Mr Ng Tze-Kin, David	A, B

A – attending briefings/seminars/conferences/forums
B – reading journals, updates, articles and/or materials

Remuneration committee

The company has established a Remuneration Committee which currently comprises two independent non-executive directors, namely Mr Ng Tze-Kin, David, being the chairman, and Mr Yeh Man-Chun, Kent and one executive director, namely Mr Tang King Hung.

The major roles and functions of the Remuneration Committee are (1) to make recommendations to the Board on the company's policy and structure for the remuneration of all directors and senior management; (2) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; and (3) to make recommendations to the Board on the remuneration of the independent non-executive directors.

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

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

Nomination committee

The Nomination Committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang-Kay, Stan and three independent non-executive directors, namely Mr Lie-A-Cheong Tai-Chong, David, Mr Yeh Man-Chun, Kent and Mr Ng Tze-Kin, David.

The primary roles of the Nomination Committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

In order to achieve a diversity of perspectives among members of the Board, it is the board diversity policy of the company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments to the Board. The Nomination Committee will carry out the selection process in accordance with the board diversity policy of the company and by making reference to a range of diversity perspectives, including but not limited to difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board.

During the year, the Nomination Committee held one meeting, which was attended by all Committee members, to review the structure, size and composition (including the skills, knowledge and experience) of the Board to achieve a balance of skills, experience and diversity of perspectives of the Board which are appropriate to the requirements of the company's business and to assess the independence of the independent non-executive directors.

Audit committee

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

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

The Audit Committee held three meetings during the financial year, which were attended by all Committee members, to review the accounting principles and practices adopted by the group and to discuss auditing, internal control and financial reporting matters including a review of the interim results and annual results of the group.

Corporate governance functions

The Board is responsible for performing corporate governance duties, and in this respect, corporate governance practice has been performed by the Board during the year pursuant to a company policy which includes (a) developing and reviewing the company's corporate governance principles, practices and processes; (b) reviewing and monitoring the training and continuous professional development of directors and senior management; (c) reviewing and monitoring the company's policies and practices on compliance with legal and regulatory requirements; (d) developing, reviewing and monitoring the code of conduct applicable to employees and directors; and (e) reviewing the company's compliance with the CG Code and disclosure in the corporate governance report.

Auditor's remuneration

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

Nature of Services	Fees HK$'000
Audit services	3,107
Taxation services	322
Other services	30
	3,459

Directors' and auditor's responsibilities of financial statements

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

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

Internal controls

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

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

An internal control review report issued by Baker Tilly Hong Kong was tabled before the members of the Audit Committee during the Audit Committee meeting held on 24 June 2015. The principal purpose of the internal control review carried out by Baker Tilly Hong Kong was to obtain sufficient knowledge of the control environment to understand the attitude, awareness and actions of management and the governing body concerning the factors of the control environment. Based on the findings and comments by Baker Tilly Hong Kong and the Audit Committee, the Board considered the internal control system effective and adequate and was of the opinion that there were no significant areas of concern that might affect the company's shareholders.

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

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

Shareholders' rights

The following "shareholder rights" information is set out on pages 113 to 114 of the annual report:

1. procedures for shareholders to convene special general meetings;

2. procedures for sending enquiries to the Board; and

3. procedures for shareholders to move resolutions in general meetings.

During the year ended 31 March 2015, there had been no changes in the company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Herald Holdings Limited ("the company") and its subsidiaries (together "the group") set out on pages 24 to 111, which comprise the consolidated and company balance sheets as at 31 March 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

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

KPMG
Certified Public Accountants

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

29 June 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	3, 11	1,265,104	1,339,770
Cost of sales		(973,082)	(1,006,382)
Gross profit		292,022	333,388
Other revenue	4	12,169	14,112
Other net gain	4	2,985	8,473
Selling expenses		(39,807)	(44,037)
Administrative expenses		(246,579)	(268,873)
Valuation gains on investment properties	12(d)	940	210
Impairment losses on property, plant and equipment	12(e)	(71)	(496)
Profit from operations		21,659	42,777
Finance cost	5(a)	(347)	(385)
Share of loss of an associate		(311)	(432)
Share of profits less losses of joint ventures		–	(225)
Profit before taxation	5	21,001	41,735
Income tax	6(a)	(4,685)	(14,304)
Profit for the year		16,316	27,431
Attributable to:			
Equity shareholders of the company	9	16,222	26,474
Non-controlling interests		94	957
Profit for the year		16,316	27,431
Earnings per share	10		
Basic and diluted (HK Cents)		2.69	4.39

The notes on pages 32 to 111 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 29(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 HK$'000	2014 HK$'000
Profit for the year	16,316	27,431
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	(525)	(1,431)
Total comprehensive income for the year	15,791	26,000
Attributable to:		
Equity shareholders of the company	15,690	25,026
Non-controlling interests	101	974
Total comprehensive income for the year	15,791	26,000

The notes on pages 32 to 111 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Fixed assets	12(a)		
– Property, plant and equipment		267,389	263,146
– Investment properties		6,980	6,040
– Interests in leasehold land held for own use under operating leases		4,057	4,180
		278,426	273,366
Intangible assets	13	1,860	1,860
Interest in an associate	15	–	–
Interests in joint ventures	16	–	–
Other financial assets	17	18,040	10,920
Deferred tax assets	26(b)	13,037	9,217
		311,363	295,363
Current assets			
Trading securities	18	169,990	180,619
Inventories	19	188,059	209,113
Trade and other receivables	20	190,142	191,170
Pledged bank balances	22	5,060	18,017
Cash and cash equivalents	23(a)	172,171	196,507
		725,422	795,426
Current liabilities			
Trade and other payables	24	178,417	203,738
Bank loan	25	8,612	12,136
Current tax payable	26(a)	9,082	8,033
		196,111	223,907
Net current assets		529,311	571,519
Total assets less current liabilities		840,674	866,882

CONSOLIDATED BALANCE SHEET

At 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	26(b)	147	261
Provision for long service payments	27	3,380	3,581
		3,527	3,842
NET ASSETS		837,147	863,040
CAPITAL AND RESERVES			
Share capital	29(c)	46,994	46,994
Reserves		771,237	796,502
Total equity attributable to equity shareholders of the company		818,231	843,496
Non-controlling interests		18,916	19,544
TOTAL EQUITY		837,147	863,040

Approved and authorised for issue by the board of directors on 29 June 2015.

Robert Dorfman
Director

Cheung Tsang-Kay, Stan
Director

The notes on pages 32 to 111 form part of these financial statements.

BALANCE SHEET

At 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current asset			
Investments in subsidiaries	14	328,585	327,365
Current assets			
Trade and other receivables	20	203	248
Amounts due from subsidiaries	21	10,456	14,361
Cash and cash equivalents	23(a)	1,519	1,813
		12,178	16,422
Current liabilities			
Trade and other payables	24	2,537	2,197
Amount due to a subsidiary	21	–	4,063
		2,537	6,260
Net current assets		9,641	10,162
NET ASSETS		338,226	337,527
CAPITAL AND RESERVES	29(a)		
Share capital		46,994	46,994
Reserves		291,232	290,533
TOTAL EQUITY		338,226	337,527

Approved and authorised for issue by the board of directors on 29 June 2015.

Robert Dorfman
Director

Cheung Tsang-Kay, Stan
Director

The notes on pages 32 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

		Attributable to equity shareholders of the company									
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2013		46,994	18,737	53,891	–	27,159	9,074	704,790	860,645	19,730	880,375
Changes in equity for 2014:											
Profit for the year		–	–	–	–	–	–	26,474	26,474	957	27,431
Other comprehensive income		–	–	–	–	(1,448)	–	–	(1,448)	17	(1,431)
Total comprehensive income		–	–	–	–	(1,448)	–	26,474	25,026	974	26,000
Dividends approved in respect of the previous year	29(b)	–	–	–	–	–	–	(24,100)	(24,100)	–	(24,100)
Transfer between reserves		–	–	–	–	–	774	(774)	–	–	–
Dividends declared in respect of the current year	29(b)	–	–	–	–	–	–	(18,075)	(18,075)	–	(18,075)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(1,160)	(1,160)
Balance at 31 March 2014 and 1 April 2014		46,994	18,737	53,891	–	25,711	9,848	688,315	843,496	19,544	863,040
Changes in equity for 2015:											
Profit for the year		–	–	–	–	–	–	16,222	16,222	94	16,316
Other comprehensive income		–	–	–	–	(532)	–	–	(532)	7	(525)
Total comprehensive income		–	–	–	–	(532)	–	16,222	15,690	101	15,791
Dividends approved in respect of the previous year	29(b)	–	–	–	–	–	–	(24,100)	(24,100)	–	(24,100)
Equity settled share-based transactions	28(b)	–	–	–	1,220	–	–	–	1,220	–	1,220
Transfer between reserves		–	–	–	–	–	353	(353)	–	–	–
Dividends declared in respect of the current year	29(b)	–	–	–	–	–	–	(18,075)	(18,075)	–	(18,075)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(729)	(729)
Balance at 31 March 2015		46,994	18,737	53,891	1,220	25,179	10,201	662,009	818,231	18,916	837,147

