KIN YAT HOLDINGS LIMITED
建溢集團有限公司

website: http://www.kinyat.com.hk

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

Annual Report

for the year ended 31 March 2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. CHENG Chor Kit
(Chairman and Chief Executive Officer)
Mr. FUNG Wah Cheong, Vincent *(Deputy Chairman)*
Mr. WONG Wai Ming*
Mr. WONG Weng Loong
Mr. LIU Tat Luen**

Independent Non-executive Directors:

Dr. CHUNG Chi Ping, Roy *JP*
Mr. WONG Chi Wai
Ms. SUN Kwai Yu

COMPANY SECRETARY:

Mr. CHAN Ho Man

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:

7th Floor
Galaxy Factory Building
25-27 Luk Hop Street
San Po Kong, Kowloon
Hong Kong

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

* *(resigned on 1 May 2010)*

** *(appointed on 28 December 2009)*

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITORS:

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS:

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank

CORPORATE WEBSITE:

www.kinyat.com.hk

On behalf of the board of directors (the "**Board**") of Kin Yat Holdings Limited (the "**Company**"), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 March 2010 ("**FY2010**").

The FY2010 was a year where the Group actively coped with the challenges posed by the global financial crisis while continuing to lay foundation and pave way for our long-term development. It was also a year for the Group to leverage the changes in market conditions to integrate businesses and gradually realise performance.

During the period under review, the Group's recently developed non-manufacturing business, the natural resources development business, was still in its development stage. As a result, the non-manufacturing business did not provide any significant contributions to the Group's turnover nor profit during the year. However, it is encouraging to see that, in May 2010, the granting of the exploitation license for the lead and zinc polymetallic ore mine located in Jiangjuncha, Lantian County, Shaanxi Province, in which the Group held 70% interest, was approved by the relevant government authorities in the PRC. The Group is now accelerating progress of the relevant exploitation work and targets to realise the potential contribution from our natural resources development business to the turnover of the Group as soon as practicable.

The Group's results in the FY2010 were mainly derived from manufacturing businesses.

Since the beginning of the FY2010, the Group's businesses were primarily affected by the global financial crisis. On one hand, the Group was benefited from the decrease in raw material prices which had partially helped improve the gross profit margin of the Group's manufacturing operations. While on the other hand, the Group was also confronted with the sluggish growth in new sales orders as a result of the global economic slowdown. In the second half year of the FY2010, raw material prices began to pick up, with certain raw material prices escalated to the level nearly par with those prior to the outbreak of the global financial crisis. On balance, during the FY2010, the benefits derived from the fluctuations in the raw material prices to the Group contributed in part to the performance. Despite a moderate decrease in the Group's consolidated turnover for the year, both the gross profit margins and segment results of the Group's manufacturing businesses (including the motors, feature plush and wooden toys, especially the electrical and electronic products businesses) had recorded different levels of improvement year-on-year. The satisfactory results were attributable to the success of the measures that the management have been implementing since the end of the financial year ended 31 March 2009 ("**FY2009**"), including cost control in production, sourcing and procurement procedures optimisation, production efficiency improvement, supply chain efficiency enhancement, integration of low efficiency operations and product mix adjustment, which in turn had enhanced the operating efficiency of the Group's operations.

By adopting a research and development-oriented approach in operating manufacturing business, the Group implements cost control systems through appropriate strategies such as production automation enhancement, continuing vertical integration and production efficiency improvement, so as to achieve the objective of staying competitive. The Group is confident that the contribution from its manufacturing businesses to the Group's profitability and cash flow will be maintained by the continuing implementation of such effective strategies.

RESULTS AND PROPOSED DIVIDEND

The Group's consolidated turnover for the FY2010 was HK$1,445,904,000, decreased 8.2% when compared to the comparative figure of HK$1,574,220,000 in the last year, mainly attributable to the decrease in the global market demand.

Profit attributable to owners of the Company increased 77.7%, year-on-year, to a record high of HK$158,567,000 since its listing, from HK$89,238,000 in the previous financial year. Basic earnings and diluted earnings per share for the year were HK38.52 cents and HK38.32 cents respectively (FY2009: HK21.83 cents and HK21.82 cents respectively), representing a year-on-year growth of 76.5% and 75.6%.

The Board is pleased to recommend the payment of a final dividend of HK8.0 cents (FY2009: HK4.0 cents) per share for the FY2010, representing HK$33,428,000 (FY2009: HK$16,353,000). The final dividend is expected to be paid on or before 22 September 2010 to those shareholders whose names appear on the Company's register of members on 31 August 2010, subject to the approval in the annual general meeting of the Company to be held on 31 August 2010. Based on the aforesaid recommended final dividend and the interim dividend of HK5.0 cents per share paid by the Company during the FY2010, the yearly dividend distributed by the Company during the FY2010 was HK13.0 cents (FY2009: HK8.5 cents), representing 33.9 % (FY2009: 39.0%) of the diluted earnings per share of the Company for the year.

STRATEGIES AND OUTLOOK

Having adapted to and built upon the Group's competitive strengths and expertise (including but not limited to the modernised and advanced management method, years of accumulated multi-function mechanical design, production technology and research and development capabilities, as well as the in-house geological expert team in the natural resources development sector), the management has all along been committed to implementing vertical and/or horizontal integration strategies and adjusting the Group's macro business mix and micro product mix through acquisitions, so as to balance the impact on the Group caused by cyclical economic and industry fluctuations, and thereby achieving the objective of achieving stable overall growth. Against this backdrop, the Group has performed and/or is performing the following major exercises:

- During the period under review, the Group completed the acquisition of the remaining 10% equity interests of Standard Motor Co., Ltd. ("**Standard Motor**", a 90% owned subsidiary of the Group (the "**Acquisition of Interest in Standard Motor**")). Standard Motor owns the industry renowned brand "**Standard Motor**". By leveraging on the Acquisition of Interest in Standard Motor, the Company will have more flexibility to carry out the motors business integration strategies, maximise the potential and values of the Group's motors business, as well as make full use of its existing brand "**Standard Motor**" for future development and expansion; and

STRATEGIES AND OUTLOOK *(continued)*

- Subsequent to the Acquisition of Interest in Standard Motor, the Group entered into an agreement in May 2010 to acquire the productive assets in Johor Bahru, Malaysia for the production of micro-electric motor encoder system/film and media (the "**Acquisition of Encoder Assets**"). Motor encoder system, which makes use of micro-electric motor as a key component, is essential for movement control in most printers. The Group is of the opinion that the Acquisition of Encoder Assets will create a synergistic effect complementing its motor manufacturing business and enable the Group to offer a wider range of products and services to the customers in the office automation industry, thereby establishing closer business relationships with these customers.

While exploring and developing new business, the Group strives to enhance its existing businesses to ensure that would continue to generate steady cash flows and earnings serving as the war-chest for the Group's future business expansion. In this regard, the Group has been planning for and/or undergoing the following major projects:

- The electrical and electronic products business has all along been focusing on the opportunities of producing more products with higher added-value. The Group has already started to construct production facilities in Shaoguan production site to add more production equipment, preparing itself for potential orders; and

- With the completion of the Acquisition of Interest in Standard Motor, the synergistic effects arising from integration of the Group's motor operations are becoming increasingly apparent. The Group is expanding the capacity of its production facilities in Shaoguan and Dongguan production sites to increase the production capacity of its motors business by approximately 30%, seizing the medium and short term growing business opportunities.

In the immediate term, it is expected that the Group's manufacturing businesses will experience pressure of potential rising operating costs in the ensuing financial year based on the available published economic data in the PRC and the situation that exporters in Guangdong Province have been facing very difficult business environment (including those issues such as increase in statutory minimum wage and escalating costs in human resources as a result of labour shortage, shortage of electricity and Renminbi appreciation) since the beginning of 2010. Going ahead, the Group will commit to implementing effective measures in improving production efficiency, including but not limited to production automation enhancement, and to increase its turnover to mitigate the negative impact on the Group as much as possible that could be caused by the possible movements in the PRC cost structure dynamics. As a whole, the management's view regarding the Group's overall performance in the ensuing financial year remains conservative but optimistic.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to our customers, business partners, suppliers and shareholders for their support and trust. At the same time, I would like to take this opportunity to extend my heartfelt thanks to the members of the Board and our staff for the dedicated efforts and contributions made to the Group during the past year.

CHENG Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 26 July 2010

Leveraging our stringent management systems, relentless efforts of our staff and support from our valued customers, the Company achieved sustainable and stable satisfactory results in the FY2010. To conclude a brief summary of the Company's performance to the FY2010 from a medium-term perspective – during the five financial years to the FY2010, the Company's turnover and profit attributable to owners of the Company achieved compounded annual growth rates of 16.4% and 27.6% respectively, and the five year average annual return on shareholders' equity was 13.7%. We understand that the record high profit attributable to owners of the Company achieved in FY2010 is not final, and yet, the Company believes that it is unveiling another stage where the Company will continue to strive unprecedentedly for stable growth by leveraging the solid foundation and financial strengths of the Group, stable client base and experienced and dedicated management team in order to bring fruitful returns to our shareholders.

CONSOLIDATED RESULTS

During the year, the Company was principally engaged in four major business segments, namely the electrical and electronic products, motors, feature plush and wooden toys, and resources development.

For the FY2010, the Group recorded a consolidated turnover of HK$1,445,904,000 (FY2009: HK$1,574,220,000), comprising segment external turnover of:

- HK$1,020,387,000 from the electrical and electronic products business, representing 70.6% of the consolidated turnover of the Group for the year (FY2009: HK$1,145,893,000, 72.8%);

- HK$378,262,000 from the motors business, representing 26.1% of the consolidated turnover of the Group for the year (FY2009: HK$315,677,000, 20.1%);

- HK$43,448,000 from the feature plush and wooden toys business, representing 3.0% of the consolidated turnover of the Group for the year (FY2009: HK$109,314,000, 6.9%); and

- HK$3,807,000 from the resources development business, representing 0.3% of the consolidated turnover of the Group for the year (FY2009: HK$3,336,000, 0.2%)

During the year under review, segment results of each of the electrical and electronic products business, the motors business, the feature plush and wooden toys business, and the resources development business were HK$194,670,000 (FY2009: HK$143,425,000), HK$28,878,000 (FY2009: HK$515,000), HK$4,497,000 (FY2009: HK$7,299,000), and loss of HK$29,314,000 (FY2009: loss of HK$11,050,000), respectively.

The turnover and profit of the Group in the FY2010 were mainly derived from manufacturing businesses on original manufacturing equipment ("**OEM**") and original design manufacturing ("**ODM**") basis, namely the electrical and electronic products, motor, and feature plush and wooden toys businesses. During the year, the Group's motors business segment turnover increased on a year-on-year basis, primarily due to the fact that sales orders started filtering through following successful qualification and certification of the relevant newly invested production facilities of our motors business segment successively and as customers looked to re-build inventory levels commencing the second half of the FY2010. However, the decline in turnover of our electrical and electronic products as well as feature plush and wooden toys business segments, mainly attributable to the sluggish economic growth worldwide, outweighed the increase in our motors business segment turnover during the year. As a result, the consolidated turnover of the Group decreased by 8.2% on a year-on-year basis.

CONSOLIDATED RESULTS *(continued)*

During the year under review, profit attributable to owners of the Company increased from HK$89,238,000 to HK$158,567,000, up 77.7%. Before inclusion of the one-off expense (incurred as a result of acquiring motor production assets) of HK$29,247,000 recorded in the FY2009, profit attributable to owners of the Company for the FY2010 represented a year-on-year growth of 33.8%. Basic earnings and diluted earnings per share for the year were HK38.52 cents and HK38.32 cents respectively (FY2009: HK21.83 cents and HK21.82 cents respectively), representing a year-on-year growth of 76.5% and 75.6%. Earnings per share increased in tandem with the profit attributable to owners of the Company as the funding needs of the Company during the year were mainly derived from its internal resources without any equity fundraising activities.

ELECTRICAL AND ELECTRONIC PRODUCTS BUSINESS SEGMENT

During the FY2010, this business segment consisted of (i) the development, design and manufacture of electronic and electrical toys, (ii) the electrical appliances operations specialising in artificial-intelligence (AI) products, and (iii) the development, design, manufacture and sale of small home electrical appliances.

Segment external turnover slightly decreased 11.0% from HK$1,145,893,000 in FY2009 to HK$1,020,387,000 whilst the segment results improved 35.7% to HK$194,670,000 from the comparative figure of HK$143,425,000 in the last year.

During the year under review, sales orders were in general supported by the success of several blockbuster movies and the production volume of artificial-intelligence vacuum-cleaning robots, jointly developed by the Company and our customer, had remained relatively stable. These positive factors had helped mitigate the adverse impact of the global economic slowdown on the Group. However, even though the Group's actively pursued small home appliance products business had achieved higher turnover, the segment turnover still declined on a year-to-year basis.

The management was early aware of the potential adverse impact on the Group of the possible decline in turnover in the FY2010, and hence had been implementing simultaneously various measures which were proven to be successful in enhancing operating efficiency. These measures include (i) production automation enhancement to escalate production efficiency and production value per worker, (ii) sourcing and procurement procedures optimisation to improve supply chain efficiency and in turn more effectively to reduce material costs, and (iii) the more stringent production management to reduce consumption losses. In addition, the Company has scaled down operations with unsatisfactory performance, such as terminating the production of low margin products, to implement comprehensive cost controls during the year under review. Through such management efforts and effective strategies, the segment results were satisfying given the operating environment was affected by rising material prices and wages during the second half of the FY2010.

