1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in jointly controlled entity.

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(c) ***Subsidiaries***

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Jointly controlled entity

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

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

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

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

(e) Other investments in debt and equity securities

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

– Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

– Investments in unlisted dated debt securities with fixed or determinable payments and not quoted in an active market are classified as loans and receivables (see note 1(l)).

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

(f) Derivative financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment property

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

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

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

(h) Other property, plant and equipment

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

– freehold land and buildings;

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

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

– other items of plant and equipment.

In 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 certain land and buildings held for own use 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 other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) ***Other property, plant and equipment*** *(Continued)*

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

– Freehold land is not depreciated.

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

– Other plant and equipment at the following rates:

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

Where parts of an item of other 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) ***Club membership***

Club membership with indefinite life is stated in the balance sheet at cost less accumulated impairment loss (see note 1(m)). Conclusion that the useful life is indefinite is reviewed annually.

(j) ***Leased assets***

(i) Classification of assets leased to the group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); 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 or at the date of construction of those buildings, if later.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) ***Leased assets*** *(Continued)*

(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.

(k) ***Inventories***

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

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

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

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

(l) ***Receivables***

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets

(i) Impairment of receivables

Receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

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

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

  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.

(ii) Impairment of other assets

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

– property, plant and equipment;

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

– investments in subsidiaries.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) ***Impairment of assets*** *(Continued)*

(ii) Impairment of other assets *(Continued)*

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

(n) ***Interest-bearing borrowings***

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

(o) ***Payables***

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Cash and cash equivalents

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

(q) Provisions and contingent liabilities

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

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

(r) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) ***Income tax*** *(Continued)*

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

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

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

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

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

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

  - the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Dividends

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

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

(iv) Rental income from operating leases

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

(t) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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.

(u) Borrowing costs

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies

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

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

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

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

(w) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

(x) Segment reporting

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) ***Segment reporting*** *(Continued)*

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the group and/or the company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

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

(a) ***Restatement of prior period balances***

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items as previously reported for the year ended 31 March 2005.

There is no impact on the company's balance sheet and reserves for the current and prior accounting periods as a result of the adoption of the new and revised HKFRSs.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior period balances (Continued)

(i) Effect on the consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported) HK$'000	Effect of new policy (increase/(decrease) in profit for the year) HKAS 1 (note 2(c)) HK$'000	Effect of new policy (increase/(decrease) in profit for the year) HKAS 17 (note 2(d)) HK$'000	2005 (as restated) HK$'000
Profit from operations	115,746	–	–	115,746
Finance costs	(275)	–	–	(275)
Share of profit of jointly controlled entity	279	(98)	–	181
Profit before taxation	115,750	(98)	–	115,652
Income tax	(16,578)	98	–	(16,480)
Profit after taxation	99,172	–	–	99,172
Minority interests	(3,055)	3,055	–	–
Profit for the year	96,117	3,055	–	99,172
Attributable to:				
Equity shareholders of the company	96,117	–	–	96,117
Minority interests	–	3,055	–	3,055
Profit for the year	96,117	3,055	–	99,172
Other significant disclosure items:				
Depreciation – other assets	(27,121)	–	292	(26,829)
Amortisation of land lease premium	–	–	(292)	(292)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) ***Restatement of prior period balances*** *(Continued)*

(ii) Effect on the consolidated balance sheet as at 31 March 2005

	2005 (as previously reported) HK$'000	Effect of new policy (increase/(decrease) in net assets) HKAS 1 (note 2(c)) HK$'000	HKAS 17 (note 2(d)) HK$'000	Reclassification (note 33) HK$'000	2005 (as restated) HK$'000
Non-current assets					
Fixed assets					
– Investment properties	16,290	–	–	–	16,290
– Other property, plant and equipment	157,921	–	(6,704)	–	151,217
– Interests in leasehold land held for own use under operating leases	–	–	6,704	–	6,704
	174,211	–	–	–	174,211
Club membership	–	–	–	1,600	1,600
Interest in jointly controlled entity	1,804	–	–	–	1,804
Other financial assets	10,624	–	–	(1,600)	9,024
Deferred tax assets	6,118	–	–	–	6,118
	192,757	–	–	–	192,757
Current assets	566,603	–	–	–	566,603
Current liabilities	(166,347)	–	–	–	(166,347)
Net current assets	400,256	–	–	–	400,256

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Restatement of prior period balances (Continued)

(ii) Effect on the consolidated balance sheet as at 31 March 2005 *(Continued)*

		Effect of new policy (increase/(decrease) in net assets)			
	2005 (as previously reported) HK$'000	HKAS 1 (note 2(c)) HK$'000	HKAS 17 (note 2(d)) HK$'000	Reclassification (note 33) HK$'000	2005 (as restated) HK$'000
Total assets less current liabilities	593,013	–	–	–	593,013
Non-current liabilities	(4,051)	–	–	–	(4,051)
Minority interests	(28,024)	28,024	–	–	–
NET ASSETS	560,938	28,024	–	–	588,962
CAPITAL AND RESERVES					
Attributable to equity shareholders of the company					
– Share capital	47,886	–	–	–	47,886
– Reserves	513,052	–	–	–	513,052
	560,938	–	–	–	560,938
Attributable to minority interests	–	28,024	–	–	28,024
TOTAL EQUITY	560,938	28,024	–	–	588,962

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items for the year ended 31 March 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Estimated effect on the consolidated income statement for the year ended 31 March 2006