The notes on pages 32 to 111 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Cash generated from operations	23(b)	34,724	63,819
Tax paid:			
– Hong Kong Profits Tax paid		(5,332)	(5,249)
– Taxation outside Hong Kong paid		(2,238)	(3,312)
		(7,570)	(8,561)
Net cash generated from operating activities		27,154	55,258
Investing activities			
Payment for the purchase of property, plant and equipment		(32,816)	(32,326)
Payment for the purchase of trading securities		(77,964)	(105,020)
Proceeds from disposal of property, plant and equipment		939	5,890
Proceeds from sale of trading securities		97,303	134,972
Payment for the investment in other financial assets	17	(7,120)	–
Interest received	4	2,438	2,092
Dividends received from listed securities	4	1,735	2,404
Decrease/(increase) in pledged bank balances		12,957	(5,135)
Increase in loan to a joint venture		–	(1,264)
Net cash (used in)/generated from investing activities		(2,528)	1,613

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Financing activities			
Repayment of bank loan		(3,524)	(3,429)
Interest paid	5(a)	(347)	(385)
Dividends paid to equity shareholders of the company	29(b)	(42,175)	(42,175)
Dividends paid to non-controlling interests		(729)	(1,160)
Net cash used in financing activities		(46,775)	(47,149)
Net (decrease)/increase in cash and cash equivalents		(22,149)	9,722
Cash and cash equivalents at the beginning of the year		196,507	184,031
Effect of foreign exchange rate changes		(2,187)	2,754
Cash and cash equivalents at the end of the year	23(a)	172,171	196,507

The notes on pages 32 to 111 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

Although not required to do so under the Bye-laws of the company, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2015 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in associate and joint ventures.

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

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

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

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

1 Significant accounting policies *(continued)*

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 35.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

1 Significant accounting policies *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

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

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

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

(d) Associate and joint ventures

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

A joint venture is an arrangement whereby the group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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

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

1 Significant accounting policies *(continued)*

(d) Associate and joint ventures *(continued)*

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

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

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

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

1 Significant accounting policies *(continued)*

(f) Other investments in debt and equity securities, managed funds and structured products

The group's policies for investments in debt and equity securities, managed funds and structured products, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities, managed funds and structured products are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

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

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

(g) Derivative financial instruments

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

1 Significant accounting policies *(continued)*

(h) Property, plant and equipment

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

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

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

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

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

- Freehold land is not depreciated.
- Leasehold land classified as being held under finance lease and buildings are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.

1 Significant accounting policies *(continued)*

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

– Other plant and equipment at the following rates:

–	Plant, machinery, furniture, fixtures and office equipment	9 – 30%
–	Moulds	20 – 50%
–	Motor vehicles	10 – 25%

No depreciation is provided in respect of construction in progress.

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

(i) Investment properties

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

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

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

(j) Intangible assets (other than goodwill)

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

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

1 Significant accounting policies *(continued)*

(k) Leased assets

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

(i) Classification of assets leased to the group

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

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

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

(ii) Operating lease charges

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

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

(l) Inventories

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

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

1 Significant accounting policies *(continued)*

(l) Inventories *(continued)*

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

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

(m) Receivables

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

(n) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 Significant accounting policies *(continued)*

(n) Impairment of assets *(continued)*

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

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

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(n)(ii).

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

– For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

1 Significant accounting policies *(continued)*

(n) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

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

– intangible assets;

– goodwill; and

– investments in subsidiaries in the company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually to determine whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

1 Significant accounting policies *(continued)*

(n) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

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

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

(o) Interest-bearing borrowings

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

1 Significant accounting policies *(continued)*

(p) Payables

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

(q) Cash and cash equivalents

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

(r) Employee benefits

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

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

1 Significant accounting policies *(continued)*

(s) Income tax

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

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

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

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

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

1 Significant accounting policies *(continued)*

(s) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

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

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies *(continued)*

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

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

(ii) Other provisions and contingent liabilities

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

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

1 Significant accounting policies *(continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Interest income

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

(iii) Dividends

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

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

(iv) Rental income from operating leases

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

(v) Royalties

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

1 Significant accounting policies *(continued)*

(v) Translation of foreign currencies

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

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

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(w) Borrowing costs

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

(x) Related parties

(1) 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 the key management personnel of the group.

1 Significant accounting policies *(continued)*

(x) Related parties *(continued)*

(2) An entity is related to the group if any of the following conditions applies:

(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 employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the 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.

(y) Segment reporting

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

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

2 Changes in accounting policies

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

– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the group's financial results as they are consistent with the policies already adopted by the group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on the group's financial results.

3 Turnover

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

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

The group's customer base is diversified and includes only one (2014: one) customer with whom transactions have exceeded 10% of the group's revenue. During the year, revenue from sales of toys to this customer amounted to approximately HK$440,270,000 (2014: HK$444,489,000). For both years, the sales arose mainly in the North America geographical region in which the toys division is active. Details of the concentrations of credit risk arising from this customer are set out in note 30(a).

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

4 Other revenue and other net gain

	2015 HK$'000	2014 HK$'000
Other revenue		
Interest income from deposits with banks	721	456
Interest income from trading securities	1,717	1,636
Rental income	967	785
Dividend income from listed securities	1,735	2,404
Royalty income	5,354	5,351
Others	1,675	3,480
	12,169	14,112
Other net gain		
(Loss)/gain on disposal of property, plant and equipment	(292)	5,084
Net foreign exchange (loss)/gain	(11,378)	5,978
Net realised and unrealised gains on trading securities	8,710	1,618
Reversal of impairment loss/(impairment loss) on interest in an associate	311	(1,707)
Impairment loss on other financial assets	–	(3,900)
Reversal of impairment loss on other receivables	4,944	–
Others	690	1,400
	2,985	8,473

During 2015, the group received an amount due from a non-controlling shareholder of a subsidiary of the group which was previously fully impaired. Accordingly, a reversal of impairment loss on other receivables was recognised as other net gain.

5 Profit before taxation

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

	2015 HK$'000	2014 HK$'000
(a) Finance cost		
Interest on bank loan wholly repayable within five years	347	385
(b) Staff costs#		
Contributions to defined contribution retirement plans	27,866	28,411
Write-back of provision for long service payments	(201)	(72)
Total retirement costs	27,665	28,339
Salaries, wages and other benefits*	383,086	437,875
	410,751	466,214
(c) Other items		
Amortisation of land lease premium#	124	219
Cost of inventories# (note 19(b))	973,082	1,006,382
Depreciation#	24,580	26,781
Auditor's remuneration		
– audit services	3,601	3,939
– tax services	331	359
– other services	48	16
Impairment loss on trade debtors (note 20(b))	373	–
Impairment losses on amount due from and loan to a joint venture (note 16(d))	–	3,596
Operating lease charges: minimum lease payments#		
– land and buildings	9,269	10,567
– other assets	1,989	2,121
Rentals receivable from investment properties less direct outgoings of HK$68,000 (2014: HK$81,000)	(258)	(257)

* Salaries, wages and other benefits include HK$1,220,000 (2014: HK$Nil) relating to equity settled share-based transactions.

\# Cost of inventories includes HK$257,597,000 (2014: HK$290,858,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2015 HK$'000	2014 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	6,385	8,117
Over-provision in respect of prior years	(383)	(240)
	6,002	7,877
Current tax – Outside Hong Kong		
Provision for the year	2,632	5,042
Over-provision in respect of prior years	(15)	–
	2,617	5,042
Deferred tax		
Origination and reversal of temporary differences	(3,934)	1,385
	4,685	14,304

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions. The Corporate Income Tax rate applicable to subsidiaries located in the People's Republic of China (the "PRC") was 25% (2014: 25%) for the current year.