ELECTRICAL AND ELECTRONIC PRODUCTS BUSINESS SEGMENT *(continued)*

With the current somewhat complicated external operating environment for manufacturers in the PRC – facing pressure of possible ever-rising operating costs, the management is obligated to strive for sales orders in a more prudent manner. To this end, the management shall carry out constant analysis on and evaluation of the market environment such as the latest market trend and competitive prices for making the most appropriate business decision to seize business opportunities with due sensitivity. In response to the complicated operating environment, the management has to give focused attention to the diversification efforts to broaden customer base and product mix and enlarge segment sales, including the development of healthcare equipment products. The Group has already started to construct production facilities in Shaoguan production site to add production equipment, preparing itself for potential orders. On the other hand, the domestic sales of small home electrical appliances under our own house brand in the PRC will continue to be actively pursued, by which the Group expects to expand the customer base of this business segment and increase the Renminbi income sources to partly offset the negative impact on the Group induced by possible Renminbi appreciation. With these strategies in place, the management expects to maintain the performance of this business segment in the ensuing financial year.

MOTORS BUSINESS SEGMENT

During the year, this business segment comprised the development, design and manufacture of a wide range of micro-electric motors and their related products (including DC (direct current)/AC (alternative current) motors, brushless motors and motor encoder systems), through OEM and ODM arrangements.

The segment external turnover increased from HK$315,677,000 in the FY2009 to HK$378,262,000, representing a year-on-year growth of 19.8%, whilst the segment results for the year was HK$28,878,000, with a more than 50-fold increase over the HK$515,000 in the FY2009.

Following the completion of the acquisition of certain productive assets for motors by the Group in February 2009 from independent third party, not only had the production capacity with respect to DC motors been enlarged, but the acquisition had also facilitated the Group to broaden the product portfolio of this business segment – additional ability to produce AC motors and increased production capacity of moulds, components and parts. FY2010 was the first full financial year for operating the relevant acquired assets immediately after the completion of the acquisition. During the year, the Group has aggressively activated the operation of the acquired assets by smoothening and strengthening the operations of the operating entity – "**Smart Motor**". The management efforts have been paid off with external sales orders under the Group's brand of "**Smart Motor**" began to filter through following obtaining the quality assurance certificates which include ISO9001, ISO14001 and ISO/TS 16949 certifications and qualification of our production facilities and product samples having been examined and approved by customers successively commencing the second half of the FY2010.

MOTORS BUSINESS SEGMENT *(continued)*

Although this business segment's performance in the first two quarters of the FY2010 was confined by the adverse impact of the relatively weak global economic growth, sales orders had picked up tremendously around the third quarter of the FY2010. This was mainly induced by the needs of customers, the business of which was benefited from the economic recovery or the expected recovery, to replenish inventory. Furthermore, not only had this business segment started to produce AC motors and motor-related products – motor encoder systems in the second half of the year, years of efforts to follow and develop new customers in major industries, including office automation and automotive industries, began to pay off with motor sales orders coming in. Combining these favorable external and internal factors, turnover of this business segment in the second half year of the FY2010 began to ramp up, recording an overall growth in annual turnover, and the segment results had also improved, year-on-year, mainly due to the expansion in the economies of scale and the absence of certain non-recurring expenses that have had incurred in the last year as a result of acquiring the said productive assets for motors.

Prior to the FY2010, the Group had been operating this business segment solely through "**Standard Motor**", which was 90% owned by the Company and manufactured DC motors only. As at the year-end date of the FY2010, the Group completed the acquisition of the 10% interest in Standard Motor, making it a wholly-owned subsidiary of the Company. Through this acquisition, the Group was able to implement strategies more effectively to integrate this business segment's operations of multiple production locations, products and operations, thereby accelerating the pace of development in this business segment. In this regard, the Group has leveraged the established Standard Motor to set up a motors business sub-group holding company, Standard Electric Holdings Limited ("**Standard Electric**"), to undertake and manage all motor and motor-related product businesses of the Group. Standard Electric also is endeavoured to provide one-stop services for its customers and establish closer business relationships with them, and in an effort to maximise the synergistic effects in respect of the production and sales aspects.

Looking forward, the Group is expected to experience pressure of potential continuing rising operating costs in the ensuing financial year, as mentioned before. Nevertheless, with the integration of the Group's motor operations, Standard Electric is one of the largest manufacturers of motor and motor-related products in the market equipped with considerable established competitive strengths, the management considers our motors business to be able to stay competitive. Particularly, the expected synergistic effects in respect of the production and sales aspects are also becoming increasingly apparent. In light of this, the Group is expanding the motors business' production capacity in Shaoguan and Dongguan production sites by 30%, expecting to capitalise the favourable market sentiments extended from the FY2010 and to seize the additional business opportunities. Subsequent to the end of the reporting period, the Company entered into an agreement in relation to the acquisition of the productive assets for motor encoder systems and film/media located in Johor Bahru, Malaysia. The Company had been diligently preparing for the completion of such acquisition, through which the competitive strengths of Standard Electric is expected to be enhanced.

Based on the analysis of the current situation, the management considers this business segment potentially to be able to improve its results performance in the ensuing financial year.

Standard Motor Co. Ltd.
標準微型摩打有限公司

Smart Electric Motor Co. Ltd.
精密電機有限公司

Standard Electric Holdings Limited
標準電機控股有限公司

RESOURCES DEVELOPMENT BUSINESS SEGMENT

Resources development business segment is the strategic platform for the Group to achieve long-term growth and performance. For years, the management has strived to adjust the macro-business structure of the Group and to expand into the non-manufacturing businesses so as to balance the impact on the Group caused by cyclical economic and industry fluctuations. The development of this business segment plays an important role in allowing the Group to achieve such goal.

During the year under review, this business segment comprised the development, manufacture and sales of Indium Tin Oxide ("**ITO**") targets and the exploration operations of the lead and zinc polymetallic ore mine located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC, through Xian Jinshi Mining Company Limited ("**Xian Jinshi**"), a 70% owned entity of the Company. The segment external turnover in the FY 2010, which was entirely generated from the sale of ITO targets, increased 14.1% on a year-on-year basis from HK$3,336,000 in FY2009 to HK$3,807,000, mainly due to the sale of small-sized ITO target to new customer leads and the increase in the market prices of ITO targets. Given that during the year under review (i) HK$11,286,000 for ITO target equipment was duly written off, (ii) the entire exploration costs of HK$10,472,000 incurred by Xian Jinshi was expensed, and (iii) the operations of the ITO target business with small production capacity resulted in a negative margin, segment loss increased to HK$29,314,000 from the comparative figure of HK$11,050,000 in the last year.

Our natural resources development business' geological expert team is headed by Mr. Xu Jianchao（許劍超先生）, leading five experienced geological engineers (in addition to the team of geological experts in Xian Jinshi). Mr. Xu, aged 68, has over 40 years of experience in reconnaissance survey and prospecting（普查找礦）and exploration（勘探）with respect to a wide range of metal minerals (precious metals, non-ferrous metals, rare metals, rare earth metals, etc.) in the PRC. He is a renowned professor-grade senior engineer in the PRC geological field and a PRC National-level Mineral Resources Reserve Appraiser（國家級礦產資源儲量評估師）. He is also one of the principal geological experts contributed to the discovery of a large-scale gold mine in Guangdong Province. Mr. Xu plays an important role in not only evaluating investment opportunities but also strategising exploration of the mine on hand in this business segment.

The Group's current strategy for the natural resources development business is to invest in potential exploration projects to develop resources and create returns through the exploration capabilities and expertise of the Group. The Group's geological expert team has been structured to look for development opportunities and the Group has studied more than 20 natural resources development opportunities during the year. Following the review on and investigation of development opportunities in the past, the Group expects to add, at least, one more exploration project in our portfolio of natural resources development business in the near future.

Materials Development Business

With the continuous efforts in the research and development of ITO target, the Group has achieved satisfactory results lately. ITO target is used in the production of transparent electricity conductive glue for liquid-crystal display. During the year, the Group successfully developed customers in "touch screen" industry for small-sized ITO target and had received certain medium-term small batch orders. However, since the production capacity is not able to cater for the potential orders, the Company is considering stepping up investment in production equipment in order to expand the product capacity of our ITO target business and other means to improve is performance.

RESOURCES DEVELOPMENT BUSINESS SEGMENT *(continued)*

Natural Resources Development Business

Following the acquisition of the 70% interest in Xian Jinshi in September 2007, the Group was awarded an exploration license for the relevant polymetallic mining area, conferring the rights to explore an area (the "**Exploration Area**") originally of approximately 39.23 square kilometers, containing primarily lead, zinc and gold deposits. The term of the exploration license has expired in April 2010, and the Group had renewed the exploration term to April 2012 upon its expiry. However, in accordance with the national relevant requirements in the PRC, the Exploration Area with respect to the renewal license has been reduced to approximately 27.44 square kilometers (excluding the Exploitation Area as defined below).

The reconnaissance survey work on the Exploration Area has led to the discovery of 21 mine vein, with the geologic features and mineral formation background basically outlined within there. There is also a fundamental understanding of the structure and formation of ore deposits in this polymetallic ore mine. From the results of chemical analysis of the ores, the average metal content ranges from 6.49% to 9.74% for lead, 0.42% to 0.63% for zinc, 0.25% to 0.38% for copper, 1.10 grams/tonne to 1.65 grams/tonne for gold and 36.41 grams/tonne to 54.62 grams/tonne for silver. Such findings point to the long-term potential of developing the mine into a medium-scale mine, with prospective metal reserves of approximately 100,000 metric tonnes.

During the reporting period, Xian Jinshi completed the submission of the exploration results of the relevant exploration area of approximately 2.2 square kilometers involving 4 mine vein discovered within the Exploration Area and had applied for the exploitation licence. In May 2010, the granting of the exploitation licence by the Land and Resources Bureau of Shaanxi Province (陝西省國土資源廳) to Xian Jinshi for extracting lead and zinc metals was approved, with a planned production capacity of 60,000 tonnes of ore per annum and an expected service term of approximately six years, in respect of the relevant area ("**Exploitation Area**") of approximately 2.2 square kilometers with a total resources/reserves of 363,000 tonnes of ores therein. The Group is accelerating progress of the relevant exploitation work on the Exploitation Area. According to the current situation, the management is of the opinion that it would take time to construct our own ore processing plant (選礦廠). In light of this, the Group has been actively negotiating with relevant parties in respect of the acquisition of an existing ore processing plant without delaying the preparation of the construction of our own ore processing plant, so as to provide ore processing services for Xian Jinshi as soon as possible.

The Group is carrying out full geological exploration work for the remaining unexplored area in the Exploration Area to accelerate progress of developing the mine. By leveraging the combined experience and expertise of our PRC partner, the Sixth Geological Team of the Shaanxi Province Bureau of Geological Minerals Exploration (陝西省地質礦產勘查開發局第六地質隊), which owns the remaining 30% interest in Xian Jinshi, and our in-house geological expert team, the Group maintains a positive outlook for the ongoing development of this new upstream business initiative.

FEATURE PLUSH AND WOODEN TOYS BUSINESS SEGMENT

During the year under review, this business segment comprised the development, design, manufacture and sales of a broad range of feature plush, wooden and educational toys on OEM basis and under the Group's own house brand.

The feature plush and wooden toys business experienced a decrease in turnover due to the lack of blockbuster related products support and also the plush toys products, launched under our own house brand in the middle of the year, had not achieved satisfactory performance as anticipated. As a result, the segment external turnover decreased from HK$109,314,000 in the FY2009 to HK$43,448,000, representing a decline of 60.3% on a year-on-year basis. With a corresponding proportional decline, the segment results decreased from HK$7,299,000 in FY2009 to HK$4,497,000.

Amongst the Group's business segments, this business segment was most vulnerable to the global economic slowdown in the FY2010. The management has taken corresponding measures, including the potential appointment of suitable sales agents to broaden distribution channels in facilitating the promotion of our own house brand plush toys products and the initiatives to explore the U.S. market for wooden toys products. Some of these measures have seen the desired results, but yet the management will continue to explore business opportunities with a view to improve the performance of this business segment in the ensuing financial year.

Think Plush

FINANCIAL CONDITIONS, LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development. The Group has always been executing a prudent and conservative strategy in its financial management. As at 31 March 2010, the Group had time deposits of HK$114,219,000 (31 March 2009: HK$50,131,000), cash and bank balances of HK$245,801,000 (31 March 2009: HK$129,032,000), and net current assets of HK$407,650,000 (31 March 2009: HK$304,122,000). As at 31 March 2010, shareholders' equity was HK$927,581,000 (31 March 2009: HK$828,670,000). Currently, total consolidated banking facilities of the Group from all banks as at 31 March 2010 amounted to approximately HK$169,200,000 (31 March 2009: HK$252,000,000), of which HK$72,000,000 (31 March 2009: HK$87,000,000) was utilised. However, during the year, no asset was being pledged to the banks for obtaining such facilities.

As at 31 March 2010, current ratio of the Group (current assets divided by current liabilities) was 2.5 times and maintained at a healthy position (31 March 2009: 2.8 times), and gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) was 0.08 times and maintained at a relatively low level (31 March 2009: 0.11 times). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

INVESTMENT ACTIVITIES

As at 31 March 2010, the Company had completed the acquisition of the remaining 10%, in aggregate, equity interest in Standard Motor Co., Ltd. at a consideration of HK$30,000,000. After completion the acquisition, Standard Motor Co., Ltd. becomes an indirect wholly-owned subsidiary of the Company. Other than the above, the Group did not make any material acquisition or disposal of any of its subsidiaries or associated company during the year.

