LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED
龍昌國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014

RESULTS

The Board of directors (the "Board") of Lung Cheong International Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together called the "Group") for the year ended 31 March 2014 together with the comparative figures for the year ended 31 March 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*3*	**193,664**	209,341
Cost of sales		**(134,088)**	(155,892)
Gross profit		**59,576**	53,449
Other income, gains and losses, net	*4*	**20,791**	1,536
Selling and distribution expenses		**(23,224)**	(18,949)
General and administrative expenses		**(52,895)**	(33,779)
Operating profit		**4,248**	2,257
Finance costs	*6*	**(1,640)**	(1,076)
Profit before income tax	*5*	**2,608**	1,181
Income tax credit	*7*	**687**	1,048
Profit for the year attributable to owners of the Company		**3,295**	2,229

* *For identification purposes only*

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Other comprehensive income for the year, net of tax:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,371)**	(339)
Revaluation of available-for-sale investments		**(16,539)**	–
Other comprehensive income for the year, net of tax		**(19,910)**	(339)
Total comprehensive income for the year		**(16,615)**	1,890
Profit for the year attributable to			
Owners of the Company		**5,287**	2,229
Non-controlling interests		**(1,992)**	–
		3,295	2,229
Total comprehensive income for the year attributable to			
Owners of the Company		**(14,623)**	1,890
Non-controlling interests		**(1,992)**	–
		(16,615)	1,890
Earnings per share attributable to owners of the Company			
– Basic	*9*	**0.10 cents**	0.07 cents
– Diluted	*9*	**0.09 cents**	0.06 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**50,543**	41,905
Goodwill	*10*	**100,970**	2,500
Intangible assets		**6,859**	–
Deferred tax assets		**11,545**	4,516
		169,917	48,921
Current assets			
Inventories		**55,348**	42,143
Trade and other receivables, deposits and prepayments	*11*	**38,417**	15,568
Available-for-sale investments	*12*	**250,768**	–
Amounts due from related companies		**4,049**	6,591
Tax recoverable		**1,017**	286
Restricted bank deposits		**–**	30,094
Cash and cash equivalents		**116,139**	418,175
		465,738	512,857
Current liabilities			
Trade and other payables and accrued charges	*13*	**27,775**	11,872
Borrowings		**12,110**	45,583
Amounts due to related companies		**3,519**	7,809
Tax payable		**13**	–
		43,417	65,264
Net current assets		**422,321**	447,593
Total assets less current liabilities		**592,238**	496,514

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Non-current liabilities			
Other payable	*13*	**7,710**	–
Borrowings		**7,814**	–
Provision for long service payment		**2,148**	1,846
Deferred tax liabilities		**6,676**	6,676
		24,348	8,522
Net assets		**567,890**	487,992
EQUITY			
Share capital	*14*	**555,776**	345,776
Reserves		**14,705**	142,216
Equity attributable to owners of the Company		**570,481**	487,992
Non-controlling interests		**(2,591)**	–
Total equity		**567,890**	487,992

1. ORGANISATION AND OPERATIONS

Lung Cheong International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at "Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies" and its principal place of business is at "Lung Cheong Building, 1 Lok Yip Road, Fanling, New Territories, Hong Kong".

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in development, engineering, manufacture and sale of toys, consumer electronic products and commercial kitchen products during the year ended 31 March 2014.

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

(a) Adoption of new/revised HKFRSs – Effective 1 April 2013

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

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

HKFRSs (Amendments) – Annual Improvements to HKFRSs 2009-2011 Cycle
HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income
The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control.

For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest. The adoption of HKFRS 10 does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[4] No mandatory effective date yet determined but is available for adoption

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 – Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 "Consolidated Financial Statements" and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

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

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting, in accordance with the Group's internal organisation and reporting structure, provided to the chief operating decision-maker to make strategic decisions.

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

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

Inter-segment transactions are priced with reference to prices charged to extend parties for similar order.