	Estimated effect of new policy (increase/(decrease) in profit for the year)		
	HKAS 1 (note 2(c)) HK$'000	**HKAS 17 (note 2(d)) HK$'000**	**Total HK$'000**
Share of profit of jointly controlled entity	**(198)**	**–**	**(198)**
Profit before taxation	**(198)**	**–**	**(198)**
Income tax	**198**	**–**	**198**
Profit after taxation	**–**	**–**	**–**
Minority interests	**4,441**	**–**	**4,441**
Profit for the year	**4,441**	**–**	**4,441**
Attributable to:			
Equity shareholders of the company	**–**	**–**	**–**
Minority interests	**4,441**	**–**	**4,441**
Profit for the year	**4,441**	**–**	**4,441**
Other significant disclosure items:			
Depreciation – other assets	**–**	**299**	**299**
Amortisation of land lease premium	**–**	**(299)**	**(299)**

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period *(Continued)*

(ii) Estimated effect on the consolidated balance sheet as at 31 March 2006

	Estimated effect of new policy (increase/ (decrease) in net assets)		
	HKAS 1 (note 2(c)) HK$'000	HKAS 17 (note 2(d)) HK$'000	Total HK$'000
Non-current assets			
Fixed assets			
– Other property, plant and equipment	–	(6,468)	(6,468)
– Interests in leasehold land held for own use under operating leases	–	6,468	6,468
	–	–	–
Minority interests	33,004	–	33,004
NET ASSETS	33,004	–	33,004
CAPITAL AND RESERVES			
Attributable to minority interests	33,004	–	33,004
TOTAL EQUITY	33,004	–	33,004

(c) Changes in presentation (HKAS 1, Presentation of financial statements)

(i) Presentation of share of jointly controlled entity's taxation *(HKAS 1, Presentation of financial statements)*

In prior years, the group's share of taxation of jointly controlled entity accounted for using the equity method was included as part of the group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the group has changed the presentation and includes the share of taxation of jointly controlled entity accounted for using the equity method in the share of profit or loss of the jointly controlled entity reported in the consolidated income statement before arriving at the group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 2(a).

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) ***Changes in presentation (HKAS 1, Presentation of financial statements)*** *(Continued)*

(ii) Minority interests *(HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the company).

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, the group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the company. Further details of the new policy are set out in note 1(c). These changes in presentation have been applied retrospectively with comparatives restated as shown in note 2(a).

(d) ***Leasehold land and buildings (HKAS 17, Leases)***

In prior years, all interests in leasehold land held for own use were presented together with the buildings situated on that land and stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

With effect from 1 April 2005, in order to comply with HKAS 17, the group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the group or taken over from the previous lessee or at the date of construction of those buildings, if later.

Any buildings held for own use which are situated on such land leases continue to be presented as other property, plant and equipment. Further details of the new policy are set out in notes 1(h) and (j).

The above new accounting policy has been adopted retrospectively. The adjustments for each financial statement line item affected for the years ended 31 March 2005 and 2006 are set out in notes 2(a) and 2(b).

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 April 2005, in order to comply with HKAS 32 and HKAS 39, the group has changed its accounting policies relating to financial instruments to those as set out in notes 1(e), (f), and (l) to (o). Further details of the changes are as follows.

In prior years, other investments in securities were stated at fair value with changes in fair value recognised in profit or loss, with the exception of dated debt securities being held to maturity which were stated at amortised cost less provision.

With effect from 1 April 2005, and in accordance with HKAS 39, unlisted dated debt securities with fixed or determinable payments and not quoted in an active market are classified as loans and receivables and stated at amortised cost less impairment losses. Other investments in securities held for trading are classified as financial assets at fair value through profit or loss and carried at fair value with changes in fair value recognised in profit or loss. Further details of the new policy are set out in note 1(e).

As a result of adopting HKAS 39, the group has reclassified held-to-maturity securities with a carrying amount of HK$2,000,000 at 31 March 2005 as loans and receivables at 1 April 2005. There is no effect on the opening balance of the retained earnings or other reserves at 1 April 2005 as a result of the reclassification. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(f) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in profit or loss

In prior years movements in the fair value of the group's investment property were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when, a deficit previously recognised in profit or loss had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in profit or loss.

Upon adoption of HKAS 40 as from 1 April 2005, the group has adopted a new policy for investment property. Under this new policy, all changes in the fair value of investment property are recognised directly in profit or loss in accordance with the fair value model in HKAS 40. Further details of the new policy for investment property are set out in note 1(g). There is no impact on the group's results of operations and financial position arising from the adoption of the new policy.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(f) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets) (Continued)

(ii) Measurement of deferred tax on movements in fair value

In prior years the group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1 April 2005, in accordance with HK(SIC) Interpretation 21, the group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the group has no intention to sell it and the property would have been depreciable had the group not adopted the fair value model. Further details of the policy for deferred tax are set out in note 1(r). There is no impact on the group's results of operations and financial position arising from the adoption of the new policy.

(g) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, the definition of related parties as disclosed in note 1(w) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, *Related party disclosures*, still been in effect.

3 TURNOVER

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

Turnover represents the sales value of goods supplied to customers less returns.

4 OTHER REVENUE AND OTHER NET INCOME

	2006	2005
	HK$'000	HK$'000
Other revenue		
Interest income	**5,070**	1,686
Rental income	**3,215**	3,021
Dividend income from listed securities	**397**	49
Others	**4,786**	1,093
	13,468	5,849
Other net income		
Gain/(loss) on disposal of fixed assets		
– other property, plant and equipment	**(211)**	(167)
– investment properties	**170**	(80)
Net foreign exchange (losses)/gains	**(3,153)**	158
Net realised and unrealised gains/(losses) on trading securities (2005: other securities)	**1,180**	(121)
Write back of impairment losses on trade receivables	**3,745**	1,480
Others	**481**	1,295
	2,212	2,565