6 Income tax in the consolidated income statement *(continued)*

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

	2015 HK$'000	2014 HK$'000
Profit before taxation	21,001	41,735
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	2,593	6,375
Tax effect of non-deductible expenses	4,679	3,934
Tax effect of non-taxable income	(3,593)	(3,833)
Tax effect of current year tax losses not recognised	2,484	5,642
Tax effect of other temporary differences not recognised	(37)	57
Tax effect of prior years tax losses not previously recognised	(1,445)	–
Over-provision in respect of prior years	(398)	(240)
Others	402	2,369
Actual tax expense	4,685	14,304

7 Directors' remuneration

Directors' remuneration disclosed with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

	2015				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr Robert Dorfman	–	3,770	725	348	4,843
Mr Tang King-Hung	–	3,640	980	196	4,816
Dr Cheung Tsang-Kay, Stan	–	3,575	688	330	4,593
Independent non-executive directors					
Mr Lie-A-Cheong Tai-Chong, David	216	–	–	–	216
Mr Yeh Man-Chun, Kent	216	–	–	–	216
Mr Ng Tze-Kin, David	216	–	–	–	216
	648	10,985	2,393	874	14,900

7 Directors' remuneration *(continued)*

	2014				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr Robert Dorfman	–	3,640	700	336	4,676
Mr Tang King-Hung	–	3,505	538	161	4,204
Dr Cheung Tsang-Kay, Stan	–	3,770	725	348	4,843
Mr Thong Yeung-Sum, Michael (retired on 16 September 2013)	–	1,756	413	152	2,321
Independent non-executive directors					
Mr Lie-A-Cheong Tai-Chong, David	216	–	–	–	216
Mr Yeh Man-Chun, Kent	216	–	–	–	216
Mr Ng Tze-Kin, David	216	–	–	–	216
	648	12,671	2,376	997	16,692

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other emoluments	6,904	19,324
Discretionary bonuses	2,019	1,513
Retirement scheme contributions	458	826
Share-based payments	1,220	–
	10,601	21,663

8 Individuals with highest emoluments *(continued)*

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following bands:

	2015	2014
HK$3,500,001 – HK$4,000,000	1	–
HK$5,000,001 – HK$5,500,000	–	1
HK$6,500,001 – HK$7,000,000	1	–
HK$16,000,001 – HK$16,500,000	–	1

9 Profit attributable to equity shareholders of the company

The consolidated profit attributable to equity shareholders of the company includes a profit of HK$41,654,000 (2014: HK$41,830,000) which has been dealt with in the financial statements of the company.

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

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the company of HK$16,222,000 (2014: HK$26,474,000) and the weighted average number of shares of 602,491,000 (2014: 602,491,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2014 and 2015, and therefore diluted earnings per share is the same as the basic earnings per share for both the current and prior years.

11 Segment reporting

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

Toys : The manufacture, sale and distribution of toy products.

Computer products : The manufacture and sale of computer products.

Housewares : The manufacture, sale and distribution of housewares.

Timepieces : The manufacture, sale and distribution of clocks, watches, and electronic and gift products.

Investments : The investment in debt and equity securities, structured products and managed funds.

Others : The leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

11 Segment reporting *(continued)*

(a) Segments results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in an associate, interests in joint ventures, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

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

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

11 Segment reporting *(continued)*

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

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2015 and 2014 is set out below:

	2015						
	Toys HK$'000	Computer products HK$'000	Housewares HK$'000	Timepieces HK$'000	Investments HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	563,825	217,353	165,184	318,742	–	–	1,265,104
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	563,825	217,353	165,184	318,742	–	–	1,265,104
Reportable segment profit	8,736	11,250	632	6,991	12,096	1,061	40,766
Interest income	404	18	24	208	1,717	–	2,371
Interest expense	(22)	–	–	–	–	(290)	(312)
Depreciation and amortisation for the year	(12,351)	(4,753)	(2,836)	(2,030)	–	(2,734)	(24,704)
Impairment losses on property, plant and equipment	–	–	(71)	–	–	–	(71)
Reportable segment assets	345,523	183,314	111,871	139,262	175,050	49,644	1,004,664
Additions to non-current segment assets during the year	26,143	1,730	2,437	2,492	–	14	32,816
Reportable segment liabilities	100,466	24,446	36,406	34,865	–	8,684	204,867

11 Segment reporting *(continued)*

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

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2015 and 2014 is set out below: *(continued)*

	2014						
	Toys HK$'000	Computer products HK$'000	Housewares HK$'000	Timepieces HK$'000	Investments HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	585,166	289,764	131,362	333,478	–	–	1,339,770
Inter-segment revenue	–	–	–	–	–	–	–
Reportable segment revenue	585,166	289,764	131,362	333,478	–	–	1,339,770
Reportable segment profit/(loss)	22,770	31,272	(2,790)	(16,739)	5,583	5,997	46,093
Interest income	196	29	30	92	1,636	–	1,983
Interest expense	–	–	–	–	–	(385)	(385)
Depreciation and amortisation for the year	(10,053)	(8,541)	(2,785)	(2,601)	(301)	(2,719)	(27,000)
Impairment losses on property, plant and equipment	–	–	(496)	–	–	–	(496)
Reportable segment assets	348,492	191,677	125,687	154,756	198,636	51,148	1,070,396
Additions to non-current segment assets during the year	17,558	9,848	2,499	1,822	–	599	32,326
Reportable segment liabilities	103,023	27,394	41,076	49,980	–	12,206	233,679

11 Segment reporting *(continued)*

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

	2015 HK$'000	2014 HK$'000
Profit		
Reportable segment profit	40,766	46,093
Share of loss of an associate	(311)	(432)
Share of profits less losses of joint ventures	–	(225)
Unallocated corporate expenses	(19,454)	(3,701)
Consolidated profit before taxation	21,001	41,735
Interest income		
Reportable segment interest income	2,371	1,983
Unallocated corporate interest income	67	109
Consolidated interest income	2,438	2,092
Interest expense		
Reportable segment interest expense	312	385
Unallocated corporate interest expense	35	–
Consolidated interest expense	347	385
Assets		
Reportable segment assets	1,004,664	1,070,396
Elimination of inter-segment receivables	(19,306)	(19,383)
	985,358	1,051,013
Deferred tax assets	13,037	9,217
Unallocated corporate assets	38,390	30,559
Consolidated total assets	1,036,785	1,090,789
Liabilities		
Reportable segment liabilities	204,867	233,679
Elimination of inter-segment payables	(19,306)	(19,383)
	185,561	214,296
Current tax payable	9,082	8,033
Deferred tax liabilities	147	261
Unallocated corporate liabilities	4,848	5,159
Consolidated total liabilities	199,638	227,749

11 Segment reporting *(continued)*

(c) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	100,505	88,250	61,659	60,848
North America	572,135	602,491	6	1
United Kingdom	245,941	237,769	23,544	27,525
Europe (excluding United Kingdom)	149,566	154,346	–	–
Asia (excluding Mainland China and Hong Kong)	67,723	131,858	–	–
Mainland China	60,841	32,698	195,077	186,852
Others	68,393	92,358	–	–
	1,164,599	1,251,520	218,627	214,378
	1,265,104	1,339,770	280,286	275,226

12 Fixed assets

(a) The group

	Land and buildings held for own use HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost or valuation:									
At 1 April 2013	308,577	338,367	13,213	29,864	11,158	701,179	6,680	10,789	718,648
Exchange adjustments	2,236	1,277	–	105	–	3,618	–	(4)	3,614
Additions	–	22,891	748	2,127	6,560	32,326	–	–	32,326
Disposals	(6,047)	(953)	(105)	(1,893)	–	(8,998)	–	–	(8,998)
Transfer	850	–	–	–	–	850	(850)	–	–
Fair value adjustment	–	–	–	–	–	–	210	–	210
At 31 March 2014	305,616	361,582	13,856	30,203	17,718	728,975	6,040	10,785	745,800
Representing:									
Cost	294,154	361,582	13,856	30,203	17,718	717,513	–	10,785	728,298
Valuation – 1987	11,462	–	–	–	–	11,462	–	–	11,462
– 2014	–	–	–	–	–	–	6,040	–	6,040
	305,616	361,582	13,856	30,203	17,718	728,975	6,040	10,785	745,800
Accumulated amortisation, depreciation and impairment losses:									
At 1 April 2013	152,905	258,321	12,769	21,650	–	445,645	–	6,390	452,035
Exchange adjustments	(11)	1,370	–	(260)	–	1,099	–	(4)	1,095
Amortisation and depreciation charge for the year	7,967	15,458	495	2,861	–	26,781	–	219	27,000
Impairment loss	–	–	496	–	–	496	–	–	496
Written back on disposals	(6,047)	(790)	(105)	(1,250)	–	(8,192)	–	–	(8,192)
At 31 March 2014	154,814	274,359	13,655	23,001	–	465,829	–	6,605	472,434
Net book value:									
At 31 March 2014	150,802	87,223	201	7,202	17,718	263,146	6,040	4,180	273,366