(a) Segment revenue and results

For the year ended 31 March 2014

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

For the year ended 31 March 2013

	Toys *HK$'000*	Consumer electronic products *HK$'000*	Commercial kitchen products *HK$'000*	Total *HK$'000*
Revenue to external customers	209,341	–	–	209,341
Segment profit before income tax expenses	3,767	–	–	3,767

	2014 *HK$'000*	2013 *HK$'000*
Reportable segment (loss)/profit	**(6,766)**	3,767
Interest income	**18,627**	22
Gain on disposal of available-for-sale investments	**1,594**	–
Staff cost	**(5,061)**	(1,320)
Legal and professional fee	**(2,349)**	(1,097)
Unallocated corporate expenses	**(3,437)**	(191)
Profit before income tax	**2,608**	1,181

(b) Segment assets and liabilities

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

	2014	2013
	HK$'000	*HK$'000*
Segment assets		
Toys	**140,642**	169,085
Consumer electronic products	**112,273**	–
Commercial kitchen products	**128,335**	–
Segment assets	**381,250**	169,085
Available-for-sale investments	**250,768**	–
Cash and cash equivalents	**222**	390,193
Unallocated corporate assets	**3,415**	–
Consolidated total assets	**635,655**	561,778

	2014	2013
	HK$'000	*HK$'000*
Segment liabilities		
Toys	**43,402**	71,172
Consumer electronic products	**6,681**	–
Commercial kitchen products	**17,636**	–
Segment liabilities	**67,719**	71,172
Other payables	**45**	1,413
Unallocated corporate liabilities	**1**	1,201
Consolidated total liabilities	**67,765**	73,786

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

For the year ended 31 March 2014

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

For the year ended 31 March 2013

	Toys *HK$'000*	Consumer electronic products *HK$'000*	Commercial kitchen products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Interest income	(19)	–	–	(11)	(30)
Finance costs	1,076	–	–	–	1,076
Income tax credit	(1,048)	–	–	–	(1,048)
Depreciation of property, plant and equipment	3,620	–	–	–	3,620
Impairment loss for trade receivables, net	214	–	–	–	214
Write-down of inventories	602	–	–	–	602
Gain on disposal of property, plant and equipment	(371)	–	–	–	(371)
Additions to non-current assets	4,696	–	–	–	4,696

(d) Geographical information

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

For the year ended 31 March 2014

	Revenue ***HK$'000***	**Non-current assets** ***HK$'000*** ***(Note (i))***
United States of America and Canada	**89,836**	**3,419**
Europe *(Note (ii))*	**64,528**	**–**
China	**20,519**	**108,726**
Australia	**1,966**	**–**
Japan	**1,846**	**–**
Hong Kong	**1,380**	**1,534**
Korea	**433**	**–**
Indonesia	**–**	**44,693**
Others	**13,156**	**–**
Total	**193,664**	**158,372**

For the year ended 31 March 2013

	Revenue *HK$'000*	Non-current assets *HK$'000* *(Note (i))*
United States of America and Canada	93,410	3,115
Europe *(Note (ii))*	86,714	–
Korea	19,422	–
China	2,713	–
Australia	2,024	–
Japan	1,164	–
Hong Kong	381	1,996
Indonesia	244	39,294
Others	3,269	–
Total	209,341	44,405

Notes:

(i) Excluding deferred tax assets.

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

(e) Information on major customers is as follows:

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Customer A	**35,496**	40,366
Customer B	**32,227**	22,092
Customer C	**19,729**	21,944

Revenues from the largest three external customers had contributed to more than 45% (2013: 40%) of the Group's turnover amounting to HK$87,452,000 (2013: HK$84,402,000). Other than these customers, there is no other customer whose revenue contributed to more than 10% of the Group's turnover.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2014	2013
	HK$'000	*HK$'000*
Interest income	**19,279**	30
Sample income and others	**2,679**	1,596
Exchange losses, net	**(1,167)**	(90)
	20,791	1,536

5. PROFIT BEFORE INCOME TAX

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

	2014	2013
	HK$'000	*HK$'000*
Write-down of inventories	**–**	602
Carrying amount of inventories sold	**134,088**	155,290
Costs of inventories recognised as expenses	**134,088**	155,892
Auditors' remuneration	**1,021**	785
Depreciation of property, plant and equipment	**4,148**	3,620
Amortisation of intangible assets	**289**	–
Gain on disposal of property, plant and equipment	**(287)**	(371)
Gain on disposal of available-for-sale investments	**(1,594)**	–
Impairment loss for trade receivables, net	**41**	214
Employee benefits expense	**42,252**	38,186
Research and development costs (indebted in general and administrative expenses)	**3,387**	3,053
Operating lease rentals in respect of land and buildings	**1,501**	720

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on loans from banks wholly repayable within five years	**1,640**	1,076

7. INCOME TAX CREDIT

No Hong Kong profits tax, overseas income taxes nor the People's Republic of China (the "PRC") income taxes has been provided as the Company and its subsidiaries were sustained a loss, had no assessable profits or had sufficient tax losses carried forward to deduct the assessable profits for the year (2013: Nil).