5 PROFIT BEFORE TAXATION

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

	2006	2005 (restated)
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**145**	275
(b) Staff costs #:		
Contributions to defined contribution plans	**15,540**	15,114
Write back of provision for long service payments	**(222)**	(349)
Retirement costs	**15,318**	14,765
Salaries, wages and other benefits	**220,485**	215,628
	235,803	230,393
(c) Other items:		
Amortisation of land lease premium #	**299**	292
Cost of inventories # (note 19(b))	**1,000,531**	1,080,829
Depreciation #		
– assets held for use under operating leases	**310**	320
– other assets	**26,486**	26,829
Auditors' remuneration		
– audit services	**2,749**	2,468
– tax services	**315**	298
– other services	**25**	19
Operating lease charges: minimum lease payments #		
– land and buildings	**6,961**	6,800
– other assets	**265**	1,875
Share of jointly controlled entity's taxation	**198**	98
Rentals receivable from investment properties less direct outgoings of HK$157,000 (2005: HK$131,000)	**(1,479)**	(1,424)

Cost of inventories includes HK$135,907,000 (2005: HK$123,991,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006	2005 (restated)
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**10,515**	10,471
Under provision in respect of prior years	**287**	193
	10,802	10,664
Current tax – Outside Hong Kong		
Provision for the year	**1,976**	8,947
Deferred tax		
Origination and reversal of temporary differences	**1,614**	(3,131)
	14,392	16,480

Provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

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

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

	2006	2005 (restated)
	HK$'000	HK$'000
Profit before tax	**105,123**	115,652
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**17,030**	22,402
Tax effect of non-deductible expenses	**1,970**	1,319
Tax effect of non-taxable revenue	**(2,974)**	(2,339)
Tax effect of prior years' unrecognised tax losses utilised this year	**(1,446)**	(3,946)
Tax effect of tax losses not recognised	**595**	–
Under provision in respect of prior years	**287**	193
Others	**(1,070)**	(1,149)
Actual tax expense	**14,392**	16,480

7 DIRECTORS' REMUNERATION

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

	2006				
	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					
G Bloch	**–**	**3,604**	**831**	**333**	**4,768**
S T K Cheung	**–**	**3,379**	**780**	**312**	**4,471**
D S Chang	**–**	**982**	**–**	**96**	**1,078**
R Dorfman	**–**	**2,838**	**655**	**175**	**3,668**
M Y S Thong	**–**	**3,315**	**756**	**302**	**4,373**
Independent non-executive directors					
K H Tang	**174**	**–**	**–**	**–**	**174**
D T C Lie-A-Cheong	**142**	**–**	**–**	**–**	**142**
K M C Yeh	**88**	**–**	**–**	**–**	**88**
D C Bray	**60**	**–**	**–**	**–**	**60**
P K Y Tsao	**45**	**–**	**–**	**–**	**45**
	509	**14,118**	**3,022**	**1,218**	**18,867**

7 DIRECTORS' REMUNERATION *(Continued)*

	2005				
	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					
G Bloch	–	3,604	831	333	4,768
S T K Cheung	–	3,379	780	312	4,471
D S Chang	–	3,604	831	333	4,768
R Dorfman	–	2,837	655	131	3,623
M Y S Thong	–	3,315	756	302	4,373
Independent non-executive directors					
K H Tang	61	–	–	–	61
D C Bray	180	–	–	–	180
P K Y Tsao	180	–	–	–	180
	421	16,739	3,853	1,411	22,424

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2005: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2005: one) individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other emoluments	**6,672**	4,077
Discretionary bonuses	**2,937**	4,500
Retirement scheme contributions	**527**	230
	10,136	8,807

The emoluments of the two (2005: one) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2006	2005
HK$4,500,001-HK$5,000,000	**1**	–
HK$5,500,001-HK$6,000,000	**1**	–
HK$8,500,001-HK$9,000,000	**–**	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company includes a profit of HK$43,276,000 (2005: HK$34,095,000) which has been dealt with in the financial statements of the company.

10 DIVIDENDS

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

	2006 **HK$'000**	2005 HK$'000
Interim dividend declared and paid of HK2.5 cents (2005: HK2 cents) per share	**15,348**	12,279
Final dividend proposed after the balance sheet date of HK4 cents (2005: HK4.5 cents) per share	**24,558**	27,627
	39,906	39,906

The interim dividend has been charged to the contributed surplus (note 27).

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

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

	2006 **HK$'000**	2005 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK4.5 cents (2005: HK3 cents) per share	**27,627**	18,418

The final dividend has been charged to the contributed surplus (note 27).

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the company of HK$86,290,000 (2005: HK$96,117,000) and the weighted average number of shares of 613,926,000 (2005: 613,926,000) in issue during the year.

There were no dilutive potential shares in existence during the years ended 31 March 2005 and 2006, therefore diluted earnings per share are same as the basic earnings per share for both the current and prior years.

12 SEGMENT REPORTING

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

Business segments

The group comprises the following main business segments:

Toy and gift products	:	The manufacture, sale and distribution of toy and gift products.
Computer heads	:	The manufacture and sale of computer heads.
Housewares	:	The manufacture, sale and distribution of housewares.
Timepieces	:	The manufacture, sale and distribution of clocks, watches and electronic products.
Others	:	The leasing of properties to generate rental income and other distribution activities.

	2006						
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Revenue from external customers	647,063	158,439	239,772	249,330	31,082	–	1,325,686
Other revenue from external customers	2,115	–	3,822	315	1,749	–	8,001
Inter-segment revenue	–	–	–	–	2,979	(2,979)	–
Total	649,178	158,439	243,594	249,645	35,810	(2,979)	1,333,687
Segment result	28,889	25,471	12,417	21,365	10,310		98,452
Unallocated operating income and expenses							6,322
Profit from operations							104,774
Finance costs							(145)
Share of profit of jointly controlled entity	–	–	494	–	–		494
Income tax							(14,392)
Profit for the year							90,731
Depreciation and amortisation for the year	16,249	5,245	1,835	2,161	1,605		27,095
Write back of impairment losses on property, plant and equipment	3,480	–	988	–	4,826		9,294