CONTINGENT LIABILITIES

Detailed information regarding the contingent liabilities of the Company is disclosed in note 32 of the financial statements.

EMPLOYEES AND REMUNERATION POLICES

As at 31 March 2010, the Group had approximately 12,000 employees (as at 31 March 2009: 15,000), of which approximately 90 (as at 31 March 2009: 50) of them were stationed in Hong Kong headquarter with the remaining working in PRC.

The Group remunerates its employees largely in accordance with prevailing industry standards. In Hong Kong, the Group's employee benefits include staff retirement scheme, medical scheme and performance bonus. In PRC, the Group provides to its employees staff welfare and allowances in accordance with prevailing Labour Law. The Group has also put in place a share option scheme to motivate and reward staff with outstanding performance. The employees of the Group will be granted the options at the discretion of the Board, of which the number of share options granted is determined by individual performance and level of responsibilities.

CLOSURE OF REGISTER OF MEMBERS

The Company's share register will be closed between Thursday, 26 August 2010 to Tuesday, 31 August 2010, both days inclusive, during which, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2010 and to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Wednesday, 25 August 2010.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 26 July 2010

The directors of the Company (the "**Directors**") present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the year consisted of the design, manufacture and sale of electrical and electronic products, motors, feature plush and wooden toys, materials primarily for use in liquid crystal display and mine exploration.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 108.

An interim dividend of HK5.0 cents per ordinary share was paid to shareholders on 8 January 2010. The Directors recommend the payment of a final dividend of HK8.0 cents per ordinary share in respect of the year to shareholders on the register of members on 31 August 2010. Details are set out in note 11 to the financial statements.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements of the Group. This summary does not form part of the audited financial statements.

	Year ended 31 March				
RESULTS	**2010**	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,445,904**	1,574,220	1,637,242	920,944	778,293
PROFIT BEFORE TAX	**188,127**	100,818	135,858	77,601	68,447
Income tax expense	**(30,655)**	(9,766)	(16,882)	(6,908)	(4,017)
PROFIT FOR THE YEAR	**157,472**	91,052	118,976	70,693	64,430
ATTRIBUTABLE TO:					
Owners of the Company	**158,567**	89,238	117,268	67,183	59,901
Non-controlling interests	**(1,095)**	1,814	1,708	3,510	4,529
	157,472	91,052	118,976	70,693	64,430

SUMMARY FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES	As at 31 March 2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS	**572,442**	609,607	534,882	394,569	338,061
CURRENT ASSETS	**684,271**	474,465	566,908	457,927	357,577
TOTAL ASSETS	**1,256,713**	1,084,072	1,101,790	852,496	695,638
CURRENT LIABILITIES	**(276,621)**	(170,343)	(293,367)	(186,600)	(98,016)
NON-CURRENT LIABILITIES	**(52,511)**	(85,059)	(17,599)	(15,901)	(12,672)
TOTAL LIABILITIES	**(329,132)**	(255,402)	(310,966)	(202,501)	(110,688)
NET ASSETS	**927,581**	828,670	790,824	649,995	584,950

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and the share options of the Company during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 March 2010, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK$154,715,000 of which HK$33,428,000 has been proposed as final dividend for the year after the reporting period. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK$104,750,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK$123,015,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 75% of the total sales for the year and sales to the largest customer included therein amounted to 32%.

Purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total purchases of the Group for the year.

As far as the Directors are aware, neither the Directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")), nor those shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's major customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Cheng Chor Kit
Fung Wah Cheong, Vincent
Wong Wai Ming (resigned on 1 May 2010)
Wong Weng Loong
Liu Tat Luen (appointed on 28 December 2009)

Independent non-executive directors

Chung Chi Ping, Roy
Wong Chi Wai
Sun Kwai Yu

Subsequent to the end of the reporting period, on 1 May 2010, Wong Wai Ming resigned as a director of the Company.

In accordance with the Company's bye-laws, Liu Tat Luen, Wong Chi Wai and Sun Kwai Yu will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Directors confirm that the Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Cheng Chor Kit entered into a service contract with the Company commencing from 1 August 2005 without a fixed term but subject to termination by either party giving not less than six months' notice in writing to the other party. Each of Fung Wah Cheong, Vincent, Wong Weng Loong, Wong Wai Ming and Liu Tat Luen entered into a service contract with the Company for a term of three years commencing from 26 August 2008, 4 October 2009, 1 January 2007 and 28 December 2009, respectively, subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws unless terminated by either party giving not less than six months' notice in writing to the other party, the termination of which should not be later than the end of the three years.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(A) Shares

Name of director	Long position/ short position	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Cheng Chor Kit	Long position	Founder of a trust	273,124,000 *(Note)*	65.36
		Beneficial owner	3,300,000	0.79
		Interest held by spouse	1,200,000	0.29
Fung Wah Cheong, Vincent	Long position	Beneficial owner	6,000,000	1.44
Wong Weng Loong	Long position	Beneficial owner	208,000	0.05
Wong Wai Ming	Long position	Beneficial owner	336,000	0.08

Note: These shares are held by Resplendent Global Limited ("**Resplendent**"), a company incorporated in the British Virgin Islands. Padora Global Inc. ("**Padora**") is the beneficial owner of all the issued share capital of Resplendent. Padora is a company incorporated in the British Virgin Islands and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustees of a discretionary trust established by Cheng Chor Kit for his family.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(B) Underlying shares

Name of director	Long position/ short position	Capacity	Number of underlying shares in respect of share options held and approximate percentage of shareholding	Date of share options granted	Exercise period	Exercise price per share
Fung Wah Cheong, Vincent	Long position	Beneficial owner	2,500,000 (0.60%) *(Note)*	8/10/2007	1/8/2008 – 7/10/2017	HK$2.52
		Beneficial owner	1,400,000 (0.34%)	23/7/2009	1/8/2010 – 22/7/2019	HK$1.426
Wong Weng Loong	Long position	Beneficial owner	500,000 (0.12%)	14/3/2008	14/3/2009 – 13/3/2018	HK$1.99
Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.48%)	4/1/2010	4/1/2013 – 3/1/2020	HK$2.102

Note: These share options are proposed to be cancelled at the forthcoming annual general meeting.

The directors' interests in the Company's share options are disclosed in note 27 to the financial statements.

Save as disclosed above, as at 31 March 2010, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 27 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies or subsidiaries or fellow subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF THE DIRECTORS

Executive directors

Cheng Chor Kit, aged 58, is the chairman and chief executive officer of the Company. He is the founder of the Group and is responsible for the Group's overall operation and strategic planning. He is also a member of the Company's remuneration committee and nomination committee. He is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Congress (中國人民政治協商會議廣東省委員會委員) and a member of the Shaoguan, Guangdong Provincial Committee of the Chinese People's Political Consultative Congress (中國人民政治協商會議廣東省韶關市委員會常務委員). He has over 41 years of experience in the toy industry.

Fung Wah Cheong, Vincent, aged 54, is the deputy chairman of the Company and is responsible for the corporate and business management of the Group. He is also a member of the Company's remuneration committee and nomination committee. He holds a master of science degree in engineering business management and has over 30 years of experience in the toy industry. Before he joined the Group in April 2005, he had worked as an engineering director in a sizeable toys manufacturing and distribution company.

Wong Wai Ming, *FCPA, FCCA,* aged 37, was the finance director of the Company. He joined the Group in 2001 and was responsible for overseeing all of the finance and accounting matters of the Group. He holds a bachelor degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he had over 7 years of experience in auditing and accounting in international accounting firms.

Wong Weng Loong, aged 40, is an executive director of the Company. He joined the Group in 1996 and is responsible for the overall production and operation in Shenzhen and Shixing, Shaoguan, the People's Republic of China. He holds a master degree and a doctor degree in business administration from Wisconsin International University and has more than 18 years' experience in manufacturing industries.

Liu Tat Luen, aged 45, is an executive director of the Company. He joined the Group in December 2009 and has a focus on the natural resources development business as well as the finance and corporate affairs of the Company. He holds a bachelor degree in science (Quantity Surveying) from the University of Hong Kong and a master degree in business administration from the Chinese University of Hong Kong. Prior to joining the Company, Mr. Liu served as a director and a responsible officer in a corporate finance advisory firm (type 6 regulated activities under the SFO) in Hong Kong and has over 20 years of working experience in the financial industry in Asia as a whole.

BIOGRAPHICAL DETAILS IN RESPECT OF THE DIRECTORS *(continued)*

Independent non-executive directors

Dr. Chung Chi Ping, Roy, *JP*, aged 57, has been an independent non-executive director of the Company since January 1997. He is also the chairman of the Company's remuneration committee and a member of the Company's audit committee and nomination committee. He is the co-founder and vice chairman of Techtronic Industries Company Limited. He holds a doctor degree of engineering from the University of Warwick, the United Kingdom. Dr. Chung was awarded an honorary doctor degree by the University of Newcastle in New South Wales, Australia, in 2006. He was further awarded an honorary doctor of business administration by the Hong Kong Polytechnic University in 2007. He was also appointed as a Justice of the Peace by the Hong Kong SAR Government effective on 1 July 2005 and won the Hong Kong Young Industrialists Award in 1997. Dr. Chung is an active member of many government commissions. He is currently the vice chairman of the Federation of Hong Kong Industries, a member of the Steering Committee on Innovation and Technology of Innovation and Technology Commission and the vice chairman of The Hong Kong Standard & Testing Centre Limited. He is a council member of the University of Warwick, the United Kingdom, the chairman of the university court of the Hong Kong Polytechnic University and the vice chairman of the Vocational Training Council. He is also the executive committee chairman of the Outward Bound Trust of Hong Kong Limited and the executive committee chairman of the Boys' and Girls' Club Association of Hong Kong.

Wong Chi Wai, aged 44, has been an independent non-executive director of the Company since September 2004. He is also the chairman of the Company's nomination committee and a member of the Company's audit committee and remuneration committee. He is a certified public accountant (practising) in Hong Kong and an associate member of The Institute of Chartered Accountants in England and Wales. He has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has over 22 years of experience in the accountancy profession and he currently is the owner of a certified public accountants firm and an adviser of a law firm. He is also an independent non-executive director and audit committee member of Bonjour Holdings Limited and Arts Optical International Holdings Limited, respectively.

Sun Kwai Yu, aged 48, has been an independent non-executive director of the Company since September 2004. She is also the chairman of the Company's audit committee and a member of the Company's remuneration committee and nomination committee. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She had 19 years' experience working in a renowned international accounting firm and she is currently the founder and chief consultant of a consultancy firm.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity of interest and nature	Number of ordinary shares held	Approximate percentage of the Company's issued share capital	Number of share options held
Cheng Chor Kit	Through a controlled corporation, beneficial owner and interest held by spouse	277,624,000 *(Notes 1 and 3)*	66.44	–
Hallgain Management Limited ("**Hallgain**")	Through a controlled corporation	28,762,000 *(Note 2)*	6.88	–

Note 1: Among these shares, 273,124,000 shares were held through Resplendent and 1,200,000 shares were held by the spouse of Cheng Chor Kit.

Note 2: These shares were held by Kingboard Investment Limited ("**KIL**"). Jamplan (BVI) Limited ("**Jamplan**") is the beneficial owner of all the issued share capital of KIL while Jamplan is wholly owned by Kingboard Chemical Holdings Limited ("**KCHL**"), which is owned as to approximately 30.97% of the entire issued share capital of KCHL by Hallgain.

Note 3: This refers to the same shareholding of Cheng Chor Kit mentioned in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.

The details of the share options outstanding during the year are separately disclosed in note 27 to the financial statements.

Save as disclosed above, as at 31 March 2010, no person, other than Cheng Chor Kit, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CONNECTED TRANSACTIONS

The Company had the following connected transactions, certain details of which are disclosed in accordance with the requirements of Chapter 14A of the Listing Rules.

During the year, the Group sold motors to the value of HK$940,000 to Gimelli Laboratories Company Limited, of which Chung Chi Ping, Roy, an independent non-executive director of the Company, is also a director.

On 23 March 2010, Cavetto Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into three separate sale and purchase agreements to acquire from a connected person, being a director of Standard Motor Company Limited, 8.0% and two independent third parties each of 1.0% of the equity interest in Standard Motor Company Limited for cash considerations of HK$24,000,000, HK$3,000,000 and HK$3,000,000, respectively. The transactions were completed on 31 March 2010.

The above transactions also constituted related party transactions as detailed in note 29 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the year under review and up to the latest practicable date prior to the issue of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 36 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong
26 July 2010

The Group strives to attain high standards of corporate governance at all time and in all areas of its operations for maximising long-term shareholder value while balancing broader stakeholders' interests. The corporate governance principles of the Company emphasise quality board of directors, effective internal control, stringent disclosure practices, an ethical corporate culture and accountability to all stakeholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews its corporate governance guidelines and development. In the opinion of the Board, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2010 except for the deviation from provision A.2.1 of the CG Code as described in the section "Chairman and Chief Executive Officer" in this Corporate Governance Report. The Board has also reviewed this report and is satisfied that it has been in full compliance with all the requirements stipulated in the Corporate Governance Report (the "**CG Report**") in Appendix 23 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code on terms no less exacting than the required standard set out in the Model Code regarding securities transactions by the directors. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year. The relevant employees who, because of their offices in the Group, are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code.

BOARD OF DIRECTORS

Composition of the Board of Directors

As of the date of this report, the Board comprises seven members. There are four executive directors and three independent non-executive directors coming from diverse businesses and professional backgrounds as shown in detailed biographies on pages 20 to 21 in this annual report. None of the Directors has any financial, business, family or other material or relevant relationships among the members.