The amount of income tax credit in the consolidated statement of comprehensive income represents:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong profits tax		
– under provision in prior years	**–**	12
	–	12
Deferred tax credit	**(687)**	(1,060)
Income tax credit	**(687)**	(1,048)

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

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**2,608**	1,181
Income tax charge calculated at the tax rate of 16.5% (2013: 16.5%)	**430**	195
Effect of different tax rates in other countries	**(1,062)**	128
Income not subject to taxation	**(1,135)**	(57)
Expenses not deductible for taxation purposes	**16**	154
Utilisation of previously unrecognised tax losses	**–**	(612)
Under provision in prior years	**–**	12
Temporary difference not recognised and others	**1,064**	(868)
Income tax credit	**(687)**	(1,048)

8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 March 2014 (2013: Nil).

9. EARNINGS PER SHARE

	2014	2013
	HK cents	*HK cents*
Basic earnings per share	**0.10**	0.07
Diluted earnings per share	**0.09**	0.06

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

	2014	2013
	HK$'000	*HK$'000*
Profit		
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**5,287**	2,229

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,383,730,600**	3,357,757,997
Effect of dilution		
– Warrants	**304,603,669**	179,625,730
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**5,688,334,269**	3,537,383,727

10. GOODWILL

	2014	2013
	HK$'000	*HK$'000*
At beginning of year	**2,500**	2,500
Acquired through business combinations *(Note 15)*	**98,470**	–
At end of year	**100,970**	2,500

Goodwill acquired in business combination is allocated, at acquisition, to the Cash-generating unit ("CGUs") that are expected to benefit from that business combination. As at 31 March 2014, the goodwill arose from the acquisitions of three CGUs which are engaged in manufacturing and sale of commercial kitchen products, sale of consumer electronic products, and trading of toys respectively.

	2014	2013
	HK$'000	*HK$'000*
Commercial kitchen products	**95,006**	–
Consumer electronic products	**3,464**	–
Toys	**2,500**	2,500
	100,970	2,500

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**20,670**	13,185
Less: Allowance for doubtful debts	**(41)**	(895)
	20,629	12,290
Other receivables, deposits and prepayments	**17,788**	3,278
	38,417	15,568

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

Allowance of doubtful debts on trade receivables

	2014	2013
	HK$'000	*HK$'000*
At beginning of year	**895**	681
Amounts written off for the year	**(895)**	–
Recovery of loss previously recognised	**–**	(681)
Addition to impairment loss	**41**	895
At end of year *(Note (i))*	**41**	895

Note:

(i) At 31 March 2014, the Group's trade receivables of approximately HK$41,000 (2013: HK$895,000) were individually determined to be impaired.

(b) At 31 March 2014, the ageing analysis of the trade receivables, net of allowance for doubtful debts, was as follows:

	2014	2013
	HK$'000	*HK$'000*
0-90 days	**18,542**	12,158
91-180 days	**1,839**	131
181-365 days	**143**	1
Over 365 days	**105**	–
	20,629	12,290

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

(c) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired was as follows:

	2014 *HK$'000*	2013 *HK$'000*
Not past due	**17,578**	11,383
Within 30 days past due	**1,893**	239
31 to 90 days past due	**437**	536
Over 90 days past due	**721**	132
	3,051	907
	20,629	12,290

(d) Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

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

12. AVAILABLE-FOR-SALE INVESTMENTS

	2014 *HK$'000*	2013 *HK$'000*
Debt securities – at fair value		
– Listed in Hong Kong	**112,277**	–
– Listed outside Hong Kong	**138,491**	–
	250,768	–

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2014	2013
	HK$'000	*HK$'000*
CURRENT		
Trade payables	**5,867**	6,013
Other payables and accrued charges	**21,908**	5,859
	27,775	11,872
NON-CURRENT		
Other payable	**7,710**	–
	35,485	11,872

At 31 March 2014, the ageing analysis of the trade payables was as follows:

	2014	2013
	HK$'000	*HK$'000*
0-90 days	**5,587**	6,004
91-180 days	**55**	9
181-365 days	**70**	–
Over 365 days	**155**	–
	5,867	6,013