12 SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2006						
	Toy and gift products HK$'000	**Computer heads HK$'000**	**Housewares HK$'000**	**Timepieces HK$'000**	**Others HK$'000**	**Inter-segment elimination HK$'000**	**Consolidated HK$'000**
Segment assets	**327,362**	**123,172**	**128,041**	**73,060**	**44,369**	**(19,092)**	**676,912**
Interest in jointly controlled entity	**–**	**–**	**2,150**	**–**	**–**		**2,150**
Unallocated assets							**84,423**
Total assets							**763,485**
Segment liabilities	**64,756**	**18,646**	**37,411**	**17,080**	**2,366**	**(19,092)**	**121,167**
Unallocated liabilities							**7,005**
Total liabilities							**128,172**
Capital expenditure incurred during the year	**12,579**	**4,637**	**2,757**	**1,117**	**140**		**21,230**

	2005						
	Toy and gift products HK$'000	Computer heads HK$'000	Housewares (restated) HK$'000	Timepieces HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated (restated) HK$'000
Revenue from external customers	645,162	154,908	242,185	370,219	30,524	–	1,442,998
Other revenue from external customers	2,034	98	470	184	1,328	–	4,114
Inter-segment revenue	–	–	–	–	3,129	(3,129)	–
Total	647,196	155,006	242,655	370,403	34,981	(3,129)	1,447,112
Segment result	27,703	16,304	12,409	50,434	8,903		115,753
Unallocated operating income and expenses							(7)
Profit from operations							115,746
Finance costs							(275)
Share of profit of jointly controlled entity	–	–	181	–	–		181
Income tax							(16,480)
Profit for the year							99,172

12 SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2005						
	Toy and gift products	Computer heads	Housewares (restated)	Timepieces	Others	Inter-segment elimination	Consolidated (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Depreciation and amortisation for the year	13,857	5,725	2,759	3,564	1,536		27,441
Write back of impairment losses on property, plant and equipment	–	–	–	–	–		–
Segment assets	346,843	104,749	134,529	101,074	36,835	(19,084)	704,946
Interest in jointly controlled entity	–	–	1,804	–	–		1,804
Unallocated assets							52,610
Total assets							759,360
Segment liabilities	76,667	22,036	44,271	30,452	2,632	(19,084)	156,974
Unallocated liabilities							13,424
Total liabilities							170,398
Capital expenditure incurred during the year	11,284	3,258	1,568	5,547	1,534		23,191

Geographical segments

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

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

12 SEGMENT REPORTING *(Continued)*

Geographical segments (Continued)

	2006						
	Asia			Europe		North America	Others
	Hong Kong	Mainland China	Others	United Kingdom	Others		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	**63,076**	**11,137**	**12,582**	**493,672**	**84,068**	**640,622**	**20,529**
Segment assets	**355,686**	**220,306**	**–**	**119,256**	**–**	**756**	**–**
Capital expenditure incurred during the year	**2,858**	**16,402**	**–**	**1,970**	**–**	**–**	**–**

	2005						
	Asia			Europe		North America	Others
	Hong Kong	Mainland China	Others	United Kingdom	Others		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	77,432	9,402	29,339	684,032	101,744	524,834	16,215
Segment assets	338,686	222,037	–	162,590	–	717	–
Capital expenditure incurred during the year	6,184	11,942	–	5,065	–	–	–

13 FIXED ASSETS

(a) The group

	Land and buildings held for own use (restated) HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Sub-total (restated) HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases (restated) HK$'000	Total fixed assets HK$'000
Cost or valuation:								
At 1 April 2004	196,443	259,848	21,816	17,044	495,151	15,718	9,637	520,506
Exchange adjustments	225	381	–	54	660	–	–	660
Additions	2,673	18,104	429	1,985	23,191	–	–	23,191
Disposals	(244)	(1,637)	(696)	(435)	(3,012)	(600)	–	(3,612)
Fair value adjustment	–	–	–	–	–	1,172	–	1,172
At 31 March 2005	199,097	276,696	21,549	18,648	515,990	16,290	9,637	541,917
Representing:								
Cost	187,635	276,696	21,549	18,648	504,528	–	9,637	514,165
Valuation – 1987	11,462	–	–	–	11,462	–	–	11,462
– 2005	–	–	–	–	–	16,290	–	16,290
	199,097	276,696	21,549	18,648	515,990	16,290	9,637	541,917
Accumulated amortisation, depreciation and impairment losses:								
At 1 April 2004	101,802	204,231	20,486	13,208	339,727	–	2,641	342,368
Exchange adjustments	39	229	–	18	286	–	–	286
Amortisation and depreciation charge for the year	5,958	18,926	850	1,415	27,149	–	292	27,441
Written back on disposal	(29)	(1,281)	(687)	(392)	(2,389)	–	–	(2,389)
At 31 March 2005	107,770	222,105	20,649	14,249	364,773	–	2,933	367,706
Net book value:								
At 31 March 2005	91,327	54,591	900	4,399	151,217	16,290	6,704	174,211