12 Fixed assets *(continued)*

(a) The group *(continued)*

	Land and buildings held for own use HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost or valuation:									
At 1 April 2014	305,616	361,582	13,856	30,203	17,718	728,975	6,040	10,785	745,800
Exchange adjustments	(2,707)	(2,123)	–	(49)	–	(4,879)	–	9	(4,870)
Additions	140	28,835	442	2,469	930	32,816	–	–	32,816
Disposals	–	(2,124)	(6,907)	(4,649)	–	(13,680)	–	–	(13,680)
Fair value adjustment	–	–	–	–	–	–	940	–	940
At 31 March 2015	303,049	386,170	7,391	27,974	18,648	743,232	6,980	10,794	761,006
Representing:									
Cost	291,587	386,170	7,391	27,974	18,648	731,770	–	10,794	742,564
Valuation – 1987	11,462	–	–	–	–	11,462	–	–	11,462
– 2015	–	–	–	–	–	–	6,980	–	6,980
	303,049	386,170	7,391	27,974	18,648	743,232	6,980	10,794	761,006
Accumulated amortisation, depreciation and impairment losses:									
At 1 April 2014	154,814	274,359	13,655	23,001	–	465,829	–	6,605	472,434
Exchange adjustments	(57)	(2,115)	–	(16)	–	(2,188)	–	8	(2,180)
Amortisation and depreciation charge for the year	7,889	13,825	291	2,575	–	24,580	–	124	24,704
Impairment loss	–	–	71	–	–	71	–	–	71
Written back on disposals	–	(1,974)	(6,907)	(3,568)	–	(12,449)	–	–	(12,449)
At 31 March 2015	162,646	284,095	7,110	21,992	–	475,843	–	6,737	482,580
Net book value:									
At 31 March 2015	140,403	102,075	281	5,982	18,648	267,389	6,980	4,057	278,426

12 Fixed assets *(continued)*

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

	Investment properties		Land and buildings held for own use		Interests in leasehold land held for own use under operating leases	
	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
In Hong Kong						
– medium-term leases	2,600	1,920	53,045	55,586	–	–
Outside Hong Kong						
– freehold	–	–	21,667	24,733	–	–
– medium-term leases	4,380	4,120	65,691	70,483	4,057	4,180
	6,980	6,040	140,403	150,802	4,057	4,180

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

At 31 March 2015, included in land and buildings held for own use were properties carried at valuation less accumulated depreciation and impairment losses amounted to HK$2,954,000 (2014: HK$3,066,000). The carrying amount of these properties held for own use would have been HK$533,000 (2014: HK$596,000) had they been carried at cost less accumulated depreciation and impairment losses.

(d) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the group's properties measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

12 Fixed assets *(continued)*

(d) Fair value measurement of properties *(continued)*

(i) *Fair value hierarchy (continued)*

	Fair value at 31 March 2015 HK$'000	Fair value measurements as at 31 March 2015 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Group				
Recurring fair value measurement				
Investment properties:				
– Commercial – Mainland China	4,380	–	–	4,380
– Industrial – Hong Kong	2,600	–	–	2,600

	Fair value at 31 March 2014 HK$'000	Fair value measurements as at 31 March 2014 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Group				
Recurring fair value measurement				
Investment properties:				
– Commercial – Mainland China	4,120	–	–	4,120
– Industrial – Hong Kong	1,920	–	–	1,920

During the year ended 31 March 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date of the financial year in which they occur.

All investment properties of the group were revalued as at 31 March 2015. The valuations were carried out by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The group's financial controller has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual balance sheet date.

12 Fixed assets *(continued)*

(d) Fair value measurement of properties *(continued)*

(ii) *Information about Level 3 fair value measurements*

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties Commercial – Mainland China	Income approach	Yield rate	4.50% to 5.00%	4.75%
Investment properties Industrial – Hong Kong	Income approach	Yield rate	3.00% to 4.00%	3.50%

The fair value of investment properties located in Mainland China and Hong Kong is determined using income approach by taking into account the current rent receivable from the existing tenancies and the reversionary potential of the property interests. Appropriate yield rates were adopted in income approach for the existing rent receivable during the tenancies terms and for the reversionary value of the properties. The fair value measurement is negatively correlated to the yield rates.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2015 HK$'000	2014 HK$'000
Investment properties – Commercial – Mainland China:		
At 1 April	4,120	4,130
Fair value adjustment	260	(10)
At 31 March	4,380	4,120
Investment properties – Industrial – Hong Kong:		
At 1 April	1,920	2,550
Transfer	–	(850)
Fair value adjustment	680	220
At 31 March	2,600	1,920

12 Fixed assets *(continued)*

(d) Fair value measurement of properties *(continued)*

(ii) Information about Level 3 fair value measurements (continued)

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties" on the face of the consolidated income statement.

All the gains recognised in profit or loss for the year arise from the investment properties held at the balance sheet date.

(e) During the year ended 31 March 2015, the directors carried out an assessment of the recoverable amount of certain property, plant and equipment of the group and as a result the carrying amount of the property, plant and equipment has been written down by HK$71,000 (2014: HK$496,000). The estimates of recoverable amount were based on the value in use of the property, plant and equipment and the directors considered that these assets are unable to generate positive cash flows to the group.

(f) Bank loan (note 25(c)) is secured on a group's property with a carrying amount of HK$33,967,000 (2014: HK$35,257,000) at 31 March 2015.

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

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

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

	2015 HK$'000	2014 HK$'000
Within 1 year	673	574
After 1 year but within 5 years	506	970
	1,179	1,544

13 Intangible assets

	The group Club memberships HK$'000
Cost:	
At 1 April 2013, 31 March 2014 and 31 March 2015	2,120
Accumulated impairment losses:	
At 1 April 2013, 31 March 2014 and 31 March 2015	260
Net book value:	
At 31 March 2014 and 31 March 2015	1,860

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

During the year ended 31 March 2015, the directors carried out an assessment of the recoverable amount of the club memberships. Based on their review, no impairment losses on club memberships (2014: HK$Nil) were recognised during the year. The estimates of the recoverable amount of the club memberships were based on recent observable market prices.

14 Investments in subsidiaries

	The company 2015 HK$'000	The company 2014 HK$'000
Unlisted equities, at cost, net of dividend received from subsidiary from pre-acquisition profits	328,585	327,365

Details of the company's principal subsidiaries at 31 March 2015 are set out in note 37 to the financial statements.

The group's subsidiaries do not have any material non-controlling interests.

15 Interest in an associate

	The group 2015 HK$'000	The group 2014 HK$'000
Share of net assets	–	349
Goodwill	1,209	1,358
	1,209	1,707
Less: Impairment loss (note 15(c))	(1,209)	(1,707)
	–	–

15 Interest in an associate *(continued)*

(a) The particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available, are listed below:

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

The associate, which is accounted for using the equity method in the consolidated financial statements, is not material to the group.

(b) Information of the immaterial associate:

	2015 HK$'000	2014 HK$'000
Carrying amount of the immaterial associate in the consolidated financial statements	–	–
The amounts of the group's share of associate's		
Loss from continuing operations	(311)	(432)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	(311)	(432)

(c) The group has discontinued the recognition of its share of loss of the associate, Fire Rock, because the share of loss exceeded the group's interest in the associate and the group's interest was reduced to nil. The amount of the group's unrecognised share of loss of this associate was HK$211,000 (2014: HK$Nil).

(d) At 31 March 2015, the directors carried out an assessment of the recoverable amount of interest in an associate. Based on their review, a reversal of impairment loss of HK$311,000 (2014: impairment loss of HK$1,707,000) arising from the group's share of loss of Fire Rock was recognised during the year. The estimate of recoverable amount was based on the fair value less costs of disposal of the interest in an associate and the directors considered that this asset is unable to generate positive cash flows to the group.

16 Interests in joint ventures

	The group 2015 HK$'000	2014 HK$'000
Amount due from a joint venture	6,028	6,028
Loan to a joint venture	12,805	14,383
Less: Impairment losses (note 16(d))	(18,833)	(20,411)
	–	–

(a) Details of the group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint ventures	Form of business structure	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital/ registered capital	Percentage of ownership interest held by the subsidiaries	Principal activity
Ventura Watch AG ("Ventura")	Limited liability company	Switzerland	1,000 ordinary shares of CHF260 each	55%	Distribution of clocks, watches and electronic products
Cleanbiz Asia Limited ("Cleanbiz")	Limited liability company	Hong Kong	200 ordinary shares	50%	Management of a website promoting corporate social responsibility

Ventura and Cleanbiz are unlisted corporate entities whose quoted market prices are not available. In the opinion of the directors, the group does not have the power to govern the financial and operating policies of Ventura and Cleanbiz. Accordingly, these investments have been accounted for as joint ventures.

16 Interests in joint ventures *(continued)*

(b) Aggregate information of joint ventures that are not individually material:

	2015 HK$'000	2014 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	–	–
Aggregate amounts of the group's share of those joint ventures'		
Loss from continuing operations	–	(225)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	–	(225)

(c) The group has discontinued the recognition of its share of loss of the joint venture, Ventura, because the share of loss exceeded the group's interest in the joint venture and the group's interest was reduced to nil. Ventura is in the process of liquidation and the amount of the group's unrecognised share of loss of this joint venture was HK$3,466,000 (2014: HK$3,466,000).