14. SHARE CAPITAL

	Authorised			
	Convertible cumulative redeemable preference shares of US$100,000 each		**Ordinary shares of HK$0.10 each**	
	Number of shares		**Number of shares**	
		US$'000	*'000*	*HK$'000*
At 1 April 2012, 31 March 2013 and 2014	40	4,000	10,000,000	1,000,000

15. BUSINESS ACQUISITIONS DURING THE YEAR

(a) Acquisition of Notton Limited

On 19 August 2013, the Group acquired 100% of the equity interests of Notton Limited, a company whose principal activity is investment holding. Notton Limited, through its wholly-owned subsidiary Era Creation Technology Limited, holds the entire equity interest of 青島瑞迪燃氣具製造有限公司 (“Qingdao Ruidi”), which is engaged in research, development, manufacturing and sale of commercial kitchen products in the PRC. The acquisition was made with the aims to enhance the Group’s exposure in the commercial kitchen products industry.

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

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

The acquisition-related costs of HK$111,000 have been expensed and are included in administrative expenses.

The fair value of trade and other receivables amounted to HK$1,524,000. The gross amount of these receivables is HK$1,524,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Notton Limited has contributed revenue of HK$4,877,000 and loss of HK$2,614,000 to Group’s revenue and profit. If the acquisition had occurred on 1 April 2013, the Group’s revenue and loss would have been HK$201,688,000 and HK$182,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is it intended to be a projection of future performance.

(b) Acquisition of Genith Shenzhen

On 22 September 2013, the Group acquired 51% of the equity interests of Genith Shenzhen, a company whose principal activity is research and development, marketing and distribution of consumer electronic products and childcare products. The acquisition was made with the aims to enhance the Group's exposure in the consumer electronic products and childcare products industry.

The acquisition-related costs of HK$115,000 have been expensed and are included in administrative expenses.

The fair value of trade and other receivables amounted to HK$2,491,000. The gross amount of these receivables is HK$2,491,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

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

Since the acquisition date, Genith Shenzhen has contributed revenue of HK$15,457,000 and loss of HK$7,546,000 to Group's revenue and profit. If the acquisition had occurred on 1 April 2013, the Group's revenue and profit would have been HK$194,281,000 and HK$1,574,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is it intended to be a projection of future performance.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 September 2014 to 3 September 2014 (both dates inclusive), during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the annual general meeting of the Company to be held on 3 September 2014, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 29 August 2014.

RESULTS

For the year ended 31 March 2014 (the "Year" or "Period"), the Group's turnover decreased by approximately ("approx") 7% to approx HK$194 million, compared with approx HK$209 million for the year ended 31 March 2013 (the "FY12/13" or "Corresponding Period").

Gross profit margin for the Period was approx 31% compared to approx 26% in the Corresponding Period. Overall, profit attributable to owners of the Company was approx HK$5 million compared with a profit of approx HK$2 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the year ended 31 March 2014 (FY12/13: Nil).

BUSINESS REVIEW

The Group recorded a slight increase in profit for the year ended 31 March 2014 as compared to the profit recorded by the Group for the year ended 31 March 2013. The increase in consolidated profit was primarily attributable to interest income and gain on disposal of the Group's available-for-sale investments of approx HK$20 million for the year ended 31 March 2014 which did not occur for the same period in previous year.

For our financial year ended 31 March 2014 ("FY13/14"), the Group's core businesses are its Kid Galaxy Original Brand Manufacturing ("OBM") business and Original Equipment Manufacturing ("OEM") business, with the Indonesian factory as its primary production base. The Directors and senior executives ("Management") believe Indonesia's plentiful supply of labour continued to be beneficial and provides the Group with a stable environment. The purchases from related People's Republic of China ("PRC") toy factories have been reduced from approx HK$79 million to approx HK$48 million during the comparative period under review. Turnover of the Group's manufacturing plant in Indonesia decreased from approx HK$93 million for the Corresponding Period to approx HK$77 million, and accounted for approx 40% (FY12/13: 45%) of Group's turnover for the period ended 31 March 2014. During peak production time within the Period, the Group had over 1,600 employees at the Indonesian factory. However, weakness of the Rupiah and increased in labor costs has resulted in salaries and wages increase accounting for approx 27% for the Indonesian subsidiary's turnover during the Period under review.