During the financial year ended 31 March 2010 and up to the date of this report, the directors of the Company were:

Executive Directors

Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*
Mr. Fung Wah Cheong, Vincent *(Deputy Chairman)*
Mr. Wong Wai Ming (resigned on 1 May 2010)
Mr. Wong Weng Loong
Mr. Liu Tat Luen (appointed on 28 December 2009)

Independent Non-executive Directors

Dr. Chung Chi Ping, Roy *JP*
Mr. Wong Chi Wai
Ms. Sun Kwai Yu

BOARD OF DIRECTORS *(continued)*

Functions of the Board of Directors

The Company's overall management is vested in its Board which accepts that it is ultimately accountable and responsible for the performance and affairs of the Group. The Board decides on corporate strategies, approves overall business plans, and supervises the Group's financial performance with the goal of maximising long-term shareholder value, while balancing broader stakeholders' interests.

To facilitate the operations of the Board, the Board has established a schedule of matters reserved for its approval. The specific responsibilities reserved for the Board include: setting the Group's strategies and dividend policy, approving budgets, reviewing operational and financial performance, approving major investments and divestments, reviewing internal control system and risk management procedures of the Group, ensuring appropriate management development and succession plans in place, approving appointments of directors and other senior executives, approving corporate social responsibility policies, ensuring effective communication with shareholders and other significant operational and financial matters.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive directors, senior management and certain specific responsibilities to the Board committees. The management is required to prepare annual and interim accounts for board approval before public reporting, execute of business strategies and initiatives adopted by the Board, implement of effective internal control system and risk management procedures, and comply with relevant statutory requirements and rules and regulations.

The Board met six times during the year ended 31 March 2010 and meeting attendance records are set out on page 30 of this annual report.

Chairman and Chief Executive Officer

According to provision A.2.1 of the CG Code, the role of chairman and chief executive officer shall be separated and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of the chairman and the chief executive officer of the Company are not separated and performed by the same individual, Mr. Cheng Chor Kit. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issue affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

BOARD OF DIRECTORS *(continued)*

Independent Non-executive Directors

The independent non-executive directors of the Company bring a wide range of skills and business experience to the Group. They also bring independent judgment on issue of strategy, performance and risk through their contribution to Board meetings and to the Board's committee meetings.

In compliance with Rule 3.10 of the Listing Rules, there are three independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received, from each of the independent non-executive directors, the written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. Evaluated the independence of all independent non-executive directors on an annual basis and based on their confirmation, the Board considers the independent non-executive directors to be independent.

Directors' Appointment, Re-election and Removal

Each of the executive directors (except Mr. Cheng Chor Kit) has entered into a service contract with the Company for a term of three years and subject to a termination by giving not less than six months' prior written notice.

Mr. Liu Tat Luen joined the Company as executive director and entered into a service contract with the Company for a term of three years commencing 28 December 2009. He is subject to a termination by either party giving not less than six months' prior written notice.

Mr. Wong Wai Ming resigned as an executive director of the Company with effect from 1 May 2010.

Under provision A.4.1 of CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Each of independent non-executive directors of the Company has entered into a service contract with the Company for a term of three years and subject to a termination by giving not less than three months' prior written notice. All directors (including executive directors and independent non-executive directors) of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

REMUNERATION COMMITTEE

The main roles and responsibilities of the remuneration committee are set out by the Board with clearly defined written terms of reference. The remuneration committee of the Board currently comprises three independent non-executive directors, namely Dr. Chung Chi Ping, Roy *JP* (Chairman of the committee), Mr. Wong Chi Wai and Ms. Sun Kwai Yu and two executive directors namely Mr. Cheng Chor Kit and Mr. Fung Wah Cheong, Vincent.

REMUNERATION COMMITTEE *(continued)*

The remuneration committee of the Board was established with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management and make recommendations to the Board on the remuneration structure. The directors' fees are subject to shareholders' approval at general meetings. Emoluments are determined by the remuneration committee with reference to the employee's duties, responsibilities and performance and the results of the Group. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Company's executive directors is to enable the Company to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved. No Company's director can, however, approve his or her own remuneration.

The remuneration committee of the Board met four times during the year ended 31 March 2010 to review and approve the director's remuneration packages. Meeting attendance records of the remuneration committee are set out on page 30 of this annual report.

Information relating to the remuneration of each Director for the year under review is set out in note 8 to the financial statements of the Group.

NOMINATION COMMITTEE

The nomination committee of the Board was established with specific terms of reference. The nomination committee of the Board currently comprises three independent non-executive directors, namely Mr. Wong Chi Wai (Chairman of the committee), Dr. Chung Chi Ping, Roy *JP* and Ms. Sun Kwai Yu and two executive directors namely Mr. Cheng Chor Kit and Mr. Fung Wah Cheong, Vincent.

The nomination committee of the Board is required to review the structure, size and composition of the Board on a regular basis and ensure that the Board is properly constituted with a balanced mix of skills, qualifications and experience to meet its fiduciary obligations to the Company and its shareholders as well as to face the Company's current and emerging operating and strategic challenges and opportunities.

The nomination committee of the Board meets at least once each year and is responsible for recommending to the Board all new appointments of directors identify by referral or intermediary agencies. The nomination committee of the Board considers the past performance and qualification of the candidates for directors, general market conditions and the Bye-laws of the Company in selecting and recommending candidates for directorship during the year under review.

During the year ended 31 March 2010, the nomination committee of the Board held two meetings. At the meetings, the nomination committee of the Board discussed the nomination of executive directors and reviewed the structure, size and composition including the skills, knowledge and experience of the Board and made recommendation to the Board accordingly. Meeting attendance records of the nomination committee of the Board are set out on page 30 of this annual report.

AUDIT COMMITTEE

The main roles and responsibilities of the audit committee of the Board are set out by the Board with clearly defined written terms of reference. The audit committee of the Board currently comprises three independent non-executive directors, namely Ms. Sun Kwai Yu (Chairperson of the committee), Dr. Chung Chi Ping, Roy *JP* and Mr. Wong Chi Wai and at least one of them possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The audit committee's principal responsibilities are reviewing and monitoring the integrity of financial reports; the effectiveness of the Group's internal control and risk management systems; overseeing the financial reporting and audit processes and the independence of the external auditors.

During the year ended 31 March 2010, the audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and financial reporting matters including reviewing the audited financial statements for the year ended 31 March 2009 as well as the interim report for the six months ended 30 September 2009. The audit committee also reviewed the Group's financial controls, internal control and risk management systems, discussed internal control matters, conducted discussions with the external auditors on financial reporting, compliance, the effectiveness of the audit process, and reported all relevant matters to the Board during the year ended 31 March 2010.

The audit committee of the Board held five meetings during the year ended 31 March 2010. Meeting attendance records of the audit committee of the Board are set out on page 30 of this annual report.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Financial Reporting Responsibility

The Board has an ultimate responsibility for preparing the financial statements which give a true and fair view of the Group's state of affairs of the results and cashflow for the year. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted; appropriate accounting policies have been used and applied consistently; and reasonable and prudent judgments and estimates have been made. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as set out in the provision C.1.2 of CG Code. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements of the Group.

The Independent Auditor's Report on page 31 to 32 of this annual report has set out the reporting responsibilities of Ernst & Young, the external auditors of the Company.

Auditors' Remuneration

Nature of services	**2009/2010**	2008/2009
	HK$'000	*HK$'000*
Audit services	**1,500,000**	1,810,000
Non-audit services		
Tax services	**243,000**	213,000
Total	**1,743,000**	2,023,000

INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Group's overall internal control, financial control and risk management systems and shall monitor their effectiveness from time to time.

The Group is committed to set up and maintain a sound and effective internal control system which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievement of the Group's objectives. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis and in addition, procedures are set up for protecting the Group's assets, and to safeguard these assets against unauthorised use or disposition by ensuring that all such transactions shall be executed in accordance with management's authorisation. Other controls include controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication.

During the year, the Group had appointed an independent firm of certified public accountants to conduct a review on the effectiveness of the major cycles of the Group's internal control system. Such review covered all material controls, including financial, operational and compliance controls and risk management functions and it did not reveal any significant defects.

The aforesaid is an ongoing process for identifying, evaluating and managing of significant business, financial, compliance and operational risks specific to the Group. Relevant recommendations made by the independent firm of certified public accountants who performed the review would be implemented, if appropriate, as soon as practicable, by the Group to further enhance its internal control policies, procedures and practices.

In respect of the year ended 31 March 2010, the Board, through audit committee of the Board, reviewed the effectiveness of the system of internal control of the Group and was satisfied that the Group had fully complied with the code provision on internal control as set forth in the CG Code. The Board also reviewed the resources and qualification and experience of staffing of accounting and financial reporting function and their training programmes and budget during the year ended 31 March 2010 and considered them to be adequate.

INVESTOR RELATIONS

The Board recognises the importance of maintaining clear, timely and effective communications with shareholders of the Company. Annual reports and interim reports are published to provide shareholders with comprehensive information of the Company's operational and financial performances. The Company practices timely dissemination of information and makes sure its website www.kinyat.com.hk contains the most current information, including annual reports, interim reports, announcements and monthly returns, and is updated in a timely manner to ensure transparency.

The Board makes its endeavour to maintain an ongoing and transparent communications with all shareholders of the Company and, in particular, use general meetings as a platform for shareholders to state and exchange views with the Board directly and encourage their participation. The Directors are available to answer questions throughout an annual general meeting. External auditors are also available at an annual general meeting to address shareholders' queries.

The Board continues to maintain regular dialogue with financial analysts and institutional investors as appropriate to keep them informed the Group's strategies, operations, management and plans.

ATTENDANCE RECORD FOR THE BOARD AND BOARD COMMITTEE MEETINGS IN 2009/2010

The number of Board and board committee meetings attended by each Director for the year ended 31 March 2010.

		No. of meeting attended/held		
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director				
Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*	5/6	N/A	3/4	2/2
Mr. Fung Wah Cheong, Vincent *(Deputy Chairman)*	4/6	N/A	4/4	2/2
Mr. Wong Wai Ming (resigned on 1 May 2010)	6/6	N/A	N/A	N/A
Mr. Wong Weng Loong	4/6	N/A	N/A	N/A
Mr. Liu Tat Luen (appointed on 28 December 2009)	2/6	N/A	N/A	N/A
Independent Non-executive director				
Dr. Chung Chi Ping, Roy *JP* (Chairman of the remuneration committee)	6/6	5/5	4/4	2/2
Mr. Wong Chi Wai (Chairman of the nomination committee)	6/6	5/5	4/4	2/2
Ms. Sun Kwai Yu (Chairperson of the audit committee)	5/6	5/5	3/4	1/2

ERNST & YOUNG
安 永

To the shareholders of Kin Yat Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Kin Yat Holdings Limited set out on pages 33 to 108, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

26 July 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**1,445,904**	1,574,220
Cost of sales		**(1,106,586)**	(1,309,528)
Gross profit		**339,318**	264,692
Other income and gains, net	5	**23,038**	12,668
Selling and distribution expenses		**(38,137)**	(40,344)
Administrative expenses		**(134,943)**	(105,028)
Other expenses	7	**–**	(29,247)
Finance costs	6	**(1,001)**	(1,790)
Share of profits and losses of associates		**(148)**	(133)
PROFIT BEFORE TAX	7	**188,127**	100,818
Income tax expense	9	**(30,655)**	(9,766)
PROFIT FOR THE YEAR		**157,472**	91,052
ATTRIBUTABLE TO:			
Owners of the Company	10	**158,567**	89,238
Non-controlling interests		**(1,095)**	1,814
		157,472	91,052
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK38.52 cents**	HK21.83 cents
Diluted		**HK38.32 cents**	HK21.82 cents

Details of the dividends are disclosed in note 11 to the financial statements.