(d) The loan to a joint venture is unsecured, interest-bearing at 4.75% per annum and repayable on or before 31 December 2017, while the amount due from a joint venture is unsecured, interest-free and has no fixed terms of repayment.

At 31 March 2015, the directors carried out an assessment of the recoverable amounts of the amount due from and the loan to the joint venture. Based on their review, no additional impairment losses (2014: impairment losses of HK$3,596,000) were recognised during the year. The estimates of recoverable amounts were based on the fair value less costs of disposal of the interests in joint ventures and the directors considered that these assets are unable to generate positive cash flows to the group.

17 Other financial assets

	The group 2015 HK$'000	2014 HK$'000
Unlisted equity securities, at cost, representing investments in:		
– NYL Holdings, LLC ("NYL")	4,680	4,680
– Zeon America, Inc. ("ZAI")	6,240	6,240
– Export Now, Inc.	3,900	3,900
– UNYQ Design, Inc.	7,120	–
	21,940	14,820
Less: Impairment loss (note 17(c))	(3,900)	(3,900)
	18,040	10,920

(a) Details of the group's investments in unlisted equity securities are as follows:

Name of body corporate invested	Form of business structure	Place of incorporation and operation	Particulars of issued and paid-up capital	Percentage of equity held by a subsidiary	Principal activity
NYL Holdings, LLC	Limited liability company	The United States of America	US$1,500,000 divided into 1,000 units	28%	Trading of timepieces
Zeon America, Inc.	Limited liability company	The United States of America	US$4,000,000 divided into 4,200 units	20%	Trading of timepieces
Export Now, Inc.	Limited liability company	The United States of America	US$11,053 divided into 1,105,273 shares (10.8% treasury stock)	1.6%	Provision of online sales and marketing support
UNYQ Design, Inc.	Limited liability company	The United States of America	US$912,825 divided into 4,710,684 shares	19.5%	Manufacturing and trading of prosthetic covers

(b) In the opinion of the directors, the group is not in a position to exercise significant influence over the financial and operating policies of NYL and ZAI. Accordingly, these investments have not been accounted for as associates.

(c) At 31 March 2015, the directors carried an assessment of the recoverable amount of other financial assets. Based on their review, no additional impairment loss (2014: HK$3,900,000) was recognised during the year.

18 Trading securities

	The group	
	2015	2014
	HK$'000	HK$'000
Listed equity securities, at market value		
– in Hong Kong	35,416	27,344
– outside Hong Kong	3,308	6,303
	38,724	33,647
Unlisted structured products, at fair value (note 18(a))	5,007	3,097
Unlisted managed funds, at fair value (note 18(b))	96,947	123,990
Unlisted debt securities, at fair value	2,063	2,418
Listed debt securities, at market value	27,249	17,467
	169,990	180,619

(a) Structured products

The group acquired certain structured products for short-term investment purposes, which include equity-linked notes and currency-linked notes. These structured products are issued by financial institutions with high credit ratings and with maturity ranging from 1 month to 4 months when acquired. The return on these structured products was linked to the underlying equity prices and exchange rates.

(b) Managed funds

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

(c) At 31 March 2015, trading securities of HK$150,218,000 (2014: HK$90,123,000) are pledged to banks to secure banking facilities, which include revolving credit facility and investment trading line granted to the group.

19 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The group	
	2015	2014
	HK$'000	HK$'000
Raw materials	60,112	57,633
Work in progress	40,504	48,529
Finished goods	87,443	102,951
	188,059	209,113

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

	The group	
	2015	2014
	HK$'000	HK$'000
Carrying amount of inventories sold	970,016	999,398
Write-down of inventories	3,066	6,984
	973,082	1,006,382

20 Trade and other receivables

	The group		The company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors and bills receivable	**164,866**	158,333	**–**	–
Less: Allowance for doubtful debts (note 20(b))	**(1,025)**	(838)	**–**	–
	163,841	157,495	**–**	–
Deposits, prepayments and other receivables	**26,301**	33,675	**203**	248
	190,142	191,170	**203**	248

Trade debtors amounting to HK$26,992,000 (2014: HK$Nil) are expected to be recovered after more than one year. All other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the balance sheet date, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts is as follows:

	The group	
	2015	2014
	HK$'000	HK$'000
Within 3 months	**122,492**	149,791
3 to 6 months	**4,653**	7,704
6 to 12 months	**36,608**	–
Over 12 months	**88**	–
	163,841	157,495

Trade debtors and bills receivable are normally due within 90 days from the date of billing. Further details on the group's credit policy are set out in note 30(a).

20 Trade and other receivables *(continued)*

(b) Impairment of trade debtors and bills receivable

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

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

	The group	
	2015	2014
	HK$'000	HK$'000
At the beginning of the year	838	1,939
Impairment loss recognised	373	–
Uncollectible amounts written off	(186)	(1,101)
At the end of the year	1,025	838

At 31 March 2015, the group's trade debtors and bills receivable of HK$1,025,000 (2014: HK$838,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debt of HK$1,025,000 (2014: HK$838,000) were recognised.

20 Trade and other receivables *(continued)*

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

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	The group	
	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired		
Current	97,547	120,132
Past due but not impaired		
Less than 1 month past due	19,475	23,430
1 to 3 months past due	10,502	10,420
More than 3 months but less than 12 months past due	36,234	3,513
More than 12 months	83	–
Amounts past due	66,294	37,363
	163,841	157,495

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

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

21 Amounts due from/to subsidiaries

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

22 Pledged bank balances

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

	The group	
	2015	2014
	HK$'000	HK$'000
Cash at bank	**5,060**	18,017

23 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	The group		The company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**4,065**	4,040	**–**	–
Cash at bank and in hand	**168,106**	192,467	**1,519**	1,813
Cash and cash equivalents	**172,171**	196,507	**1,519**	1,813

23 Cash and cash equivalents *(continued)*

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

	Note	2015 HK$'000	2014 HK$'000
Profit before taxation		21,001	41,735
Adjustments for:			
Interest income	4	(2,438)	(2,092)
Dividend income from listed securities	4	(1,735)	(2,404)
Share of loss of an associate	15	311	432
Share of profits less losses of joint ventures	16	–	225
Depreciation	5(c)	24,580	26,781
Amortisation of land lease premium	5(c)	124	219
Equity settled share-based transactions		1,220	–
Loss/(gain) on disposal of property, plant and equipment	4	292	(5,084)
Valuation gains on investment properties	12(d)	(940)	(210)
Impairment losses on property, plant and equipment	12(e)	71	496
Impairment losses on amount due from and loan to a joint venture	5(c)	–	3,596
(Reversal of impairment loss)/impairment loss on interest in an associate	4	(311)	1,707
Impairment loss on other financial assets	4	–	3,900
Net realised and unrealised gains on trading securities	4	(8,710)	(1,618)
Finance cost	5(a)	347	385
Foreign exchange loss/(gain)		4,352	(7,581)
Changes in working capital:			
Increase in amounts due from joint ventures		–	(1,660)
Decrease in inventories		21,054	72
Decrease/(increase) in trade and other receivables		1,028	(13,958)
(Decrease)/increase in trade and other payables		(25,321)	18,950
Decrease in provision for long service payments		(201)	(72)
Cash generated from operations		34,724	63,819

24 Trade and other payables

	The group		The company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors and bills payable	**41,293**	55,421	**–**	–
Accruals and other payables	**137,124**	148,317	**2,537**	2,197
	178,417	203,738	**2,537**	2,197

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

As of the balance sheet date, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	The group	
	2015	2014
	HK$'000	HK$'000
Within 1 month	**33,360**	47,491
Over 1 month but within 3 months	**4,922**	6,603
Over 3 months	**3,011**	1,327
	41,293	55,421

25 Bank loan

(a) The analysis of carrying amount of interest-bearing bank loan is as follows:

	2015	2014
	HK$'000	HK$'000
Current liabilities		
Current portion of term loan from bank	**3,691**	3,641
Non-current portion of term loan from bank repayable on demand	**4,921**	8,495
	8,612	12,136

The non-current portion of term bank loan repayable on demand is carried at amortised cost. None of these non-current portion of bank loans is expected to be settled within one year.

25 Bank loan *(continued)*

(b) At 31 March 2015, interest-bearing bank loan was due for repayment as follows:

	2015 HK$'000	2014 HK$'000
Portion of term loan due for repayment within 1 year	3,641	3,641
Non-current portion of term loan due for repayment after one year		
– after 1 year but within 2 years	3,641	3,641
– after 2 years but within 5 years	1,330	4,854
	4,971	8,495
	8,612	12,136

The bank loan agreement contains a clause which gives the lender the right at its sole discretion to demand immediate repayment and therefore the non-current portion of term loan is classified as current liability.

(c) At 31 March 2015, the bank loan is secured on a group's property with a carrying amount of HK$33,967,000 (2014: HK$35,257,000).