13 FIXED ASSETS *(Continued)*

(a) ***The group*** *(Continued)*

	Land and buildings held for own use HK$'000	Plant, machinery, furniture, fixtures and office equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interests in leasehold land held for own use under operating leases HK$'000	Total fixed assets HK$'000
Cost or valuation:								
At 1 April 2005 (restated)	199,097	276,696	21,549	18,648	515,990	16,290	9,637	541,917
Exchange adjustments	2,350	300	–	173	2,823	–	150	2,973
Additions	330	17,828	600	2,472	21,230	–	–	21,230
Disposals	(34)	(20,051)	(12,923)	(5,141)	(38,149)	(1,680)	–	(39,829)
Fair value adjustment	–	–	–	–	–	2,140	–	2,140
At 31 March 2006	**201,743**	**274,773**	**9,226**	**16,152**	**501,894**	**16,750**	**9,787**	**528,431**
Representing:								
Cost	190,281	274,773	9,226	16,152	490,432	–	9,787	500,219
Valuation – 1987	11,462	–	–	–	11,462	–	–	11,462
– 2006	–	–	–	–	–	16,750	–	16,750
	201,743	**274,773**	**9,226**	**16,152**	**501,894**	**16,750**	**9,787**	**528,431**
Accumulated amortisation, depreciation and impairment losses:								
At 1 April 2005 (restated)	107,770	222,105	20,649	14,249	364,773	–	2,933	367,706
Exchange adjustments	992	228	–	111	1,331	–	87	1,418
Amortisation and depreciation charge for the year	6,280	18,337	650	1,529	26,796	–	299	27,095
Write back of impairment losses	(9,294)	–	–	–	(9,294)	–	–	(9,294)
Written back on disposal	(13)	(19,208)	(12,916)	(4,423)	(36,560)	–	–	(36,560)
At 31 March 2006	**105,735**	**221,462**	**8,383**	**11,466**	**347,046**	**–**	**3,319**	**350,365**
Net book value:								
At 31 March 2006	**96,008**	**53,311**	**843**	**4,686**	**154,848**	**16,750**	**6,468**	**178,066**

13 FIXED ASSETS *(Continued)*

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

	Investment properties		Land and buildings held for own use		Interests in leasehold land held for own use under operating leases	
	2006	2005	**2006**	2005 (restated)	**2006**	2005 (restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
In Hong Kong						
– medium-term leases	**15,750**	15,340	**34,585**	27,028	**–**	–
Outside Hong Kong						
– freehold	**–**	–	**6,249**	6,895	**–**	–
– medium-term leases	**1,000**	950	**54,845**	57,060	**6,468**	6,704
– short-term leases	**–**	–	**329**	344	**–**	–
	16,750	16,290	**96,008**	91,327	**6,468**	6,704

(c) All investment properties of the group were revalued as at 31 March 2006 on an open market value basis assuming sale with existing tenancies by using the investment approach by capitalising the net rental income receivable from the existing tenancies and the reversionary rental income potentials, or otherwise assuming sale with vacant possession by using sales comparison approach. The valuations were carried out by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Valuation gains of HK$2,140,000 (2005: HK$1,172,000) has been recognised in the consolidated income statement.

(d) During the year, the directors carried out a review of the recoverable amount of the properties and considered that impairment losses recognised in prior years had decreased. Based on their review, provision for impairment losses of HK$9,294,000 (2005: HK$Nil) has been written back. The estimates of recoverable amount were made based on fair values less costs to sell, determined with reference to valuation performed by professional surveyors.

13 FIXED ASSETS *(Continued)*

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

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

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

	2006	2005
	HK$'000	HK$'000
Within 1 year	**2,079**	1,919
After 1 year but within 5 years	**3,039**	3,062
	5,118	4,981

14 CLUB MEMBERSHIP

	The group	
	2006	2005
		(restated)
	HK$'000	HK$'000
Cost:		
At 1 April and 31 March	**2,120**	2,120
Accumulated impairment losses:		
At 1 April	**520**	–
Charge for the year	**–**	520
Written back during the year	**(60)**	–
At 31 March	**460**	520
Net book value:		
At 31 March	**1,660**	1,600

During the year, the directors carried out a review of the carrying amount of the club membership. Based on their review which is with reference to recent observable market prices, impairment losses of HK$60,000 have been written back (2005: provision made of HK$520,000).

15 INVESTMENTS IN SUBSIDIARIES

	The company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost, net of dividend received from subsidiary from pre-acquisition profits	**327,365**	327,365

Details of the company's principal subsidiaries at 31 March 2006 are set out in note 36 on the financial statements.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the group financial statements.

16 INTEREST IN JOINTLY CONTROLLED ENTITY

	The group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**2,233**	1,885
Amount due to jointly controlled entity	**(83)**	(81)
	2,150	1,804

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

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

16 INTEREST IN JOINTLY CONTROLLED ENTITY *(Continued)*

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

	At the group's effective interest	
	2006	2005
	HK$'000	HK$'000
Non-current assets	**689**	839
Current assets	**1,866**	1,606
Current liabilities	**(322)**	(372)
Non-current liabilities	**–**	(188)
Net assets	**2,233**	1,885
Income	**3,792**	3,078
Expenses	**(3,100)**	(2,799)
Profit before taxation	**692**	279
Income tax	**(198)**	(98)
Profit for the year	**494**	181

17 OTHER FINANCIAL ASSETS

	The group	
	2006	2005 (restated)
	HK$'000	HK$'000
Loans and receivables (2005: held-to-maturity debt securities)		
Unlisted dated debt securities	**2,000**	2,000
Other securities		
Listed equity securities (at market value)		
– in Hong Kong	**–**	92
– outside Hong Kong	**–**	6,932
	–	7,024
	2,000	9,024

Listed equity securities with a carrying amount of HK$7,024,000 at 31 March 2005 have been transferred into financial assets held for trading during the year ended 31 March 2006 (see note 18).

Included in other financial assets is the following amount denominated in a currency other than the functional currency of the entity to which it relates:

	The group	
	2006	2005
	'000	'000
United States dollars	**USD –**	USD 864

18 TRADING SECURITIES

	The group		The company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities (at market value)				
– in Hong Kong	**35,748**	–	**303**	–
– outside Hong Kong	**7,171**	–	**–**	–
	42,919	–	**303**	–
Unlisted equity-linked notes (at fair value)	**16,998**	–	**–**	–
	59,917	–	**303**	–

(a) Transfer of equity securities

During the year, the group acquired certain listed equity securities and unlisted equity-linked notes which are held for trading. These trading securities are managed together with the group's listed equity securities acquired in previous years (with a carrying amount of HK$7,024,000 and classified as other securities under "Other financial assets" at 31 March 2005 (see note 17)). The directors consider that the equity securities acquired in previous years now become part of the group's trading portfolio that is actively traded and therefore, have transferred them into financial assets held for trading during the year ended 31 March 2006.