	Notes	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**157,472**	91,052
OTHER COMPREHENSIVE INCOME/(EXPENSE):			
Revaluation surplus/(deficit), net	*13*	**3,730**	(2,411)
Deferred tax credited/(debited) to revaluation reserve	*25*	**(669)**	454
		3,061	(1,957)
Exchange differences on translation of foreign operations		**72**	(9,989)
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	*7*	**(4,806)**	(604)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**155,799**	78,502
ATTRIBUTABLE TO:			
Owners of the Company		**156,839**	77,305
Non-controlling interests		**(1,040)**	1,197
		155,799	78,502

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**518,097**	553,679
Investment properties	14	**37,727**	36,591
Prepaid land lease payments	15	**14,009**	14,286
Goodwill	16	**4,650**	4,650
Interests in associates	18	**(7,199)**	(7,028)
Deferred development costs	19	**5,158**	7,429
Total non-current assets		**572,442**	609,607
CURRENT ASSETS			
Inventories	20	**155,519**	154,842
Accounts receivable	21	**132,932**	120,866
Prepayments and deposits		**35,800**	19,594
Time deposits		**114,219**	50,131
Cash and bank balances		**245,801**	129,032
Total current assets		**684,271**	474,465
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	22	**226,910**	146,585
Derivative financial instruments	23	**–**	798
Interest-bearing bank borrowings	24	**33,542**	14,583
Tax payable		**16,169**	8,377
Total current liabilities		**276,621**	170,343
NET CURRENT ASSETS		**407,650**	304,122
TOTAL ASSETS LESS CURRENT LIABILITIES		**980,092**	913,729
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**38,819**	72,361
Deferred tax liabilities	25	**13,692**	12,698
Total non-current liabilities		**52,511**	85,059
NET ASSETS		**927,581**	828,670

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	*26*	**41,785**	40,882
Reserves	*28(a)*	**890,560**	768,416
		932,345	809,298
Non-controlling interests		**(4,764)**	19,372
TOTAL EQUITY		**927,581**	828,670

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

	Equity attributable to owners of the Company										
		Reserves									
	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2008	40,882	107,226	6,023	27,564	65,321	6,150	–	517,483	729,767	20,175	790,824
Revaluation deficit, net	–	–	–	(2,411)	–	–	–	–	(2,411)	–	(2,411)
Revaluation deficit shared by non-controlling interests	–	–	–	86	–	–	–	–	86	(86)	–
Deferred tax credited to revaluation reserve *(note 25)*	–	–	–	454	–	–	–	–	454	–	454
Exchange differences on translation of foreign operations	–	–	–	–	(9,458)	–	–	–	(9,458)	(531)	(9,989)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary *(note 7)*	–	–	–	–	(604)	–	–	–	(604)	–	(604)
Profit for the year	–	–	–	–	–	–	–	89,238	89,238	1,814	91,052
Total comprehensive income/(expense) for the year	–	–	–	(1,871)	(10,062)	–	–	89,238	77,305	1,197	78,502
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,000)	(2,000)
Final 2008 dividend paid *(note 11)*	–	–	–	–	–	–	–	(22,485)	(22,485)	–	(22,485)
Equity-settled share option expense *(note 27)*	–	–	2,226	–	–	–	–	–	2,226	–	2,226
Interim 2009 dividend paid *(note 11)*	–	–	–	–	–	–	–	(18,397)	(18,397)	–	(18,397)
At 31 March 2009	40,882	107,226	8,249	25,693	55,259	6,150	–	565,839	768,416	19,372	828,670
At 1 April 2009	40,882	107,226	8,249	25,693	55,259	6,150	–	565,839	768,416	19,372	828,670
Revaluation surplus, net *(note 13)*	–	–	–	3,730	–	–	–	–	3,730	–	3,730
Revaluation surplus shared by non-controlling interests	–	–	–	(48)	–	–	–	–	(48)	48	–
Deferred tax debited to revaluation reserve *(note 25)*	–	–	–	(669)	–	–	–	–	(669)	–	(669)
Exchange differences on translation of foreign operations	–	–	–	–	65	–	–	–	65	7	72
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries *(note 7)*	–	–	–	–	(4,806)	–	–	–	(4,806)	–	(4,806)
Profit for the year	–	–	–	–	–	–	–	158,567	158,567	(1,095)	157,472
Total comprehensive income/(expense) for the year	–	–	–	3,013	(4,741)	–	–	158,567	156,839	(1,040)	155,799
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,000)	(2,000)
Final 2009 dividend paid *(note 11)*	–	–	–	–	–	–	–	(16,353)	(16,353)	–	(16,353)
Acquisition of non-controlling interests *(note 17)*	–	–	–	–	–	–	(8,904)	–	(8,904)	(21,096)	(30,000)
Equity-settled share option expense *(note 27)*	–	–	1,303	–	–	–	–	–	1,303	–	1,303
Lapse of share options *(note 27)*	–	–	(732)	–	–	–	–	732	–	–	–
Issue of shares *(note 26)*	903	15,789	(5,762)	–	–	–	–	–	10,027	–	10,930
Interim 2010 dividend paid *(note 11)*	–	–	–	–	–	–	–	(20,768)	(20,768)	–	(20,768)
At 31 March 2010	**41,785**	**123,015**	**3,058**	**28,706**	**50,518**	**6,150**	**(8,904)**	**688,017**	**890,560**	**(4,764)**	**927,581**

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**188,127**	100,818
Adjustments for:			
Finance costs	*6*	**1,001**	1,790
Share of profits and losses of associates		**148**	133
Bank interest income	*7*	**(687)**	(1,531)
Depreciation	*7*	**72,607**	57,322
Amortisation of prepaid land lease payments	*7*	**315**	353
Gain on deregistration of subsidiaries	*7*	**(4,806)**	(604)
Loss/(gain) on disposal of items of property, plant and equipment, net	*7*	**(136)**	331
Write-off of items of property, plant and equipment	*7*	**12,317**	–
Amortisation of deferred development costs	*7*	**6,359**	7,599
Equity-settled share option expense	*7*	**1,303**	2,226
Impairment of accounts receivable	*7*	**193**	2,652
Deficit/(surplus) on revaluation of leasehold land and buildings and investment properties, net	*7*	**(1,179)**	1,043
Fair value loss/(gain) on derivative financial instruments, net	*7*	**(28)**	5,582
		275,534	177,714
Decrease/(increase) in inventories		**(677)**	111,303
Decrease/(increase) in accounts receivable		**(12,259)**	53,762
Decrease/(increase) in prepayments and deposits		**(16,244)**	2,416
Decrease/(increase) in amounts due from associates		**23**	(2,709)
Decrease in derivative financial instruments		**(770)**	–
Increase/(decrease) in accounts and bills payable, accrued liabilities and other payables		**80,325**	(94,014)
Cash generated from operations		**325,932**	248,472
Interest received		**687**	1,531
Interest paid		**(1,001)**	(1,790)
Hong Kong profits tax paid		**(22,003)**	(21,765)
Overseas income taxes paid		**(535)**	(306)
Dividends paid	*11*	**(37,121)**	(40,882)
Dividends paid to non-controlling interests		**(2,000)**	(2,000)
Net cash flows from operating activities		**263,959**	183,260

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows from operating activities		**263,959**	183,260
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(45,857)**	(146,242)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(91,146)**	–
Additions to deferred development costs	19	**(4,088)**	(7,298)
Proceeds from disposal of items of property, plant and equipment		**424**	589
Acquisition of non-controlling interests	17	**(30,000)**	–
Net cash flows used in from investing activities		**(170,667)**	(152,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	**10,930**	–
New bank loans		**–**	151,000
Repayment of bank loans		**(14,583)**	(100,589)
Net cash flows from/(used in) financing activities		**(3,653)**	50,411
NET INCREASE IN CASH AND CASH EQUIVALENTS		**89,639**	80,720
Cash and cash equivalents at beginning of year		**179,163**	96,765
Effect of foreign exchange rate changes, net		**72**	1,678
CASH AND CASH EQUIVALENTS AT END OF YEAR		**268,874**	179,163
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**245,801**	129,032
Non-pledged time deposits		**114,219**	50,131
Cash and cash equivalents as stated in the consolidated statement of financial position		**360,020**	179,163
Non-pledged time deposits with original maturity of more than three months when acquired		**(91,146)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**268,874**	179,163

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**301,909**	338,881
CURRENT ASSETS			
Bank balances		**570**	976
Prepayment		**–**	2
Dividends receivable		**90,000**	90,000
Total current assets		**90,570**	90,978
CURRENT LIABILITIES			
Other payables		**1,157**	1,605
Interest-bearing bank borrowings	24	**30,209**	11,250
Total current liabilities		**31,366**	12,855
NET CURRENT ASSETS		**59,204**	78,123
TOTAL ASSETS LESS CURRENT LIABILITIES		**361,113**	417,004
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**38,540**	68,750
NET ASSETS		**322,573**	348,254
EQUITY			
Issued share capital	26	**41,785**	40,882
Reserves	28(b)	**280,788**	307,372
TOTAL EQUITY		**322,573**	348,254

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

1. CORPORATE INFORMATION

Kin Yat Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at 7th Floor, Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Group was principally involved in the design, manufacture and sale of electrical and electronic products, motors, feature plush and wooden toys, materials primarily for use in liquid crystal display and mine exploration.

The Company is a subsidiary of Resplendent Global Limited, a company incorporated in the British Virgin Islands. The directors consider Padora Global Inc., a company also incorporated in the British Virgin Islands, to be the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 April 2009

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All significant intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interests (formerly known as minority interests) even if that results in a deficit balance.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation from 1 April 2009 *(continued)*

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Company's share of components previously recognised in other comprehensive income to profit or loss.

Basis of consolidation prior to 31 March 2009

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the Company. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance reduced to nil. Any further excess losses were attributable to the Group, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date that control was lost.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008) **	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary,* which are effective for accounting period beginning on 1 April 2010.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and the HKFRS 7 Amendments, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separate owner and non-owner changes in equity. The statement of changes in equity include only details of transaction with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The fair value measurement disclosures are presented in note 34 to the financial statements.

The Group had early adopted HKFRS 8 *Operating Segments* with effect from 1 April 2008. In addition, the Group has early adopted HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements* on 1 April 2009.

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by HKFRS 3 (Revised) and HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[1]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[1]
HKFRS 9	*Financial Instruments*[3]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for the Group's accounting period beginning on 1 April 2010 although there are separate transitional provisions for each standard or interpretation.

The amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKFRS 1, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for the Group's accounting period beginning on 1 April 2011.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In addition, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's accounting improvements project. The amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for the Group's accounting period beginning on 1 April 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for accounting beginning on 1 April 2010
[2] Effective for accounting beginning on 1 April 2011
[3] Effective for accounting beginning on 1 April 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKAS 24 (Revised) may result in new or amended disclosures; and the adoption of HKFRS 9 may result in new or amended disclosures and changes in accounting policies; these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; and

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of the net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated in the consolidated reserves, is included as part of the Group's interests in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations from 1 April 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with HKAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Business combinations prior to 31 March 2009

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land and buildings in Hong Kong	Over the shorter of the remaining lease terms and 4%
Medium term buildings outside Hong Kong	Over the remaining lease terms
Moulds, tools, and plant and machinery	10% to 20%
Furniture, equipment and motor vehicles	10% to 25%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents manufacturing facilities under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, time deposits, accounts receivables and amounts due from associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows , the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes valuation model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefit schemes

The Group continues to operate a defined contribution scheme (the "Pension Scheme") for its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the Pension Scheme. When an employee leaves the Pension Scheme before his/her interest in the employer contributions vests fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefit schemes *(continued)*

Apart from the Pension Scheme, the Group has also joined the Mandatory Provident Fund (the "MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the income statement as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

Certain employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme (the "Retirement Scheme") operated by the government of the PRC. The subsidiaries are required to contribute certain percentages of their payroll costs to the Retirement Scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the Retirement Scheme.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) from the sale of properties, when the relevant legally binding sales contract is signed;

(d) rental income, on a time proportion basis over lease terms; and

(e) dividend income, when the shareholder's right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or any of its holding companies;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are disclosed below:

Provision for obsolete inventories

The management of the Group reviews an aged analysis of the Group's inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and sales. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of accounts receivable

Impairment allowances for accounts receivable are made based on assessment of the recoverability of accounts receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and doubtful debt expenses/write-back in the period in which such estimate has been changed.

Estimation of fair value of leasehold land and buildings and investment properties

The leasehold land and buildings and the investment properties were revalued at the end of the reporting period at market value, on an existing state basis by independent professional qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amounts of leasehold land and buildings and investment properties are disclosed in notes 13 and 14 to the financial statements, respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the calculation of the recoverable amount and the carrying amount of goodwill are disclosed in note 16 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 to the financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(a) the electrical and electronic products segment consists of the manufacture and sale of electrical appliances, electronic toys and related products;

(b) the motors segment consists of the manufacture and sale of motors;

(c) the feature plush and wooden toys segment consists of the manufacture and sale of feature plush and wooden toys; and

(d) the resources development segment consists of the manufacture and sale of materials primarily for use in liquid crystal display and mine exploration.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2010 and 2009.

Group	Electrical and electronic products		Motors		Feature plush and wooden toys		Resources development		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue												
Revenue from external customers	**1,020,387**	1,145,893	**378,262**	315,677	**43,448**	109,314	**3,807**	3,336	**–**	–	**1,445,904**	1,574,220
Intersegment sales	**2,317**	–	**60,460**	3,159	**–**	–	**–**	–	**(62,777)**	(3,159)	**–**	–
Other income and gains, net	**9,589**	(989)	**8,302**	8,673	**222**	687	**1,354**	7	**–**	–	**19,467**	8,378
Total	**1,032,293**	1,144,904	**447,024**	327,509	**43,670**	110,001	**5,161**	3,343	**(62,777)**	(3,159)	**1,465,371**	1,582,598
Segment results	**194,670**	143,425	**28,878**	515	**4,497**	7,299	**(29,314)**	(11,050)	**–**	–	**198,731**	140,189
Interest and unallocated gains											**3,571**	4,290
Unallocated expenses											**(13,026)**	(12,491)
Other expenses *(note 7)*											**–**	(29,247)
Finance costs											**(1,001)**	(1,790)
Share of profits and losses of associates											**(148)**	(133)
Profit before tax											**188,127**	100,818
Income tax expense											**(30,655)**	(9,766)
Profit for the year											**157,472**	91,052
Segment assets	**769,443**	731,004	**285,077**	250,997	**30,401**	30,690	**28,524**	28,907	**(263,233)**	(177,233)	**850,212**	864,365
Unallocated assets											**406,501**	219,707
Total assets											**1,256,713**	1,084,072
Segment liabilities	**130,146**	114,698	**268,037**	150,120	**4,526**	1,896	**84,170**	54,647	**(263,233)**	(177,233)	**223,646**	144,128
Unallocated liabilities											**105,486**	111,274
Total liabilities											**329,132**	255,402
Other segment information:												
Depreciation and amortisation	**45,984**	46,364	**31,046**	15,953	**1,077**	455	**729**	2,086	**–**	–	**78,836**	64,858
Unallocated amounts											**445**	416
											79,281	65,274
Capital expenditure	**27,659**	68,095	**18,097**	77,909	**1,019**	1,390	**3,170**	6,146	**–**	–	**49,945**	153,540
Deficit/(surplus) on revaluation of leasehold land and buildings, net	**(28)**	2,392	**(15)**	15	**–**	–	**–**	–	**–**	–	**(43)**	2,407
Unallocated amounts											**(1,136)**	(1,364)
											(1,179)	1,043
Deficit/(surplus) on revaluation recognised directly in equity	**(811)**	2,144	**(633)**	856	**–**	–	**2**	(173)	**–**	–	**(1,442)**	2,827
Unallocated amounts											**(2,288)**	(416)
											(3,730)	2,411

4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

Group	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Revenue from external customers	**487,821**	764,658	**375,014**	322,445	**454,793**	361,963	**128,276**	125,154	**–**	–	**1,445,904**	1,574,220

The revenue information above is based on the location of the customers.