26 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	The group	
	2015	2014
	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the year	6,385	8,117
Provisional Profits Tax paid	(6,592)	(8,748)
	(207)	(631)
Balance of Profits Tax provision relating to prior years	4,348	4,102
	4,141	3,471
Taxation outside Hong Kong	1,335	896
Balance of provision relating to prior years	3,606	3,666
	4,941	4,562
	9,082	8,033
Representing:		
Current tax recoverable	–	–
Current tax payable	9,082	8,033
	9,082	8,033

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

(b) Deferred tax assets and liabilities recognised

(i) The group

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

	Differences between depreciation allowances and the related depreciation HK$'000	Tax losses HK$'000	Provisions HK$'000	Others HK$'000	Total HK$'000
Deferred tax arising from:					
At 1 April 2013	(105)	(768)	(9,479)	45	(10,307)
Exchange adjustments	(34)	–	–	–	(34)
Charged/(credited) to profit or loss	424	12	1,552	(603)	1,385
At 31 March 2014	285	(756)	(7,927)	(558)	(8,956)
At 1 April 2014	285	(756)	(7,927)	(558)	(8,956)
Charged/(credited) to profit or loss	53	(2,315)	(3,347)	1,675	(3,934)
At 31 March 2015	338	(3,071)	(11,274)	1,117	(12,890)

	2015 HK$'000	2014 HK$'000
Net deferred tax assets recognised on the consolidated balance sheet	(13,037)	(9,217)
Net deferred tax liabilities recognised on the consolidated balance sheet	147	261
	(12,890)	(8,956)

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

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

(ii) The company

No deferred tax has been recognised as the company does not have any significant temporary differences at 31 March 2014 and 2015.

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the group has not recognised deferred tax assets totalling HK$43,551,000 (2014: HK$43,045,000) in respect of differences between depreciation allowances and the related depreciation, cumulative tax losses and provisions of HK$4,005,000 (2014: HK$4,503,000), HK$234,285,000 (2014: HK$225,822,000) and HK$479,000 (2014: HK$661,000) respectively as it is not probable that future taxable profits against which losses and other temporary differences can be utilised will be available in the relevant tax jurisdiction of the entities.

Included in unrecognised tax losses is an amount of HK$12,569,000 (2014: HK$11,225,000) which can be carried forward for up to five years from the year in which the loss originated. The remaining balance of HK$221,716,000 (2014: HK$214,597,000) does not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 March 2015, temporary differences relating to undistributed profits of subsidiaries amounted to HK$27,172,000 (2014: HK$26,707,000). Deferred tax liabilities of HK$1,359,000 (2014: HK$1,335,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 Provision for long service payments

	2015 HK$'000	2014 HK$'000
At the beginning of the year	3,581	3,653
Reversal made during the year	(201)	(72)
At the end of the year	3,380	3,581

27 Provision for long service payments *(continued)*

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

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

28 Employee benefits

(a) Employee retirement benefits

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

The subsidiaries in Hong Kong also participate in Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance commencing on 1 December 2000 for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement schemes. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, employers and employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the MPF schemes vest immediately.

Where there are employees who leave the schemes, other than the MPF schemes, prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2015, there was no forfeited contribution which is available to reduce the contributions payable in future years (2014: HK$Nil).

28 Employee benefits *(continued)*

(a) Employee retirement benefits *(continued)*

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

(b) Share option scheme

The previous share option scheme of the company expired on 17 September 2013 and the company adopted a new share option scheme ("the share option scheme") on 16 September 2013. According to the share option scheme, the directors of the company are authorised, at their discretion, to invite any director (including executive, non-executive or independent non-executive directors), employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the group or any entity in which any member of the group holds any interest, and any discretionary trust or company whose discretionary objects or owners include the aforementioned parties to take up options to subscribe for shares of the company. Upon acceptance of an option, each eligible participant under the share option scheme is required to pay the company HK$1 within 21 days from the date of offer.

The share option scheme became effective on 16 September 2013 and remains in force for 10 years from the date of its adoption. The exercise price of the options is at least the highest of (a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. Unless otherwise determined by the directors of the company, there is no requirement of a minimum period for which an option must be held before it can be exercised. An option is exercisable at any time during such period to be notified by the directors of the company to each grantee, but in any event not later than 10 years from the date of grant of the option. Each option gives the holder the right to subscribe for one share of US$0.01 each in the company.

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees			
– On 23 January 2015	6,000,000	N/A	10 years

28 Employee benefits *(continued)*

(b) Share option scheme *(continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2015 Weighted average exercise price	2015 Number of share options '000
Outstanding at the beginning of the year	–	–
Exercised during the year	–	–
Forfeited during the year	–	–
Granted during the year	HK$0.97	6,000
Outstanding at the end of the year	HK$0.97	6,000
Exercisable at the end of the year	HK$0.97	6,000

The options outstanding at 31 March 2015 had an exercise price of HK$0.97 and a weighted average remaining contractual life of 9.8 years.

28 Employee benefits *(continued)*

(b) Share option scheme *(continued)*

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2015
Fair value of share options and assumptions	
Fair value at measurement date	HK$0.20
Share price	HK$0.97
Exercise price	HK$0.97
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	35%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	10 years
Expected dividends	8%
Risk-free interest rate (based on Exchange Fund Notes)	1.72%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service and market conditions associated with the share option grants.

29 Capital, reserves and dividends

(a) Movements in components of equity

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

The company

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 1 April 2013		46,994	18,737	–	272,141	337,872
Changes in equity for 2014:						
Profit and total comprehensive income for the year		–	–	–	41,830	41,830
Dividend approved in respect of the previous year	29(b)	–	–	–	(24,100)	(24,100)
Dividend declared in respect of the current year	29(b)	–	–	–	(18,075)	(18,075)
Balance at 31 March 2014 and 1 April 2014		46,994	18,737	–	271,796	337,527
Changes in equity for 2015:						
Profit and total comprehensive income for the year		–	–	–	41,654	41,654
Dividend approved in respect of the previous year	29(b)	–	–	–	(24,100)	(24,100)
Equity settled share-based transactions	28(b)	–	–	1,220	–	1,220
Dividend declared in respect of the current year	29(b)	–	–	–	(18,075)	(18,075)
Balance at 31 March 2015		46,994	18,737	1,220	271,275	338,226

29 Capital, reserves and dividends *(continued)*

(b) Dividends

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

	2015 HK$'000	2014 HK$'000
Interim dividend declared and paid of HK3 cents (2014: HK3 cents) per share	18,075	18,075
Final dividend proposed after the balance sheet date of HK4 cents (2014: HK4 cents) per share	24,100	24,100
	42,175	42,175

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

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

	2015 HK$'000	2014 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4 cents (2014: HK4 cents) per share	24,100	24,100

29 Capital, reserves and dividends *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2015		2014	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:				
Shares of US$0.01 each	1,000,000	78,000	1,000,000	78,000
Ordinary shares, issued and fully paid:				
At 31 March	602,491	46,994	602,491	46,994

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

(ii) Terms of unexpired and unexercised share options at the end of the balance sheet period

Exercise period	Exercise price	2015 Number	2014 Number
23 January 2015 to 22 January 2025	HK$0.97	6,000,000	–

Each option entitles the holder to subscribe for one ordinary share in the company. Further details of these options are set out in note 28 to the financial statements.

29 Capital, reserves and dividends *(continued)*

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

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

(iii) Exchange reserve

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

(iv) PRC statutory reserves

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

(v) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(r)(ii).

(e) Distributability of reserves

At 31 March 2015, the aggregate amount of reserves available for distribution to equity shareholders of the company was HK$271,275,000 (2014: HK$271,796,000). After the balance sheet date the directors proposed a final dividend of HK4 cents (2014: HK4 cents) per share, amounting to HK$24,100,000 (2014: HK$24,100,000). This dividend has not been recognised as a liability at the balance sheet date.

29 Capital, reserves and dividends *(continued)*

(f) Capital management

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

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

The group monitors its capital structure on the basis of gearing ratio, which is calculated as total liabilities over total assets. During 2015, the group's strategy, which was unchanged from 2014, was to maintain the gearing ratio of no more than 50%. In order to maintain or adjust the ratio, the group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The gearing ratio of the group and the company as at 31 March 2015 was 19% (2014: 21%) and 0.7% (2014: 1.8%) respectively.

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

30 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arise in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities and investments in structured products.

The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

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

In respect of trade receivables, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of individual customers are performed periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 90 days from the date of billing. Normally, the group does not obtain collateral from customers.

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

(a) Credit risk *(continued)*

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than of the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the company has significant exposure to individual customers. At the balance sheet date, 23% (2014: 24%) and 51% (2014: 66%) of the total trade receivables were due from the group's largest customer and the five largest customers respectively.

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

Except for the financial guarantees given in note 32(b) the group does not provide any financial guarantees which would expose the group to credit risk.