In addition to a challenging market environment in FY13/14, the Group had to compete to preserve its OEM customers without a PRC manufacturing base and to rely on its Indonesian production facilities. Overall, the Group's turnover recorded a decrease as certain customers reduced order or opted to place orders with other OEM competitors with PRC and other South East Asian facilities.

During the Year, Kid Galaxy enriched its product mix with new product lines receiving an encouraging market response. It has launched several new product lines during the Year as a result of our strong development efforts utilising all of the HK$15 million from the 2012 Placing. In spite of the marketing programs for Kid Galaxy branded products in place, the turnover of Kid Galaxy OBM sales has decreased to approx HK$94 million, compared with approx HK$110 million for the previous year due to the drop in orders from European and Asia Pacific markets.

The Group has continued its efforts into developing relationships with customers who had strong electronic and plastic toy lines targeted at the median-priced segment. The major portion shipped were less complex, medium priced electronic and plastic products during the year ended 31 March 2014. Shipment of toys were weaker, the Group's toy business segment accounted for approx HK$173 million for the year ended 31 March 2014, lower than the approx HK$209 million recorded for this segment as compared with that in the Corresponding Period. Due to the economic uncertainties affecting consumers worldwide, there were lower sales for toys by approx 17% in FY13/14 compared to previous year.

On 2 April 2013, the Company completed a round of new share placing and raised approx HK$389 million net proceeds. The Proceed not only strengthens the Group's financial position, its also help the Group to make prompt response to all merger and acquisition opportunities which are beneficial to the Group as a whole. Furthermore, the Placing Agent has procured Haier Electrical Appliances Second Holdings (BVI) Limited ("Haier Electrical Appliances Second") as a strategic investor of the Company. Haier Electrical Appliances Second is a wholly-owned subsidiary of Qingdao Haier Investment and Development Co., Ltd. ("Haier Investment") which is one of the major investment companies within Haier Group of companies. Founded 1984, the Haier Group of companies is headquartered in Qingdao, Shandong Province, the PRC and is one of the world's leading white goods home appliance manufacturers. The products of the Haier Group are sold in over 100 countries. The Directors are of the opinion that by accepting Haier Electrical Appliances Second as a strategic investor, the Group can draw on the successful experience of the Haier Group of companies in particular, in building up a well-known worldwide brand name and efficient manufacturing management and worldwide distribution channel, and to improve its business strategy towards the competitive toy manufacturing industry.

Since then, the Management has been actively seeking new revenue source and investment opportunities. During the Period, the Group acquired Notton Limited and its wholly-owned subsidiary Era Creation Technology Limited ("Era Creation"). Era Creation holds the entire equity interest in Qingdao Ruidi, which is engaged in research, development, manufacturing and sale of commercial and residential kitchen products appliances in the PRC. Qingdao Ruidi also owns several intellectual property rights in respect of advanced technologies in the area of environmental friendly kitchen products appliances. The total consideration for the acquisition is HK$108 million, with covenant to profit guarantee for both 2014 and 2015. The Group paid the first cash installment of HK$8 million as scheduled after the acquisition closed in late August 2013 and expect to settle the second payment (HK$8 million in form of cash and 100,000,000 ordinary shares of the Company) if the 2014 profit guarantee (HK$11 million) is reached. Moreover, the Group expects to settle the third payment (HK$8 million in form of cash and 100,000,000 ordinary shares of the Company) if the 2015 profit guarantees (HK$21 million) is reached. The intangible asset consisting mainly of intellectual properties and trademarks for Qingdao Ruidi by the end of 30 September 2013 was approx HK$5 million. Based on the revaluation report by independent third party, this acquisition resulted an increase in goodwill of approx HK$98 million.

Since the completion of acquisition on 19 August 2013, the Group has optimized the management structure, upgraded the manufacturing technology, integrated and expanded sales channels of Qingdao Ruidi. In addition, the Group is acutely aware of the huge Equipment Procurement Construction ("EPC") opportunities arising from the commercial kitchen (i.e. kitchen of hotels, restaurants, colleges, hospitals, militaries, government agencies, etc) and quickly seized them. Therefore, the Group successfully transformed Qingdao Ruidi from a purely cooking appliances manufacturer and distributor into a commercial kitchen total solution provider and EPC contractor. For this purpose, a wholly owned subsidiary of Qingdao Ruidi, 青島海爾瑞迪廚具工程有限公司 ("Haier Ruidi") was set up in November 2013.