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Non-current assets	**34,157**	36,067	**545,484**	580,568	**–**	–	**579,641**	616,635

Non-current assets for this purpose consist of property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

(c) Information about major customers

Revenue of HK$928,875,000 (2009: HK$1,122,609,000) was derived from sales to the following two major customers individually accounted for over 10% of the Group's total revenue.

(i) Revenue of HK$464,526,000 (2009: HK$681,064,000) was derived from sales of electrical and electronic products and feature plush and wooden toys to a major customer. The amount includes sales to a group of entities which are known to be under common control.

(ii) Revenue of HK$464,349,000 (2009: HK$441,545,000) was derived from sales of electrical and electronic products to a major customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-group transactions. An analysis of revenue, other income and gains, net is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**1,020,387**	1,145,893
Motors	**378,262**	315,677
Feature plush and wooden toys	**43,448**	109,314
Materials from resources development	**3,807**	3,336
	1,445,904	1,574,220
Other income and gains, net		
Bank interest income	**687**	1,531
Gross rental income	**6,364**	5,842
Sale of scrap materials	**7,962**	9,126
Gain on deregistration of subsidiaries	**4,806**	604
Gain/(loss) on disposal of items of property, plant and equipment, net	**136**	(331)
Fair value gain/(loss) on derivative financial instruments, net	**28**	(5,582)
Others	**3,055**	1,478
	23,038	12,668

6. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,001**	1,790

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2010 HK$'000	2009 HK$'000
Auditors' remuneration	**1,500**	1,810
Depreciation	**72,607**	57,322
Amortisation of prepaid land lease payments	**315**	353
Research and development costs:		
Amortisation of deferred development costs*	**6,359**	7,599
Current year expenditure	**2,307**	–
Minimum lease payments under operating leases in respect of land and buildings	**4,783**	6,193
Gain on deregistration of subsidiaries	**(4,806)**	(604)
Loss/(gain) on disposal of items of property, plant and equipment, net	**(136)**	331
Write-off of items of property, plant and equipment**	**12,317**	–
Impairment of accounts receivable	**193**	2,652
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**237,872**	234,850
Equity-settled share option expense	**1,303**	2,226
Pension scheme contributions	**1,994**	1,455
	241,169	238,531
Deficit/(surplus) on revaluation of leasehold land and buildings and investment properties, net**	**(1,179)**	1,043
Fair value loss/(gain) on derivative financial instruments, net	**(28)**	5,582
Foreign exchange differences, net	**2,748**	924
Bank interest income	**(687)**	(1,531)
Net rental income	**(5,797)**	(5,257)
Other expenses***	**–**	29,247

At the end of the reporting period, the Group did not have any material forfeited contributions to reduce its contributions to the pension scheme in future years.

* *The amortisation of deferred development costs is included in "Cost of sales" on the face of the consolidated income statement.*

** *The deficit/(surplus) on revaluation of leasehold land and buildings and investment properties, net, and write-off of items of property, plant and equipment are included in "Administrative expenses" on the face of the consolidated income statement.*

*** *Other expenses represented a one-off cost incurred in the acquisition of productive assets from independent third parties of the Group, which were involved in the motors business, during the year ended 31 March 2009.*

8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**7,081**	5,029
Performance related bonuses*	**6,904**	5,355
Equity-settled share option expense	**1,088**	1,954
Pension scheme contributions	**326**	209
	15,399	12,547
	15,849	12,997

* *Executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.*

On 14 November 2003, 4 October 2006, 8 October 2007, 14 March 2008, 23 July 2009 and 4 January 2010, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010	2009
	HK$'000	*HK$'000*
Chung Chi Ping, Roy	**150**	150
Wong Chi Wai	**150**	150
Sun Kwai Yu	**150**	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES *(continued)*

(b) Executive directors

	2010				
	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Equity-settled share option expense**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Cheng Chor Kit	**3,300**	**2,719**	**164**	**248**	**6,431**
Fung Wah Cheong, Vincent	**1,762**	**3,717**	**696**	**12**	**6,187**
Wong Wai Ming*	**840**	**137**	**19**	**12**	**1,008**
Wong Weng Loong	**660**	**5**	**101**	**50**	**816**
Liu Tat Luen**	**519**	**326**	**108**	**4**	**957**
	7,081	**6,904**	**1,088**	**326**	**15,399**

	2009				
	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cheng Chor Kit	1,800	980	327	135	3,242
Fung Wah Cheong, Vincent	1,729	2,813	1,406	12	5,960
Wong Wai Ming*	840	800	39	12	1,691
Wong Weng Loong	660	762	182	50	1,654
	5,029	5,355	1,954	209	12,547

* *Wong Wai Ming resigned as an executive director of the Company on 1 May 2010.*

** *Liu Tat Luen was appointed as an executive director of the Company on 28 December 2009.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES *(continued)*

The five highest paid employees during the year included three (2009: four) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining two (2009: one) non-director, highest paid employees are set out below:

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,442**	1,651
Performance related bonuses	**317**	242
Equity-settled share option expense	**21**	14
Pension scheme contributions	**12**	–
	2,792	1,907

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	2	1

In the prior year, share options were granted to two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates.

Pursuant to the Enterprise Income Tax Law (the "New PRC Tax Law") of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law, enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within 5 years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

9. INCOME TAX *(continued)*

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**21,037**	17,277
Underprovision/(overprovision) in prior years	**2,649**	(332)
Current – Elsewhere		
Charge for the year	**6,644**	275
Overprovision in prior years	**–**	(3,007)
Deferred tax (note 25)	**325**	(4,447)
Total tax charge for the year	**30,655**	9,766

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2010	2009
	HK$'000	*HK$'000*
Group:		
Profit before tax	**188,127**	100,818
Tax at the statutory tax rate	**35,056**	20,513
Lower tax rates for specific provinces or enacted by local authority	**(6,960)**	(149)
Lower tax rate due to tax holidays	**(11,239)**	(16,070)
Adjustments in respect of current tax of previous periods	**2,649**	(3,339)
Income not subject to tax	**(8,360)**	(4,839)
Expenses not deductible for tax	**13,640**	6,755
Tax losses utilised from previous periods	**(268)**	(891)
Tax losses not recognised	**6,137**	7,786
Tax charge at the Group's effective rate	**30,655**	9,766

No share of tax attributable to associates (2009: Nil) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2010 includes a loss of HK$793,000 (2009: a profit of HK$88,987,000) which has been dealt with in the financial statements of the Company (note 28(b)).

11. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2009 – HK4 cents per ordinary share (2008: final dividend of HK5.5 cents per ordinary share, in respect of the financial year ended 31 March 2008)	**16,353**	22,485
Interim – HK5 cents (2009: HK4.5 cents) per ordinary share	**20,768**	18,397
	37,121	40,882
Proposed final dividend		
Final – HK8 cents (2009: HK4 cents) per ordinary share	**33,428**	16,353

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend payable.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company of HK$158,567,000 (2009: HK$89,238,000) and the weighted average of 411,683,529 (2009: weighted average of 408,816,000) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company of HK$158,567,000 (2009: HK$89,238,000) and 413,805,477 (2009: 408,931,656) ordinary shares, being the number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year.

A reconciliation of the weighted average number of ordinary shares used in calculating basic and diluted earnings per share is as follows:

	2010	2009
Weighted average number of ordinary shares used in calculating basic earnings per share	**411,683,529**	408,816,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	**2,121,948**	115,656
Weighted average number of ordinary shares used in calculating diluted earnings per share	**413,805,477**	408,931,656

13. PROPERTY, PLANT AND EQUIPMENT

Group
31 March 2010

	Medium term leasehold land and buildings *HK$'000*	Construction in progress *HK$'000*	Moulds, tools, and plant and machinery *HK$'000*	Furniture, equipment and motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:					
At 1 April 2009	190,130	32,408	546,963	159,179	928,680
Additions	2,908	23,026	14,936	4,987	45,857
Disposals	–	–	(347)	(1,266)	(1,613)
Write-off	–	–	(17,263)	(19)	(17,282)
Deficit on revaluation	(4,123)	–	–	–	(4,123)
Transfers	8,842	(28,613)	(212)	19,983	–
At 31 March 2010	197,757	26,821	544,077	182,864	951,519
Accumulated depreciation:					
At 1 April 2009	–	–	288,062	86,939	375,001
Provided during the year	7,896	–	51,677	13,034	72,607
Disposals	–	–	(59)	(1,266)	(1,325)
Write-off	–	–	(4,956)	(9)	(4,965)
Write-back on revaluation	(7,896)	–	–	–	(7,896)
At 31 March 2010	–	–	334,724	98,698	433,422
Net book value:					
At 31 March 2010	197,757	26,821	209,353	84,166	518,097
An analysis of cost or valuation:					
At cost	–	26,821	544,077	182,864	753,762
At 2010 valuation	197,757	–	–	–	197,757
	197,757	26,821	544,077	182,864	951,519

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

31 March 2009

	Medium term leasehold land and buildings *HK$'000*	Construction in progress *HK$'000*	Moulds, tools, and plant and machinery *HK$'000*	Furniture, equipment and motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:					
At 1 April 2008	142,777	87,223	475,740	124,715	830,455
Additions	251	31,388	100,172	14,431	146,242
Disposals	–	–	(4,993)	(2,852)	(7,845)
Deficit on revaluation	(12,468)	–	–	–	(12,468)
Transfers	59,570	(86,203)	(15)	26,648	–
Exchange realignment	–	–	(23,941)	(3,763)	(27,704)
At 31 March 2009	190,130	32,408	546,963	159,179	928,680
Accumulated depreciation:					
At 1 April 2008	–	–	266,792	81,499	348,291
Provided during the year	7,650	–	39,498	10,174	57,322
Disposals	–	–	(4,443)	(2,482)	(6,925)
Write-back on revaluation	(7,650)	–	–	–	(7,650)
Exchange realignment	–	–	(13,785)	(2,252)	(16,037)
At 31 March 2009	–	–	288,062	86,939	375,001
Net book value:					
At 31 March 2009	190,130	32,408	258,901	72,240	553,679
An analysis of cost or valuation:					
At cost	–	32,408	546,963	159,179	738,550
At 2009 valuation	190,130	–	–	–	190,130
	190,130	32,408	546,963	159,179	928,680

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

An analysis of the valuation of the leasehold land and buildings of the Group at the end of the reporting period is as follows:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**25,950**	20,800
Outside Hong Kong	**171,807**	169,330
Total valuation	**197,757**	190,130

As at 31 March 2010, the Group's leasehold land and buildings in Hong Kong and outside Hong Kong were revalued at market value, on an existing state basis by Asset Appraisal Limited, independent professionally qualified valuers, at HK$25,950,000 and RMB151,190,000 (equivalent to HK$171,807,000), respectively. Revaluation surpluses of HK$3,730,000 and HK$43,000, resulting from the above revaluation, were credited to the asset revaluation reserve and the income statement, respectively. The effect of the total revaluation surplus of HK$3,773,000 was reflected as decrease of valuation of property, plant and equipment of HK$4,123,000 and write-back of accumulated depreciation of HK$7,896,000.

At 31 March 2010, the buildings in Mainland China included certain buildings with a net book value of approximately HK$51,143,000 (2009: HK$59,570,000) for which the Group is still in the process of obtaining the building ownership certificates. These buildings are erected on lands for which the relevant land use rights certificates have been obtained by the Group.

Had the Group's leasehold land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$162,448,000 (2009: HK$157,486,000).

14. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 April	**36,591**	35,227
Net profit from a fair value adjustment	**1,136**	1,364
Carrying amount at 31 March	**37,727**	36,591

The Group's investment properties were revalued on 31 March 2010 by Asset Appraisal Limited, independent professionally qualified valuers, at RMB33,200,000 (equivalent to HK$37,727,000) at market value, on an existing state basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

The Group's investment properties are held under medium term leases and are situated in Xi Tou Village, Songgang Town, Bao An District, Shenzhen, the PRC, as workshops, warehouses and residential units.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Cost:		
At 1 April	**17,842**	17,842
Addition	**–**	–
At 31 March	**17,842**	17,842
Amortisation:		
At 1 April	**3,203**	2,850
Recognised during the year	**315**	353
At 31 March	**3,518**	3,203
Carrying amount at 31 March	**14,324**	14,639
Current portion included in prepayments and deposits	**(315)**	(353)
Non-current portion	**14,009**	14,286

The leasehold land is held under a medium term lease and situated in Mainland China.

16. GOODWILL

The amount of goodwill capitalised as an asset in the consolidated statement of financial position is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 April and 31 March	**4,650**	4,650

The Group has tested goodwill annually for impairment, or more frequently if there are indications that the goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of HK$4,650,000, arising from the acquisition of an additional interest in a subsidiary in the prior years, was wholly allocated to the cash-generating unit of the manufacture and sale of motors of a subsidiary (the "Unit").