(b) Liquidity risk

Individual operating entities within the group are responsible for their own cash management.

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

The following table details the remaining contractual maturities at the balance sheet date of the group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, if floating, based on rates current at the balance sheet date) and the earliest date the group can be required to pay.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

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

(b) Liquidity risk *(continued)*

The group

	2015					
	Contractual undiscounted cash outflow					
	On demand 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	Total HK$'000	Carrying amount HK$'000
Trade and other payables (excluding receipts in advance)	–	172,256	–	–	172,256	172,256
Bank loan	–	3,814	3,814	1,272	8,900	8,612
	–	176,070	3,814	1,272	181,156	180,868
Adjustments to present cash flows on term loan based on lender's right to demand repayment	8,612	(3,814)	(3,814)	(1,272)	(288)	
	8,612	172,256	–	–	180,868	

	2014					
	Contractual undiscounted cash outflow					
	On demand 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	Total HK$'000	Carrying amount HK$'000
Trade and other payables (excluding receipts in advance)	–	194,350	–	–	194,350	194,350
Bank loan	–	3,814	3,814	5,086	12,714	12,136
	–	198,164	3,814	5,086	207,064	206,486
Adjustments to present cash flows on term loan based on lender's right to demand repayment	12,136	(3,814)	(3,814)	(5,086)	(578)	
	12,136	194,350	–	–	206,486	

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

(b) Liquidity risk *(continued)*

The company

	2015			2014		
	Contractual undiscounted cash outflow			Contractual undiscounted cash outflow		
	Within one year or on demand HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000	Within one year or on demand HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Trade and other payables	2,537	2,537	2,537	2,197	2,197	2,197
Amount due to a subsidiary	–	–	–	4,063	4,063	4,063
	2,537	2,537	2,537	6,260	6,260	6,260

(c) Interest rate risk

The group's interest rate risk arises primarily from bank loan. Loan issued at variable rates expose the group to cash flow interest rate risk. The group's interest rate profile is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the group's borrowing at the balance sheet date.

	The group			
	2015		2014	
	Effective interest rate	Amount HK$'000	Effective interest rate	Amount HK$'000
Variable rate borrowings:				
Bank loan	2.75%	8,612	2.75%	12,136

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

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 March 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the group's profit after tax and retained profits by approximately HK$72,000 (2014: HK$101,000). Other components of consolidated equity would not be affected by the changes in interest rates.

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

(d) Currency risk

The group is exposed to currency risk primarily through sales and purchases which gives rise to receivables, payables and cash balance that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$"), Pound Sterling ("GBP") and Renminbi ("RMB"). Management monitors the group's exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

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

The group

	2015			2014		
	United States Dollars HK$'000	Pound Sterling HK$'000	Renminbi HK$'000	United States Dollars HK$'000	Pound Sterling HK$'000	Renminbi HK$'000
Other financial assets	18,040	–	–	10,920	–	–
Trading securities	76,445	3,305	17,474	88,629	3,929	29,183
Trade and other receivables	126,252	83,650	407	118,622	118,072	410
Pledged bank balances	3,474	35	966	14,421	–	62
Cash and cash equivalents	68,477	3,447	7,009	88,255	8,348	1,208
Trade and other payables	(38,258)	–	(58,982)	(28,248)	–	(59,773)
Gross exposure arising from recognised assets and liabilities	254,430	90,437	(33,126)	292,599	130,349	(28,910)

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

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

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

The group

	2015		2014	
	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits HK$'000	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits HK$'000
United States Dollars	10%	(63)	10%	1,126
	(10)%	63	(10)%	(1,126)
Pound Sterling	10%	9,043	10%	13,035
	(10)%	(9,043)	(10)%	(13,035)
Renminbi	10%	(3,177)	10%	(2,726)
	(10)%	3,177	(10)%	2,726

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the group's presentation currency. The analysis is performed on the same basis for 2014.

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

(e) Equity price risk

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

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

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

At 31 March 2015, it is estimated that an increase/decrease of 10% (2014: 10%) in the relevant stock market index, with all other variables held constant, would have increased/decreased the group's profit after tax and retained profits as follows. Other components of equity would not be affected by changes in the stock market indexes.

The group

	2015		2014	
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in profit after tax and retained profits HK$'000	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in profit after tax and retained profits HK$'000
Stock market indexes in relation to listed investments and unlisted structured products:				
– Hang Seng Index	10%	2,923	10%	1,790
	(10)%	(2,923)	(10)%	(1,790)
– Standard and Poor's 500 Index	10%	–	10%	159
	(10)%	–	(10)%	(159)
– FTSE 100 Index	10%	344	10%	466
	(10)%	(344)	(10)%	(466)

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

(e) Equity price risk *(continued)*

The sensitivity analysis indicates the instantaneous change in the group's profit after tax and retained profits that would arise assuming that the changes in the stock market index had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the group which expose the group to equity price risk at the balance sheet date. It is also assumed that the fair values of the group's equity investments would change in accordance with the historical correlation with the relevant stock market index and that all other variables remain constant. The sensitivity analysis takes into account the equity price changes arising from listed equity investments and unlisted structured products only as it is impractical to link the performance of the unlisted managed funds to specific stock market indexes. The analysis is performed on the same basis for 2014.

(f) Fair values

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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

(f) Fair values *(continued)*

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

Fair value hierarchy *(continued)*

The group

	Fair value at 31 March 2015	Fair value measurement as at 31 March 2015 categorised into		Fair value at 31 March 2014	Fair value measurement as at 31 March 2014 categorised into	
		Level 1	Level 2		Level 1	Level 2
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements						
Assets						
Trading securities						
– listed debt and equity securities	65,973	65,973	–	51,114	51,114	–
– unlisted managed funds, debt securities and structured products	104,017	–	104,017	129,505	–	129,505
	169,990	65,973	104,017	180,619	51,114	129,505

During the years ended 31 March 2014 and 2015, there were no transfers between Level 1 and Level 2. The group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date of the financial year in which they occur.

Estimation of fair values

The fair values of listed equity securities and listed debt securities are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair values of unlisted managed funds and unlisted debt securities are based on price quoted by financial institutions.

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

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2015 and 2014 except for amount due from a joint venture and amounts due from/to subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see notes 16 and 21). Given these terms, it is not meaningful to disclose their fair values.

31 Commitments

(a) At 31 March 2015, the total future minimum lease payments of the group under non-cancellable operating leases are payable as follows:

	The group			
	2015		2014	
	Land and buildings HK$'000	Others HK$'000	Land and buildings HK$'000	Others HK$'000
Within 1 year	7,020	1,681	8,566	1,435
After 1 year but within 5 years	2,896	1,642	4,961	1,528
	9,916	3,323	13,527	2,963

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

(b) Capital commitments outstanding at 31 March 2015 not provided for in the financial statements were as follows:

	The group	
	2015 HK$'000	2014 HK$'000
Contracted for the purchase of property, plant and equipment	4,073	2,375

32 Contingent liabilities

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

(b) As at the balance sheet date, the company has issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK$86,800,000 (2014: HK$129,700,000).

As at the balance sheet date, the directors do not consider to be probable that a claim will be made against the company under any of the guarantees issued. The maximum liability of the company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by the relevant subsidiaries of HK$8,612,000 (2014: HK$12,136,000).

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

33 Material related party transactions

Key management personnel remuneration

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

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	22,949	24,618
Post-employment benefits	1,332	1,455
Share-based payments	1,220	–
	25,501	26,073

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

34 Non-adjusting post balance sheet events

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

(b) On 13 May 2015, a fire accident took place at the factory operated by a subsidiary of the group. The group has preliminarily assessed the extent of damage to the factory and the impact on the business operations as a result of the fire accident. Based on the preliminary assessment, the total losses due to the fire accident amount to approximately HK$3,800,000. Such losses include, among other things, losses on property, plant and equipment, inspection and safety assessment fees of the factory, claims from customers, but exclude losses arising from cancellation of orders previously received or potential orders.

The group has insurance coverage in place to cover the losses attributable to the fire accident as well as the loss of profits due to interruption of business operations of the group. The group is currently working with the relevant insurance company to ascertain the damages as a result of the fire accident. The actual losses to be reflected in the group's financial statements for the year ending 2016 will depend on the amount which the group is able to recover from the insurance company.

35 Accounting judgements and estimates

Notes 28 and 30 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments. Apart from the above, the group believes the following critical accounting policies also involve significant judgements and estimates used in the preparation of the financial statements.