(b) Equity-linked notes

During the year, the group acquired certain equity-linked notes ("notes") which are issued by financial institutions ("issuers") with principal amount totalling USD2.2 million and original maturity of 1 to 2 years. In respect of a note with principal amount of USD1.0 million, the group is entitled to receive a fixed coupon of 8.5% per annum payable on a quarterly basis and bonus payable on maturity. The amount of bonus receivable is determined and calculated with reference to the market prices of a basket of underlying listed shares to which the note is linked. On maturity, the group will receive 100% of the principal except that if the closing price of any of the underlying shares is below their respective strike price on valuation date (both determined according to the terms of the note), the group is required to buy the least performing underlying share at the strike price.

18 TRADING SECURITIES *(Continued)*

(b) ***Equity-linked notes*** *(Continued)*

In respect of the remaining notes with principal amount of USD1.2 million, the group is entitled to an additional payment which is accrued daily, calculated based on a fixed percentage of the principal which varies with each note ranging from 14% to 17.4% per annum and payable on a bi-monthly or quarterly basis. However, the group will only be entitled to the additional payment in a day if the closing prices of all of the shares within a basket of underlying listed shares to which the notes are linked are at or above the respective strike price (determined according to the terms of each note); otherwise, no additional payment will be accrued for that day. On maturity, the group will receive 100% of the principal except that the group may also be required to buy the least performing underlying share at the strike price under similar circumstances as set out in the preceding paragraph. In addition, the issuers may elect to early terminate and redeem the notes at par before maturity if the closing prices of all of the underlying shares are at or above their respective trigger price on certain dates, both determined according to the terms of each note.

(c) At 31 March 2006, trading securities of HK$36,828,000 (2005: HK$Nil) are pledged to a bank to secure the banking facilities granted to a subsidiary.

(d) Included in trading securities is the following amount denominated in a currency other than the functional currency of the entity to which it relates:

	The group	
	2006	2005
	'000	'000
United States dollars	**USD 3,072**	USD –

19 INVENTORIES

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

	The group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**50,422**	58,332
Work in progress	**30,482**	38,519
Finished goods	**59,555**	70,943
	140,459	167,794

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

	The group	
	2006	2005
	HK$'000	HK$'000
Carrying amount of inventories sold	**1,003,011**	1,081,741
Reversal of write-down of inventories	**(2,480)**	(912)
	1,000,531	1,080,829

20 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors and bills receivable	**101,751**	144,164	**–**	–
Deposits, prepayments and other receivables	**29,906**	30,257	**143**	131
	131,657	174,421	**143**	131

All of the trade and other receivables are expected to be recovered within one year.

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

	The group	
	2006	2005
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**66,721**	116,347
Over 1 month but within 3 months	**33,601**	23,995
Over 3 months	**1,429**	3,822
	101,751	144,164

The group's credit policy is set out in note 28(a).

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2006	2005
	'000	'000
United States dollars	**USD 6,456**	USD 7,687

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

22 CASH AND CASH EQUIVALENTS

	The group		The company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**27,414**	54,768	**–**	–
Cash at bank and in hand	**211,981**	168,796	**620**	303
	239,395	223,564	**620**	303

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2006	2005
	'000	'000
Sterling	**GBP 694**	GBP 1,539
United States dollars	**USD20,296**	USD17,490

23 TRADE AND OTHER PAYABLES

	The group		The company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors and bills payable	**45,294**	58,997	**–**	–
Accruals and other payables	**75,709**	97,483	**1,059**	953
	121,003	156,480	**1,059**	953

All of the trade and other payables are expected to be settled within one year.

23 TRADE AND OTHER PAYABLES *(Continued)*

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

	The group	
	2006	2005
	HK$'000	HK$'000
By date of invoice		
Within 1 month	**35,070**	45,987
Over 1 month but within 3 months	**9,535**	12,227
Over 3 months	**689**	783
	45,294	58,997

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2006	2005
	'000	'000
Renminbi	**RMB 7,621**	RMB 7,423
Sterling	**GBP 61**	GBP 265
United States dollars	**USD 2,576**	USD 2,475

24 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheets represents:

	The group		The company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong Profits Tax for the year	**10,515**	10,471	**23**	33
Provisional Profits Tax paid	**(11,064)**	(4,305)	**(34)**	(5)
	(549)	6,166	**(11)**	28
Balance of Profits Tax recoverable relating to prior years	**(777)**	–	**–**	–
Taxation outside Hong Kong	**1,122**	2,877	**–**	–
	(204)	9,043	**(11)**	28
Representing:				
Current tax recoverable	**(2,932)**	(824)	**(11)**	–
Current tax payable	**2,728**	9,867	**–**	28
	(204)	9,043	**(11)**	28

24 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised

(i) The group

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

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses HK$'000	Provisions HK$'000	Others HK$'000	Total HK$'000
At 1 April 2004	2,620	(206)	(2,668)	(1,780)	(2,034)
Exchange adjustments	26	–	–	–	26
(Credited)/charged to profit or loss	(925)	(138)	(2,089)	21	(3,131)
At 31 March 2005	1,721	(344)	(4,757)	(1,759)	(5,139)
At 1 April 2005	1,721	(344)	(4,757)	(1,759)	(5,139)
Exchange adjustments	(82)	–	–	–	(82)
(Credited)/charged to profit or loss	(241)	(643)	630	1,868	1,614
At 31 March 2006	**1,398**	**(987)**	**(4,127)**	**109**	**(3,607)**

	2006 HK$'000	2005 HK$'000
Net deferred tax assets recognised on the consolidated balance sheet	**(5,249)**	(6,118)
Net deferred tax liabilities recognised on the consolidated balance sheet	**1,642**	979
	(3,607)	(5,139)

(ii) The company

No deferred tax has been recognised as the company does not have any significant temporary differences at 31 March 2005 and 2006.