During the Period, the Group has initiated a few trial commercial kitchen EPC projects and the Directors are very confident on this business and expecting more substantial revenue to be generated for the year ended 31 March 2015 ("FY14/15").

During the Period, the Group set up a Wholly Foreign-Owned Enterprise ("WOFE"), namely Qingdao Oasis Child Care Company Ltd ("OCC"), to invest primarily in the PRC consumer electronic and childcare products. In addition, at the end of September 2013, the Group used OCC to acquire 51% share interest in a PRC company namely Genith Shenzhen which is principally engaged in the research and development, marketing and distribution of baby appliances in the Mainland China. Based on the revaluation report by independent third party, this acquisition has resulted in an increase in goodwill of approx HK$4 million.

Baby appliances is an emerging sub-market for consumer electronic products, which has been growing rapidly. Different from normal consumer electronic products, customers in particular parents set high demands on safety and quality for baby appliances. Management believes that our decades of experience in pre-school toy industry prepared us well for this new development. After the acquisition, OCC and its non-wholly owned subsidiary, Genith Shenzhen, have been working closely in terms of the management structure optimization, Research and Development enhancement, product line expansion, sales channel development and integration. In addition, OCC was authorized to use the trademarks of "Haier" and "海爾" on all the childcare related products manufactured and traded by OCC at nil consideration during the Period. The childcare related products include but not limited to baby care kit (baby electric steriliser, baby bottle & food warmer, infant formula preparation kit, baby food warmer, baby food processor), baby washing machine, baby air-conditioner, baby air-purifier, baby water purifier, baby refrigerator, children hair grooming products and related childcare electronic products. As a result, sales with improved average selling prices and margins were secured, and the Group's gross profit margin for the Period accounted for improvement to approx 31% compared with approx 26% in the Corresponding Period.

During the year ended 31 March 2014, the Group's major export destinations were the United States of America ("US"), Europe and Mainland China. US continued to be the largest export destinations for the Group, accounting for approx 46% of total turnover the Period (FY12/13: 45%). Other significant overseas markets for the Group during the Period included Europe which accounted for approx 33% (FY12/13: 41%) lower due to the region's economic uncertainties. Mainland China accounted for approx 11% (FY12/13: 1%) of the local delivery to customers for the newly acquired baby appliances and commercial kitchen products.

During the Period, the Group generated approx HK$15 million from small baby appliances with the gross margin of 39%. The sales of the large baby appliance commence since May 2014, therefore, the Management is optimistic of a much bigger turnover in FY14/15.

PLANS AND PROSPECTS

Management takes a cautious view of its business in FY14/15. As market fluctuations and economic uncertainties may affect product demand and customer orders, Management is concerned that the global toy industry will still face challenges in FY14/15. Factors such as increased competition from electronic and mobile tablets, the volatility of raw materials prices, ever increasing energy costs, the weakness of consumer spending, imminent increase in minimum salaries in the PRC as well as Indonesia and fluctuation of the Indonesian Rupiah and the US dollar ("US$") may lead to increasing production costs which would have an adverse impact on the Group's profitability.

In addition, existing OEM customers may place orders directly with competitors with factories in other South East Asia countries or prefer production to be carried out in PRC factories. Management foresees that the Group's total sales and turnover may continue to be affected in FY14/15. As such, measures have already been adopted to attract OEM customers to place more orders directly with the Group's Indonesia factory.

The Group's production base in Indonesia currently enjoys favorable advantages with plentiful supply of labour. The Group looks forward to optimistic growth in its Indonesian plant and enlarges its production capacity as the Group foresees there is sustainable positive environment. Management remains confident in the Group's ability to seize this unique opportunity to consolidate its manufacturing position amid the exit of weaker players. Construction of additional factory building of our Indonesia production facilities utilising funds from the 2012 Placing has commenced since FY13/14 and are expected to be operational in the third quarter of FY14/15. Management expects the production capacity to double once the new factory becomes fully operational for the year ended 31 March 2016.

However the Group needs to streamline the production efficiency of its Indonesian plant to lower the overall manufacturing overhead, sourcing and administrative costs. In addition, new measures have already been adopted to enhance productivity. Management will endeavor to trim excess overheads, improve productivity and control production costs in view of the imminent raise in minimum salaries for the country in 2015.

The Group has actively expanded its distribution channels in the US and also places more effort to develop the European markets. Kid Galaxy continues to increase its presence at exhibitions and open new sales channels such as clubs, Television Sales networks, Internet and chain stores for FY14/15.