During the year ended 31 March 2010, the management of the Group determined that there was no impairment of the Unit to which the goodwill has been allocated. The recoverable amount of goodwill is determined based on a value in use calculation using cash flow projections based on financial budgets covering a one-year period. The financial budgets are prepared reflecting actual and prior year performance and development expectations.

17. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**104,950**	104,950
Due from subsidiaries	**246,130**	247,204
Due to a subsidiary	**(49,171)**	(13,273)
	301,909	338,881

The balances with the subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the end of the reporting period. The carrying amounts of these balances due from/to subsidiaries approximate to their fair values.

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Directly held				
Kin Yat Industrial Holdings Limited	British Virgin Islands	Ordinary US$3,000	100%	Investment holding
Indirectly held				
Dongguan Jianze Smart Electric Motor Co., Ltd.#	PRC	HK$30,000,000	100%	Manufacture and trading of motors
Kids Culture Limited	Hong Kong	Ordinary HK$1,000,000	100%	Trading of toys
Kin Yat (HK) Holdings Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$6,000,000	100%	Investment holding and property holding

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held *(continued)*				
Kin Yat Industrial Company Limited	Hong Kong	Ordinary HK$3,200,000	100%	Trading of toys and moulds, and sourcing of materials
Lun Sing Paper Products Company Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Newway Electrical Industries Limited	Hong Kong	Ordinary HK$3,000,000	100%	Trading of electrical household appliances
Penta Blesses Enterprises Limited	Hong Kong	Ordinary HK$1,000,000	100%	Investment holding, and manufacture and trading of toys and electrical appliances
Renhua Talent Wood Co., Ltd.#	PRC	HK$15,000,000	100%	Manufacture and trading of toys
Shaoguan Jianze Smart Electric Motor Co., Ltd.#	PRC	HK$30,000,000	100%	Manufacture and trading of motors
Shaoguan Konso Technology Co., Ltd.#	PRC	HK$220,000,000	100%	Manufacture and trading of toys and electrical appliances
Shaoguan Lun Sing Paper Products Co., Ltd.#	PRC	HK$35,000,000	100%	Manufacture and trading of paper carton products

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held *(continued)*				
Shaoguan Sigma Technology Co., Ltd.#	PRC	RMB34,700,200	100%	Development and distribution of materials
Shenzhen Kin Yat Power Electronic Co., Ltd.# (formerly known as"Shenzhen Kin Yat Toys Co., Ltd.")	PRC	US$5,000,000	100%	Manufacture and trading of toys
Shenzhen Newway Electrical Industries Co., Ltd. ("Shenzhen Newway")*	PRC	HK$10,000,000	100%	Property holding
Shixing Newway Industry Co., Ltd.#	PRC	US$4,000,000	100%	Property holding
Shixing Standard Motor Co., Ltd. ("Shixing Standard") #	PRC	US$10,000,000	100%*(Note)*	Property holding, manufacture and trading of motors
Shaoguan Turbo Electronic Technology Co., Ltd.# (formerly known as "Shixing Turbo Toys Co., Ltd.")	PRC	US$8,000,000	100%	Manufacture and trading of toys and electrical appliances
Sigma Technology Holdings Limited	Hong Kong	Ordinary HK$2	100%	Investment holding

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held *(continued)*				
Smart Electric Motor Co. Limited	Hong Kong	Ordinary HK$1	100%	Manufacture and trading of motors
Smart Electric Motor Singapore Pte. Ltd.	Singapore	Ordinary SG$100	65%	Trading of motors
Standard Motor Company Limited ("Standard Motor")	Hong Kong	Ordinary HK$40,000,000	100% *(Note)*	Manufacture and trading of motors
Think Plush Limited	Hong Kong	Ordinary HK$1	100%	Trading of toys
Unicon Investments Limited	Hong Kong	Ordinary HK$10,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong	Ordinary HK$1,000,000	100%	Trading of toys
Xian Jinshi Mining Co., Ltd. ("Xian Jinshi")**	PRC	RMB10,000,000	70%	Mine exploration

They are registered as wholly-foreign-owned enterprises under the PRC law.

* Shenzhen Newway is registered as a sino-foreign-owned joint venture enterprise under the PRC law.

** Xian Jinshi is registered as a domestic joint venture enterprise under the PRC law.

Note:

During the year, the Group has further acquired the remaining 10% equity interest in Standard Motor from non-controlling interests at a cash consideration of HK$30,000,000 (note 29(d)) and the excess of the consideration over the share of net assets acquired from non-controlling interests amounted to HK$8,904,000 was debited to other reserve and included in the equity. Thereafter, the equity interest in Standard Motor and its subsidiary, Shixing Standard, changed from 90% to 100%.

18. INTERESTS IN ASSOCIATES

	Group 2010 HK$'000	2009 HK$'000
Share of net deficits	**(14,879)**	(14,731)
Due from associates	**7,680**	7,703
	(7,199)	(7,028)

The amounts due from associates are unsecured, interest-free and are repayable in accordance with normal trading terms. The carrying amounts of these balances approximate to their fair values.

The table below lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the Group's principal associates are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Group	Principal activities
Concord Modern International Technology Limited ("CMIT")	Hong Kong	Ordinary HK$10,000	50%	Distribution of recordable compact discs
Full Summit Development Limited ("Full Summit")	Hong Kong	Ordinary HK$36,455,000	50%	Investment holding
Shixing Concord Modern Technology Limited	PRC	RMB50,000,000	50%	Manufacture and distribution of recordable compact discs
Success Mode Industries Limited ("Success Mode")*	Hong Kong	Ordinary HK$1,000,000	49%	Manufacture and trading of metallic parts

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

18. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2010	2009
	HK$'000	*HK$'000*
Assets	**42,106**	61,667
Liabilities	**(77,633)**	(94,598)
Revenues	**(51,912)**	(49,763)
Losses	**2,596**	11,105

19. DEFERRED DEVELOPMENT COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Cost:		
At 1 April	**21,277**	21,790
Additions	**4,088**	7,298
Retirements	**(7,175)**	(7,811)
At 31 March	**18,190**	21,277
Accumulated amortisation:		
At 1 April	**13,848**	14,060
Provided during the year	**6,359**	7,599
Retirements	**(7,175)**	(7,811)
At 31 March	**13,032**	13,848
Net book value:		
At 31 March	**5,158**	7,429

20. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**107,160**	90,630
Work in progress	**22,625**	24,967
Finished goods	**25,734**	39,245
	155,519	154,842

21. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where cash on sale or payment in advance is normally required. The credit period is generally for a period of one month, extending up to two months for certain well-established customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable mainly relate to recognised and creditworthy customers, there is no significant credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**100,107**	84,606
31 – 60 days	**21,868**	27,232
61 – 90 days	**8,367**	7,519
Over 90 days	**4,158**	5,982
	134,500	125,339
Less: Impairment allowance	**(1,568)**	(4,473)
	132,932	120,866

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**4,473**	2,545
Impairment losses recognised (note 7)	**193**	2,652
Amount written off as uncollectible	**(3,098)**	(724)
At 31 March	**1,568**	4,473

At 31 March 2010, accounts receivable of HK$1,568,000 (2009: HK$4,473,000) were individually determined to be impaired. The individually impaired accounts receivable relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

21. ACCOUNTS RECEIVABLE *(continued)*

An aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**108,702**	89,680
Less than 1 month past due	**18,606**	22,518
Over 1 month past due	**5,624**	8,668
	132,932	120,866

Accounts receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Accounts receivable 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, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

An ageing of the Group's accounts and bills payable as at the end of the reporting period, based on the invoice date, and the balance of accrued liabilities and other payables are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**62,864**	45,032
31 – 60 days	**25,854**	22,988
61 – 90 days	**22,390**	4,406
Over 90 days	**6,121**	1,716
Accounts and bills payable	**117,229**	74,142
Accrued liabilities	**94,278**	51,989
Other payables	**15,403**	20,454
	226,910	146,585

The accounts and bills payable and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.

As at 31 March 2010, included in other payables, an amount of RMB5,200,000 (approximately HK$5,909,000) (2009: RMB3,700,000 (approximately HK$4,205,000)), was received in respect of subsidies from the Department of Information Industry of Guangdong Province, the PRC, for the research and development costs incurred by the Group for its resources development project.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward currency contracts	**–**	**–**	–	798

For the year ended 31 March 2009, the Group had entered into various forward contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to HK$5,582,000 were debited to the income statement. The above transactions involving derivative financial instruments were carried out with creditworthy financial institutions.

24. INTEREST-BEARING BANK BORROWINGS

Group

	Effective interest rate	Maturity	2010	2009
			HK$'000	*HK$'000*
Current				
Bank loan – unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.5%	2011	**3,333**	3,333
Bank loan – unsecured	HIBOR+1%	2010-2011	**30,209**	11,250
			33,542	14,583
Non-current				
Bank loan – unsecured	HIBOR+1.5%	2011	**279**	3,611
Bank loan – unsecured	HIBOR+1%	2011-2012	**38,540**	68,750
			38,819	72,361
			72,361	86,944

24. INTEREST-BEARING BANK BORROWINGS *(continued)*

Company

	Effective interest rate	Maturity	2010 HK$'000	2009 HK$'000
Current				
Bank loan – unsecured	HIBOR+1%	2010-2011	**30,209**	11,250
Non-current				
Bank loan – unsecured	HIBOR+1%	2011-2012	**38,540**	68,750
			68,749	80,000

	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**33,542**	14,583	**30,209**	11,250
In the second year	**33,612**	16,666	**33,333**	13,333
In the third to fifth years, inclusive	**5,207**	55,695	**5,207**	55,417
	72,361	86,944	**68,749**	80,000

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company.

The carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values.

All bank borrowings are in Hong Kong dollars.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of leasehold land and buildings HK$'000	Total HK$'000
At 1 April 2008	16,430	6,283	22,713
Deferred tax credited to equity during the year	–	(454)	(454)
Deferred tax debited/(credited) to the income statement during the year (note 9)	(9,573)	273	(9,300)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 March 2009 and 1 April 2009	6,857	6,102	12,959
Deferred tax debited to equity during the year	–	669	669
Deferred tax debited/(credited) to the income statement during the year (note 9)	(78)	250	172
Gross deferred tax liabilities at 31 March 2010	6,779	7,021	13,800

25. DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Losses available for offsetting against future taxable profit *HK$'000*
At 1 April 2008	(5,114)
Deferred tax debited to the income statement during the year (note 9)	4,853
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 March 2009 and at 1 April 2009	(261)
Deferred tax debited to the income statement during the year (note 9)	153
Gross deferred tax assets at 31 March 2010	(108)

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

	2010 *HK$'000*	2009 *HK$'000*
Gross deferred tax liabilities	**13,800**	12,959
Gross deferred tax assets	**(108)**	(261)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**13,692**	12,698

The Group has unrecognised tax losses of HK$48,594,000 (2009: HK$53,601,000) that are arising in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

25. DEFERRED TAX *(continued)*

At 31 March 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$8,952,000 at 31 March 2010 (2009: HK$4,192,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

	Company	
	2010	2009
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
417,848,000 (2009: 408,816,000) ordinary shares of HK$0.10 each	**41,785**	40,882

A summary of the movements in the Company's issued ordinary share capital during the year is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008 and 31 March 2009	408,816,000	40,882	107,226	148,108
Issue of shares	9,032,000	903	15,789	16,692
At 31 March 2010	417,848,000	41,785	123,015	164,800

During the year, the subscription rights attaching to 2,120,000, 5,812,000 and 1,100,000 share options were exercised at the subscription prices of HK$1.592, HK$1.03 and HK$1.426 per share, respectively (note 27), resulting in the issue of 9,032,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$10,930,000.

During the year, an amount of HK$6,494,000 (2009: Nil) was transferred from the share option reserve account of which HK$5,762,000 was credited to share premium account upon the exercise of options and HK$732,000 was credited to retained profits for the options lapsed.

27. SHARE OPTION SCHEME

On 20 August 2002, the share option scheme of the Company adopted on 8 April 1997 ceased to operate and a new share option scheme (the "Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding the share option scheme of a company.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, the Company's shareholders and any non-controlling interests in the Company's subsidiaries. The Scheme became effective on 20 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

27. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the years:

2010

	Date of share options granted	Number of share options: At 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2010	Exercise period	Exercise price per share HK$	Price of Company's shares at grant date of options** HK$
Directors									
Cheng Chor Kit	14/11/2003	2,000,000	–	(2,000,000)	–	–	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,500,000*	–	(2,500,000)	–	–	4/10/2009-3/10/2016	1.03	1.03
Fung Wah Cheong, Vincent	4/10/2006	700,000	–	(700,000)	–	–	1/8/2007-3/10/2016	1.03	1.03
	8/10/2007	2,500,000	–	–	–	2,500,000#	1/8/2008-7/10/2017	2.52	2.52
	23/7/2009	–	1,100,000	(1,100,000)	–	–	23/7/2009-22/7/2019	1.426	1.40
	23/7/2009	–	1,400,000	–	–	1,400,000	1/8/2010-22/7/2019	1.426	1.40
Wong Wai Ming	4/10/2006	296,000	–	(296,000)	–	–	4/10/2009-3/10/2016	1.03	1.03
Wong Weng Loong	4/10/2006	150,000	–	(150,000)	–	–	4/10/2009-3/10/2016	1.03	1.03
	14/3/2008	500,000	–	–	–	500,000	14/3/2009-13/3/2018	1.99	1.99
Liu Tat Luen	4/1/2010	–	2,000,000	–	–	2,000,000	4/1/2013-3/1/2020	2.102	2.06
Other employees									
In aggregate	14/11/2003	502,000	–	(120,000)	–	382,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,462,000	–	(2,166,000)	(76,000)	220,000	4/10/2009-3/10/2016	1.03	1.03
	19/10/2009	–	500,000	–	–	500,000	19/10/2012-18/10/2019	1.55	1.55
		11,610,000	5,000,000	(9,032,000)	(76,000)	7,502,000			

* Among the 2,500,000 share options held by Cheng Chor Kit, 1,200,000 share options are held by his spouse.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

These share options are proposed to be cancelled at the forthcoming annual general meeting.