24 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the group has not recognised deferred tax assets totalling HK$1,596,000 (2005: HK$2,447,000) in respect of tax losses of HK$9,693,000 (2005: HK$12,420,000) as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity.

Included in unrecognised tax losses is an amount of HK$3,182,000 (2005: HK$4,214,000) which can be carried forward for up to five years from the year in which the loss originated. The remaining balance of HK$6,511,000 (2005: HK$8,206,000) does not expire under current tax legislation.

25 PROVISION FOR LONG SERVICE PAYMENTS

	The group HK$'000
At 1 April 2005	3,072
Payments made during the year	(51)
Provision written back during the year	(222)
At 31 March 2006	**2,799**

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

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

26 EMPLOYEE BENEFITS

(a) Employee retirement benefits

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

Where there are employees who leave the schemes, other than the MPF schemes, prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2006, there was no forfeited contribution which is available to reduce the contributions payable in future years (2005: HK$Nil).

(ii) The employees in certain 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.

26 EMPLOYEE BENEFITS *(Continued)*

(b) Share option scheme

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

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

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

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

27 CAPITAL AND RESERVES

(a) The group

	Attributable to equity shareholders of the company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	PRC statutory reserves HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2004	47,886	25,720	237,734	(737)	–	182,871	493,474	27,532	521,006
Dividend approved in respect of the previous year (note 10(b))	–	–	(18,418)	–	–	–	(18,418)	–	(18,418)
Transfer between reserves	–	–	–	–	5,280	(5,280)	–	–	–
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	–	–	–	2,044	–	–	2,044	–	2,044
Profit for the year	–	–	–	–	–	96,117	96,117	3,055	99,172
Dividend declared in respect of the current year (note 10(a))	–	–	(12,279)	–	–	–	(12,279)	–	(12,279)
Dividend paid to minority interests	–	–	–	–	–	–	–	(2,563)	(2,563)
At 31 March 2005	47,886	25,720	207,037	1,307	5,280	273,708	560,938	28,024	588,962
At 1 April 2005	47,886	25,720	207,037	1,307	5,280	273,708	560,938	28,024	588,962
Dividend approved in respect of the previous year (note 10(b))	–	–	(27,627)	–	–	–	(27,627)	–	(27,627)
Transfer between reserves	–	–	–	–	787	(787)	–	–	–
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	–	–	–	(1,944)	–	–	(1,944)	539	(1,405)
Profit for the year	–	–	–	–	–	86,290	86,290	4,441	90,731
Dividend declared in respect of the current year (note 10(a))	–	–	(15,348)	–	–	–	(15,348)	–	(15,348)
At 31 March 2006	**47,886**	**25,720**	**164,062**	**(637)**	**6,067**	**359,211**	**602,309**	**33,004**	**635,313**

27 CAPITAL AND RESERVES *(Continued)*

(b) The company

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2004	47,886	25,720	184,047	79,872	337,525
Dividend approved in respect of the previous year (note 10(b))	–	–	(18,418)	–	(18,418)
Profit for the year	–	–	–	34,095	34,095
Dividend declared in respect of the current year (note 10(a))	–	–	(12,279)	–	(12,279)
At 31 March 2005	47,886	25,720	153,350	113,967	340,923
At 1 April 2005	47,886	25,720	153,350	113,967	340,923
Dividend approved in respect of the previous year (note 10(b))	–	–	(27,627)	–	(27,627)
Profit for the year	–	–	–	43,276	43,276
Dividend declared in respect of the current year (note 10(a))	–	–	(15,348)	–	(15,348)
At 31 March 2006	**47,886**	**25,720**	**110,375**	**157,243**	**341,224**

(c) Share capital

	2006		2005	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Shares of US$0.01 each	**1,000,000**	**78,000**	1,000,000	78,000
Issued and fully paid:				
At 1 April and 31 March	**613,926**	**47,886**	613,926	47,886

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.

27 CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

Contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding 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 reserve and enterprise expansion fund which are made in accordance with the articles of association of the group's PRC subsidiaries. These reserves are non-distributable but, as appropriate, can be used to make good losses and to convert into paid-up capital.

(e) Distributability of reserves

At 31 March 2006, the aggregate amount of reserves available for distribution to equity shareholders of the company was HK$267,618,000 (2005: HK$267,317,000). After the balance sheet date the directors proposed a final dividend of HK4 cents (2005: HK4.5 cents) per share, amounting to HK$24,558,000 (2005: HK$27,627,000). This dividend has not been recognised as a liability at the balance sheet date.

28 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the group's business. These risks are limited by the group's financial management policies and practices described below.

(a) Credit risk

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

In respect of trade receivables, the credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. Trade receivables are generally due within 60 days from the date of billing. Normally, the group does not obtain collateral from customers.

At the balance sheet date, the group has a certain concentration of credit risk as 16% (2005: 23%) and 55% (2005: 69%) 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 normally only in listed or liquid securities and with counterparties that have a credit rating equal to or better than the group. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

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

(b) Liquidity risk

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

28 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

In respect of income-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

	2006				2005			
	Effective interest rate	**Total HK$'000**	**One year or less HK$'000**	**1-2 years HK$'000**	Effective interest rate	Total HK$'000	One year or less HK$'000	2-5 years HK$'000
The group								
Repricing dates for assets which reprice before maturity								
Equity-linked notes	**12.53%**	**16,998**	**16,998**	**–**	–	–	–	–
Cash at bank and in hand	**1.92%**	**211,981**	**211,981**	**–**	1.22%	168,796	168,796	–
Maturity dates for assets which do not reprice before maturity								
Deposits with banks	**4.48%**	**27,414**	**27,414**	**–**	2.53%	54,768	54,768	–
Other financial assets	**3.62%**	**2,000**	**–**	**2,000**	3.62%	2,000	–	2,000
The company								
Repricing dates for assets which reprice before maturity								
Cash at bank and in hand	**1.05%**	**620**	**620**	**–**	0%	303	303	–

(d) Foreign currency risk

The group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Sterling. Management monitors the group's exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise. At 31 March 2006, the net fair value of forward exchange contracts recognised as net derivative financial assets (included in deposits, prepayments and other receivables) is HK$377,000 (2005: HK$515,000). All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

28 FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006 and 2005 except amounts due from subsidiaries which are unsecured, interest-free and have no fixed terms of repayment (see note 21). Given these terms, it is not meaningful to disclose their fair values.