The Group has been undertaking business reengineering in the past years, which is transforming the Group from a pure toy manufacturer into a multiple revenue streams group. Besides the legacy business, the Group successfully enters commercial kitchen and baby appliance business during the Period and the Management endeavors to explore more opportunities with high growth rate and attractive investment return to enhance shareholder value.

Commercial Kitchen

To further improve geographical coverage and business service quality, on 2 April 2014 Haier Ruidi entered into a Sales & Purchase agreement to purchase approx 59.976% of the entire equity interest of 四川易方廚房設備有限公司 ("Sichuan Yi Fang") at a total consideration of RMB8 million (or equivalent to HK$10 million). Sichuan Yi Fang is principally engaged in research and development, production, sale and installation of commercial kitchen related equipment and accessories in the PRC.

Commercial kitchen is a very fragmented sector in the PRC with no major players in the market. Market growth is driven by increasing demand for dinning out as living standard rises, higher environmental standard and fuel cost saving motive. Based on Bosi Data Research and Development, the market is growing 20% per annum over the last 6 years and is expected to reach RMB50 billion in 2015. The Group's patented advanced infra technology for commercial kitchen appliances is able to offer the best energy efficiency in the market of 70% as compared to the government standard of 45%, which allows more than 50% saving in gas consumption in comparison with traditional blast gas kitchen range. Our products have low carbon monoxide emission (20 times less than national standard), quietness and even heating distribution ability. In addition, the Management expects the new government regulation on minimum heat efficiency requirement for commercial kitchen appliance to be implemented in the foreseeable future. With our proprietary product and strong execution ability, the Group has successfully bid a few sizable commercial kitchen EPC projects and the revenue will be booked in FY14/15.

Consumer Electronic Product

(i) Baby Appliance

The market for childcare related products and services is huge and fast growing in China. According to the research from China Research Centre for Children's Industry, the market is approx RMB1.4 trillion in 2013. The recent relaxation of one-child policy provides more catalysts in the children industry. The market is expected to be approx RMB2.6 trillion by 2017.

Since the Group entered the baby appliance market in September 2013, the Management has been actively developing and expanding the small baby appliance (i.e. steam cooker, electric sterilizer, bottle& food warmer etc) product line. Meanwhile, the Group has further leveraged Haier's world class strength in white appliances, and prepared to launch a series of large baby appliances innovatively adapted from big white appliances such as baby washing machine, baby air-conditioner, baby refrigerator, etc. We commenced the large baby appliances sales in May 2014 with very positive word-of-month and we expect more new products to be launched shortly. We target to be the leader in the market to provide large baby appliances in sizable volume in full range. Overall, with our full spectrum of product line (from small to large), strong brand name ("Haier" and "海爾") and extensive distribution channels, the Management is very confident that this business will bring substantial revenue and enhance the profitability of the Group as a whole.

(ii) Water Purifier

On 21 April 2014, Qingdao Oasis and Qingdao Goodaymart Lejia Trading Co., Ltd ("Goodaymart"), an indirect wholly-owned subsidiary of Haier Electronics Group Co., Ltd (Hong Kong Stock Code: 01169), entered into the Joint Venture ("JV") Agreement in relation to the establishment of the JV Company, which will be principally engaged in research and development, production, wholesaling and retailing of water purification equipment and accessories, installation and maintenance of water purification equipment and provision of relevant after sales services in the PRC. The JV Company will be focused on "health and environment" and aims to become a prominent full-house water purification service provider. Upon the establishment of the JV Company, Goodaymart and Qingdao Oasis will own 51% and 49% of the shareholding interest in the JV Company respectively. The JV Company is currently under the process of registration and we expect to officially start the business in July 2014.

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

Water purifier is a great business with high growth and high profitability. In addition, apart from one time revenue generated from devise sale, recurring revenue can also be generated from the replacement of filters which have a lifespan from 6 months to 36 months depending on water quality, daily usage and the function of filter. The Group is pleased to enter this market in time with a strong JV partner, who plays a leading role in the appliance logistics, distribution, installation and after-sales service. With our strong brand name ("Haier" and "海爾"), high grade technology (Besides our own proprietary technology, Haier Group has signed strategic cooperation agreement with Dow Chemical, to further strengthen the filter quality),unparalleled distribution network, the Management is excited about the prospect of this business and the stable cash flow it will be expected.