27. SHARE OPTION SCHEME *(continued)*

2009

	Date of share options granted	Number of share options: At 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2009	Exercise period	Exercise price per share *HK$*	Price of Company's shares at grant date of options** *HK$*
Directors									
Cheng Chor Kit	14/11/2003	2,000,000	–	–	–	2,000,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,500,000	–	–	–	2,500,000*	4/10/2009-3/10/2016	1.03	1.03
Fung Wah Cheong, Vincent	4/10/2006	700,000	–	–	–	700,000	1/8/2007-3/10/2016	1.03	1.03
	8/10/2007	2,500,000	–	–	–	2,500,000	1/8/2008-7/10/2017	2.52	2.52
Wong Wai Ming	4/10/2006	296,000	–	–	–	296,000	4/10/2009-3/10/2016	1.03	1.03
Wong Weng Loong	4/10/2006	150,000	–	–	–	150,000	4/10/2009-3/10/2016	1.03	1.03
	14/3/2008	500,000	–	–	–	500,000	14/3/2009-13/3/2018	1.99	1.99
Other employees									
In aggregate	14/11/2003	502,000	–	–	–	502,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,462,000	–	–	–	2,462,000	4/10/2009-3/10/2016	1.03	1.03
		11,610,000	–	–	–	11,610,000			

* *Among the 2,500,000 share options held by Cheng Chor Kit, 1,200,000 share options are held by his spouse.*

** *The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.*

During the year ended 31 March 2010, 2,500,000, 500,000 and 2,000,000 share options were granted on 23 July 2009, 19 October 2009 and 4 January 2010, respectively. The fair value of the share options granted during the year was HK$2,384,000.

The Company recognised a total share option expense of HK$1,303,000 (2009: HK$2,226,000) for the share options granted in the current and prior years during the year.

27. SHARE OPTION SCHEME *(continued)*

The fair value of equity-settled share options granted during the year ended 31 March 2010 was estimated as at the date of grant using the Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2010
Dividend yield (%)	4.13 – 6.07
Expected volatility (%)	51.811 – 75.861
Historical volatility (%)	51.811 – 75.861
Risk-free interest rate (%)	0.116 – 1.631
Expected life of options (year)	1.5 – 4
Prevailing market price (HK$ per share)	1.4 – 2.06

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the Scheme during the year:

	2010		2009	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At 1 April	**1.51**	**11,610,000**	1.51	11,610,000
Granted during the year	**1.71**	**5,000,000**	–	–
Exercised during the year	**1.21**	**(9,032,000)**	–	–
Lapsed during the year	**1.03**	**(76,000)**	–	–
At 31 March	**2.01**	**7,502,000**	1.51	11,610,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.76 per share.

27. SHARE OPTION SCHEME *(continued)*

During the year, 9,032,000 share options were exercised and resulted in the issue of 9,032,000 ordinary shares of the Company and new share capital of HK$903,000 and share premium of HK$10,027,000 (before issue expenses), as further detailed in note 26 to the financial statements.

In addition, 76,000 share options lapsed during the year and a share option reserve of HK$732,000 recognised in prior years was transferred to retained profits.

At the end of the reporting period, the Company had 7,502,000 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 7,502,000 additional ordinary shares of the Company and additional share capital of HK$750,000 and share premium of approximately HK$14,355,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 7,502,000 share options outstanding under the Scheme, which represented approximately 1.8% of the Company's shares in issue as at that date.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the shares of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation on 7 April 1998, over the nominal value of the Company's shares issued in exchange therefor.

Other reserve represents the excess of the consideration over the share of net assets acquired from non-controlling interests on 31 March 2010.

28. RESERVES *(continued)*

(b) Company

	Notes	Share premium account *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2008		107,226	6,023	104,750	39,042	257,041
Profit for the year and total comprehensive income for the year		–	–	–	88,987	88,987
Final 2008 dividend paid	*11*	–	–	–	(22,485)	(22,485)
Equity-settled share option expense	*27*	–	2,226	–	–	2,226
Interim 2009 dividend paid	*11*	–	–	–	(18,397)	(18,397)
At 31 March 2009 and 1 April 2009		107,226	8,249	104,750	87,147	307,372
Loss for the year and total comprehensive expense for the year		–	–	–	(793)	(793)
Final 2009 dividend paid	*11*	–	–	–	(16,353)	(16,353)
Equity-settled share option expense	*27*	–	1,303	–	–	1,303
Issue of shares	*26*	15,789	(5,762)	–	–	10,027
Lapse of share options	*27*	–	(732)	–	732	–
Interim 2010 dividend paid	*11*	–	–	–	(20,768)	(20,768)
At 31 March 2010		123,015	3,058	104,750	49,965	280,788

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances prescribed by Section 54 thereof.

29. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related and connected parties during the year:

(a) At the end of the reporting period, a corporate guarantee of HK$14,500,000 (2009: HK$14,500,000) was given by the Group in respect of banking facilities granted to Full Summit and CMIT, two associates of the Group, in proportion to its shareholdings therein.

(b) During the year, the Group sold motors of HK$940,000 (2009: HK$1,917,000) to Gimelli Laboratories Company Limited, of which Chung Chi Ping, Roy, an independent non-executive director of the Company, is also a director.

The directors consider that these sales of motors were made according to prices and conditions similar to those offered to other non-related customers of the Group.

(c) During the year, the Group purchased raw materials of HK$148,000 (2009: HK$702,000) from Success Mode, an associate of the Group.

The directors consider that the purchases of raw materials from Success Mode were made according to prices and conditions similar to those offered by non-related suppliers of the Group.

(d) On 23 March 2010, Cavetto Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into three separate sale and purchase agreements to acquire from a connected person, being a director of Standard Motor, 8.0% and two independent third parties each of 1.0% of the equity interests in Standard Motor for cash consideration of HK$24,000,000, HK$3,000,000 and HK$3,000,000, respectively (note 17).

The directors consider that the consideration of the acquisition is fair and reasonable and in the interests of shareholders of the Company as a whole.

(e) Compensation of key management personnel of the Group:

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**9,523**	6,680
Performance related bonuses	**7,221**	5,597
Equity-settled share option expense	**1,109**	1,968
Pension scheme contributions	**338**	209
Total compensation paid to key management personnel	**18,191**	14,454

Further details of directors' emoluments are included in note 8 to the financial statements.

Certain transactions included in notes (b) and (d) above constitute connected transactions as defined in the Listing Rules.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At 31 March 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,861**	1,251
In the second to fifth years, inclusive	**4,600**	4,642
	6,461	5,893

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from five to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

(b) As lessee

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**4,497**	3,612
In the second to fifth years, inclusive	**5,720**	8,864
After five years	**1,424**	1,780
	11,641	14,256

The Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to twelve years.

The Company did not have any operating lease arrangements at the end of the reporting period (2009: Nil).

31. COMMITMENTS

(i) At the end of the reporting period, the Group had contracted for capital commitments in respect of certain of its wholly-owned enterprises in the PRC amounting to HK$89,865,000 (2009: HK$79,059,000).

(ii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the acquisition of property, plant and equipment of HK$27,913,000 (2009: HK$9,521,000).

The Company did not have any other significant commitments at the end of the reporting period (2009: Nil).

32. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided guarantees of HK$149,700,000 (2009: HK$141,600,000) and HK$14,500,000 (2009: HK$14,500,000) in respect of banking facilities granted to certain of its subsidiaries and associates, of which HK$3,612,000 (2009: HK$6,944,000) and HK$5,567,000 (2009: HK$11,859,000) had been utilised as at the end of the reporting period, respectively.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group			
Financial assets	**2010**		2009	
	Financial assets at fair value through profit or loss	**Loans and receivables**	Financial assets at fair value through profit or loss	Loans and receivables
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Due from associates	**–**	**7,680**	–	7,703
Accounts receivable	**–**	**132,932**	–	120,866
Time deposits	**–**	**114,219**	–	50,131
Cash and bank balances	**–**	**245,801**	–	129,032
	–	**500,632**	–	307,732

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities	Group 2010 Financial liabilities at fair value through profit or loss HK$'000	Group 2010 Financial liabilities at amortised cost HK$'000	Group 2009 Financial liabilities at fair value through profit or loss HK$'000	Group 2009 Financial liabilities at amortised cost HK$'000
Accounts and bills payables	–	117,229	–	74,142
Derivative financial instruments	–	–	798	–
Financial liabilities included in other payables	–	15,403	–	20,454
Interest-bearing bank borrowings	–	72,361	–	86,944
	–	204,993	798	181,540

Financial assets	Company 2010 HK$'000	Company 2009 HK$'000
Loan and receivables:		
Due from subsidiaries	246,130	247,204
Dividends receivable	90,000	90,000
Bank balances	570	976
	336,700	338,180

Financial liabilities	Company 2010 HK$'000	Company 2009 HK$'000
Financial liabilities at amortised cost:		
Due to a subsidiary	49,171	13,273
Other payables	1,157	1,605
Interest-bearing bank borrowings	68,749	80,000
	119,077	94,878

34. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2009, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value as at 31 March 2009:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	798	–	798

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations. It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The interest rates of the interest-bearing bank borrowings of the Group are disclosed in note 24 to the financial statements. The Group believes that its exposure to cash flow interest rate risk is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit after tax and equity
	%	*HK$'000*
2010		
Hong Kong dollar	**1**	**(724)**
Hong Kong dollar	**(1)**	**724**
2009		
Hong Kong dollar	1	(869)
Hong Kong dollar	(1)	869

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and Renminbi or United States dollars. Given that the Hong Kong dollar is pegged to the United States dollar, the Group does not have a foreign currency hedging policy on it. However, considering the appreciation of RMB, the Group has entered into foreign exchange derivative transactions in the past to manage the foreign currency risk arising from the Group's operations. During the reporting year, the Group did not enter into any new foreign exchange derivative transactions and all the past transactions have been settled. Moreover, the majority of the Group's operating assets are located in the PRC and are denominated in RMB. As the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit after tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit after tax and equity
	%	*HK$'000*
2010		
If Hong Kong dollar weakens against RMB	**5**	**15,775**
If Hong Kong dollar strengthens against RMB	**(5)**	**(15,775)**
2009		
If Hong Kong dollar weakens against RMB	5	11,751
If Hong Kong dollar strengthens against RMB	(5)	(11,751)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been given a trading limit and any excess of the limit must be approved by the general manager of the operation unit. Under the tight control of credit terms and detailed assessment to the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 21 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other banking facilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

2010

	Less than one year *HK$'000*	**More than one year** *HK$'000*	**Total** *HK$'000*
Accounts and bills payable and other payables	**132,632**	**–**	**132,632**
Interest-bearing bank borrowings	**34,219**	**39,120**	**73,339**
Guarantees given to banks in connection with facilities utilised by associates	**5,567**	**–**	**5,567**
	172,418	**39,120**	**211,538**

2009

	Less than one year *HK$'000*	More than one year *HK$'000*	Total *HK$'000*
Accounts and bills payable and other payables	94,596	–	94,596
Derivative financial instruments	798	–	798
Interest-bearing bank borrowings	15,447	73,559	89,006
Guarantees given to banks in connection with facilities utilised by associates	11,859	–	11,859
	122,700	73,559	196,259

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Company

2010

	Less than one year HK$'000	More than one year HK$'000	Total HK$'000
Due to a subsidiary	–	49,171	49,171
Other payables	1,157	–	1,157
Interest-bearing bank borrowings	30,852	38,842	69,694
Guarantees given to banks in connection with facilities utilised by subsidiaries and associates	9,179	–	9,179
	41,188	88,013	129,201

2009

	Less than one year HK$'000	More than one year HK$'000	Total HK$'000
Due to a subsidiary	–	13,273	13,273
Other payables	1,605	–	1,605
Interest-bearing bank borrowings	12,024	69,909	81,933
Guarantees given to banks in connection with facilities utilised by subsidiaries and associates	18,803	–	18,803
	32,432	83,182	115,614

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 31 March 2009.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is total interest-bearing bank borrowings divided by total equity. The gearing ratios as at the ends of the reporting periods were as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Total interest-bearing bank borrowings	**72,361**	86,944
Total equity	**927,581**	828,670
Gearing ratio	**7.8%**	10.5%

36. EVENT AFTER THE REPORTING PERIOD

On 21 May 2010, the Group through certain of its wholly-owned subsidiaries, entered into the conditional sale and purchase agreements dated 21 May 2010 (the "S&P Agreements") with a Malaysian company (in receivership and in liquidation) (the "Seller") acting by and through the relevant receiver and manager and liquidator. Pursuant to the S&P Agreements, the Group has agreed to purchase and the Seller has agreed to dispose of the manufacturing/productive assets including all machineries and equipment and land and buildings situated in Johor Bahru, Malaysia, for the production of microelectric encoder system/film and media at a consideration of approximately HK$30,797,000 (MYR12,800,000). Further details of the transaction are set in the voluntary announcement of the Company dated 10 June 2010.

37. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the presentation of certain balances in the financial statements have been revised to comply with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 July 2010.