(f) Estimation of fair values

The fair value of equity securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Forward exchange contracts are marked to market by discounting the contractual forward price and deducting the current spot rate.

The fair value of the equity-linked notes is estimated by discounted cash flow techniques and 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.

29 COMMITMENTS

At 31 March 2006, the total future minimum lease payments of the group under non-cancellable operating leases are payable as follows:

	2006		2005	
	Land and buildings HK$'000	**Others HK$'000**	Land and buildings HK$'000	Others HK$'000
Within 1 year	**5,158**	**1,722**	6,203	1,821
After 1 year but within 5 years	**10,551**	**1,206**	13,687	1,806
After 5 years	**10,654**	**–**	14,248	–
	26,363	**2,928**	34,138	3,627

The group leases a number of properties under operating leases. The leases typically run for a period of one to eleven years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

30 CONTINGENT LIABILITIES

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

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the group entered into the following 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:

	2006	2005
	HK$'000	HK$'000
Short-term employee benefits	**25,646**	29,005
Post-employment benefits	**1,650**	1,842
	27,296	30,847

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

32 NON-ADJUSTING POST BALANCE SHEET EVENT

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

33 COMPARATIVE FIGURES

(i) Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies as set out in note 2.

(ii) Club membership with carrying amount of HK$1,600,000 which was included in "Other financial assets" in the 2005 financial statements has been separately shown as a non-current asset on the face of the consolidated balance sheet to conform with the current year's presentation. The directors consider the revised presentation reflects more appropriately the nature of this asset.

34 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 28 contains information about the assumptions and their risk factors relating to financial instruments. Apart from the above, the group believes the following critical accounting policies also involve significant judgements and estimates used in the preparation of the financial statements.

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

(i) Impairment

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

(ii) Depreciation

Fixed assets 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.

(b) 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.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 March 2006 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the group's operations and financial statements:

		Effective for accounting periods beginning on or after
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
– HKAS 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Financial guarantee contracts	1 January 2006

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the group's financial statements for the period beginning 1 April 2006.

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

36 DETAILS OF PRINCIPAL SUBSIDIARIES

Name of company	Place/country of establishment	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	Percentage of ownership interest held by the subsidiaries	Principal activities
Herald Group Limited	The British Virgin Islands ("BVI")	Hong Kong	1 share of US$1 each	100	–	Investment holding
Herald (Hong Kong) Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK$0.15 each	–	100	Investment holding
Herald China Investments Limited	Hong Kong	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100	Investment holding
Herald Investments (China) Company Limited @	PRC	PRC	Registered capital of US$11,500,000	–	100	Investment holding
Herald Metal and Plastic Works Limited	Hong Kong	Hong Kong	100 ordinary shares of HK$10 each	–	100	Manufacture of toys
			1,953,000 deferred shares of HK$10 each	–	100	
Dongguan Herald Metal and Plastic Company Limited @	PRC	PRC	Registered capital of HK$35,400,000	–	100	Manufacture of toys
Shenzhen Herald Metal and Plastic Company Limited #	PRC	PRC	Registered capital of HK$23,500,000	–	60	Manufacture of toys
Herald Datanetics Limited	Hong Kong	Hong Kong	1,128,000 ordinary shares of HK$10 each	–	100	Manufacture of computer heads
Zhuhai Herald Datanetics Limited #	PRC	PRC	Registered capital of HK$38,000,000	–	75	Manufacture of computer heads
Herald Engineering Services Inc.	United States of America	United States of America	75,000 shares of US$0.4 each	–	100	Engineering service
Herald Houseware Limited	Hong Kong	Hong Kong	5,000,000 ordinary shares of HK$1 each	–	100	Trading of housewares
Herald Metal Products Company Limited #	PRC	PRC	Registered capital of US$1,650,000	–	51	Manufacture of housewares
Zhuhai Herald Houseware Limited #	PRC	PRC	Registered capital of HK$30,000,000	–	80	Manufacture of housewares

36 DETAILS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place/country of establishment	Place/country of operation	Particulars of issued and fully paid up capital/ registered capital	Percentage of ownership interest held by the company	Percentage of ownership interest held by the subsidiaries	Principal activities
Pilot Housewares (U.K.) Limited	United Kingdom	United Kingdom	800,000 ordinary shares of GBP1 each	–	100	Sales and distribution of housewares
Zeon Limited	United Kingdom	United Kingdom	433,750 ordinary shares of GBP1 each	–	100	Sales and distribution of clocks, watches and electronic products
			1,250,000 12.5% cumulative redeemable preference shares of GBP1 each	–	100	
			165,417 preferred shares of GBP1 each	–	100	
Zeon Far East Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$1 each	–	100	Trading of clocks and watches
Herald Electronics Limited	Hong Kong	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100	Trading of clocks and watches
Shanghai Herald Electronics Company Limited #	PRC	PRC	Registered capital of RMB3,200,000	–	75	Manufacture of clocks and watches
Jonell Limited	Hong Kong	Hong Kong	2 ordinary shares of HK$10 each	–	100	Property investment
Premium Account Limited	BVI	PRC	2 shares of US$1 each	–	100	Property investment

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

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