On 13 May 2014, the Group granted a total of 100,000,000 share options with the exercise price of HK0.87 per share. The vesting of share options will be subject to achievement of individual performance targets during a two-year assessment period.

As disclosed in the announcement of the Company dated 31 May 2013, the Company placed approx HK$350 million in its private banking account with a Swiss based banking institute and approx HK$344 million was applied in investing in high yield bonds issued by listed issuers in the open bond market. The Company's investment in the bond market is merely a temporary cash management exercise during the interim period and the Management has been liquidating the bond portfolio at market recently, as at the date of this announcement, of the HK$350 million we originally placed in the bank approximately HK$250 million was in the form of bond, the rest HK$100 million together with the coupon income it generated has been wired out of that Swiss based banking institute for operation.

The Company will maintain its intention with the intended use of proceeds as disclosed in the 2013 Placing Circular. As at 31 March 2014, the Group had approx HK$17 million non-cash valuation loss on available-for-sale investments as shown in our condensed consolidated statement of comprehensive income. However, as at 26 June 2014, this marked to market loss narrowed to approx HK$13 million. Furthermore, the available-for-sale investments would have generated approx HK$5 million coupon income by end of first quarter 30 June 2014. Management will continue to closely monitor and carefully manage the investments.

GROUP RESOURCES AND LIQUIDITY

As at 31 March 2014, the Group's cash and bank balances were approx HK$116 million (FY12/13: HK$418 million). The Group's total bank borrowings were approx HK$20 million (FY12/13: HK$46 million). The gearing ratio, calculated as the total bank borrowings divided by shareholders' equity, was approx 4% (FY12/13: 9%). As at 31 March 2014, the Group recorded total current assets of approx HK$466 million (FY12/13: HK$513 million) and total current liabilities approx HK$43 million (FY12/13: HK$65 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx 1,073% (FY12/13: 786%). The Group recorded an increase in shareholders' funds from approx HK$488 million as at 31 March 2013 to a net asset position of approx HK$568 million as at 31 March 2014. The increase was mainly resulting from the Placing of shares plus contributions from operations.

Overall, the Group's operations have strengthened. The financial position has improved tremendously compared to the previous reported financial periods. Barring unforeseen challenges, in the opinion of the Directors, the Group has sufficient financial resource to meet its operational and expansion needs.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Save for these disclosed in this announcement, the Group did not have any significant investments or acquisitions or sales of subsidiaries during the Review Period.

EMPLOYEES

As at 31 March 2014, the Group had approx 1,326 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices, the Indonesian factory and the US sales office. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

Under the code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual, Mr. Leung Lun, M.H. is both the Chairman and Chief Executive of the Company throughout the period under review. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Company with strong and consistent leadership enabling the Company to operate efficiently. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with three of them being Independent Non-Executive Directors.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanation about how the provisions of the CG Code have been applied will be included in the Company's Annual Report 2013/2014.

RELATED PARTY TRANSACTIONS

During the year, the Group had transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules, besides, transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The significant transactions with related parties companies during the year, and balances with them at the end of reporting period, are as follows:

During the year, the Group entered into the following material transactions with related companies:

Related party relationship	**Type of transaction**	**Transaction amount**	
		2014	2013
		HK$'000	*HK$'000*
Companies related to one of our major shareholder	Sales	**2,031**	–
Companies controlled by a director's close family members	Purchase	**47,691**	78,927

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Lai Yun Hung, Mr. Ye Tian Liu and Dr. Ko Peter, Ping Wah.

The principal activities of the Audit Committee of the Company include the review and supervision of the Group's financial reporting process, reviewing the effectiveness of external audit and of internal controls. The Company's annual result for the year ended 31 March 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such final result complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement has been published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Companies Information" and the website of the Company at www.e-lci.com under "Investor Relations".

SCOPE OF WORKS OF MESSRS. BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

On behalf of the Board of
Lung Cheong International Holdings Limited
Leung Lun
Chairman and Chief Executive

Hong Kong, 27 June 2014

As at the date of this announcement, the executive Directors are Mr. Leung Lun, M.H. (Chairman and Chief Executive), Mr. Wong, Andy Tze On and Ms. Fang Fang; and the independent non-executive Directors are Mr. Ye Tian Liu, Mr. Lai Yun Hung and Dr. Ko Peter, Ping Wah.