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

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

(b) Impairment of receivables

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

35 Accounting judgements and estimates *(continued)*

(c) Depreciation of property, plant and equipment

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

(d) Write-down of inventories

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

(e) Income tax

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

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

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

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application but is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2015 *(continued)*

In addition, the disclosure requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) will be applicable for the first time to the company's financial year ending 31 March 2016 in accordance with the Listing Rules. The group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

37 Details of principal subsidiaries

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

Name of company	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	Percentage of ownership interest held by the subsidiaries	Principal activity
Herald Group Limited	The British Virgin Islands ("BVI")	Hong Kong	1 share of US$1 each	100	–	Investment holding
Herald (Hong Kong) Limited	Hong Kong	Hong Kong	10,000 ordinary shares	–	100	Investment holding
Herald China Investments Limited	Hong Kong	Hong Kong	1,000,000 ordinary shares	–	100	Investment holding
Herald Investments (China) Company Limited@	PRC	PRC	Registered capital of US$11,500,000	–	100	Investment holding
Herald Metal and Plastic Works Limited	Hong Kong	Hong Kong	100 ordinary shares	–	100	Trading of toys
			1,953,000 deferred shares	–	100	
Dongguan Herald Toys Company Limited@	PRC	PRC	Registered capital of HK$55,000,000	–	100	Manufacture of toys
Dongguan Herald Metal and Plastic Company Limited@	PRC	PRC	Registered capital of HK$75,411,000	–	100	Manufacture of toys
Shenzhen Herald Metal and Plastic Company Limited#*	PRC	PRC	Registered capital of HK$23,500,000	–	60	Manufacture of toys

37 Details of principal subsidiaries *(continued)*

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

Name of company	Place/country of establishment/ incorporation	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	subsidiaries	Principal activity
Herald Datanetics Limited	Hong Kong	Hong Kong	1,128,000 ordinary shares	–	100	Manufacture and sale of computer products
Zhuhai Herald Datanetics Limited#	PRC	PRC	Registered capital of HK$38,000,000	–	80	Manufacture of computer products
Herald Engineering Services Inc.	United States of America	United States of America	75,000 shares of US$0.4 each	–	100	Engineering service
Herald Houseware Limited	Hong Kong	Hong Kong	5,000,000 ordinary shares	–	100	Trading of housewares
Zhuhai Herald Houseware Limited#	PRC	PRC	Registered capital of HK$30,000,000	–	80	Manufacture of housewares
Pilot Housewares (U.K.) Limited	United Kingdom	United Kingdom	2,160,247 ordinary shares of GBP1 each	–	100	Sales and distribution of housewares
Zeon Limited	United Kingdom	United Kingdom	4,283,750 ordinary shares of GBP1 each	–	100	Sales and distribution of clocks, watches and electronic products
			165,417 preferred shares of GBP1 each	–	100	
Wesco Limited^	United Kingdom	United Kingdom	32,500 ordinary shares of GBP1 each	–	100	Sales and distribution of clocks, watches and electronic products

37 Details of principal subsidiaries *(continued)*

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

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

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

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

- Zhuhai Herald Datanetics Limited: 2 August 2018
- Zhuhai Herald Houseware Limited: 23 April 2020
- Shanghai Herald Electronics Company Limited: 1 November 2019

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

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

^ Wesco Limited was dissolved at 31 March 2015.

FIVE YEAR SUMMARY

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Results					
Turnover	1,265,104	1,339,770	1,344,898	1,399,582	1,623,525
Profit before taxation	21,001	41,735	41,435	32,896	135,358
Income tax	(4,685)	(14,304)	(16,721)	(15,686)	(22,258)
Profit for the year	16,316	27,431	24,714	17,210	113,100
Attributable to:					
– Equity shareholders of the company	16,222	26,474	22,989	21,967	111,215
– Non-controlling interests	94	957	1,725	(4,757)	1,885
Profit for the year	16,316	27,431	24,714	17,210	113,100
Assets and liabilities					
Fixed assets	278,426	273,366	266,613	216,539	253,956
Intangible assets	1,860	1,860	1,860	1,860	1,860
Interest in an associate	–	–	1,968	2,048	3,082
Interests in jointly controlled entities	–	–	225	11,207	10,935
Other financial assets	18,040	10,920	14,820	10,920	4,680
Deposits for purchase of properties, plant and equipment	–	–	–	6,291	–
Deferred tax assets	13,037	9,217	10,552	10,761	10,086
Current assets	725,422	795,426	795,152	874,930	883,297
Current liabilities	(196,111)	(223,907)	(206,917)	(222,256)	(222,809)
Total assets less current liabilities	840,674	866,882	884,273	912,300	945,087
Non-current liabilities	(3,527)	(3,842)	(3,898)	(3,904)	(3,255)
Net assets	837,147	863,040	880,375	908,396	941,832
Capital and reserves					
Share capital	46,994	46,994	46,994	46,994	46,994
Reserves	771,237	796,502	813,651	843,035	870,758
Total equity attributable to equity shareholders of the company	818,231	843,496	860,645	890,029	917,752
Non-controlling interests	18,916	19,544	19,730	18,367	24,080
Total equity	837,147	863,040	880,375	908,396	941,832

A. Procedures for Shareholders to convene special general meetings

Subject to the provisions of the bye-laws (the "Bye-laws") of the company, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the applicable laws and regulations, shareholders of the company (the "Shareholders") may convene special general meetings of the company in accordance with the following procedures:

1. Shareholders holding not less than one-tenth of the paid-up capital of the company carrying the right of voting at the general meetings of the company (the "Requisitionists") may require the board (the "Board") of directors (the "Directors") of the company to convene a special general meeting ("SGM") of the company by depositing a written requisition (the "Requisition") at the registered office of the company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and a copy thereof at the head office of the company in Hong Kong at 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong, for the attention of the company secretary.

2. The Requisition must specify the purposes of the SGM and be signed by the Requisitionists and may consist of several documents in like form, each signed by one or more of the Requisitionists.

3. Upon receipt of the Requisition, the Directors shall forthwith proceed duly to convene the SGM, and such SGM shall be held within two months after the deposit of the Requisition.

4. If the Directors do not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene the SGM, the Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene the SGM, but any meeting so convened shall be held within three months from the date of deposit of the Requisition. The Requisitionists shall convene a SGM in the same manner, as nearly as possible, as that in which SGMs are to be convened by Directors. Under the Bye-laws and pursuant to the requirements of the Listing Rules, a notice specifying the time and place and the general nature of the proposed business to be transacted at the SGM shall be given to all Shareholders entitled to attend the SGM for consideration in the following manner:

    - notice of not less than 21 clear days or 10 clear business days, whichever is the longer, if a special resolution is to be passed at the SGM; and

    - notice of not less than 14 clear days or 10 clear business days, whichever is the longer, in all other cases, provided that a SGM may be called by a shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the SGM, being a majority together holding not less than 95% in nominal value of the issued shares of the company giving such right.

    The notice period is exclusive of (i) the day on which the notice is served or deemed to be served; and (ii) the day on which the SGM is to be held.

5. If for any reason it is impracticable to call a meeting of the company in any manner in which meetings of the company may be called, any Shareholder who would be entitled to vote at the meeting may apply to the Supreme Court of Bermuda for an order for a meeting of the company to be called, held and conducted in such manner as the Supreme Court of Bermuda thinks fit.

SHAREHOLDERS' RIGHTS

B. Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the company by addressing them to the company secretary by mail at the head office of the company in Hong Kong at 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong or by e-mail at heraldhk@heraldgroup.com.hk.

Upon receipt of the enquiries, the company secretary will forward:

1. communications relating to matters within the Board's purview to the Board;

2. communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee; and

3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the company.

C. Procedures for Shareholders to move resolutions in general meetings

Subject to the provisions of the bye-laws of the company and the applicable laws and regulations, Shareholders may move a resolution at the Annual General Meeting of the company or give a statement (no more than one thousand words) in relation to any particular resolution being proposed in any general meeting of the company in accordance with the following procedures:

1. The minimum number of Shareholders required to move a resolution or to circulate any statement (the "Requisitionists") shall be:

   (i) any number of the Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having a right to vote at the relevant general meeting; or

   (ii) not less than one hundred Shareholders.

2. The Requisitionists must sign a written request (the "Requisition") setting out the resolution to be moved at the next Annual General Meeting or the statement of not more than one thousand words in relation to any particular resolution being proposed or business to be dealt with in the relevant general meeting of the company (as the case may be).

3. A copy of the Requisition, or two or more copies which between them contain the signatures of all the Requisitionists, must be deposited at the registered office of the company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, with a copy thereof deposited at the head office of the company in Hong Kong at 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong, for the attention of the company secretary:

   (i) not less than six weeks before the Annual General Meeting in the case of a Requisition requiring notice of a resolution, unless an Annual General Meeting is called for a date six weeks or less after the deposit of the Requisition, in which case the Requisition will be deemed to have been properly deposited; or

   (ii) not less than one week before the relevant general meeting in the case of other Requisition.

4. The Requisitionists must deposit a sum which is reasonably sufficient to meet the company's expenses in giving effect to the Requisition.