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 2011

CONTENTS

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Prof. 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

* *(appointed on 1 September 2010)*

** *(resigned on 1 May 2010)*

*** *(resigned on 1 September 2010)*

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 Limited

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 the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2011 ("FY2011").

In addition to the highlights of the Group's financial performance, I also wish to discuss the business activities in the past year and the issues that will shape the Group's future.

The Group has weathered the economic turmoil through a transformation of its operations to a higher level on the value chain. While China's export manufacturing industry is currently challenged by a broad array of cost hikes and shortages, which have inevitably impacted our earnings, the Group has made pioneering moves to position itself competitively for the new business landscape.

PERFORMANCE HIGHLIGHTS AND DIVIDEND

The Group's results in the FY2011 were mainly derived from manufacturing businesses, which have continued to contribute steady streams of income and cash flow to support the Group's business pursuits on various fronts.

Set out below are the highlights of the Group's financial performance in FY2011, which will be discussed in greater detail in the Management Discussion and Analysis section.

- Consolidated turnover rose 19.1% year on year to a record high of HK$1,722,788,000 (Year ended 31 March 2010 ("FY2010"): HK$1,445,904,000);

- Profit attributable to owners of the Company was HK$114,381,000 (FY2010: HK$158,567,000); and

- Basic earnings and diluted earnings per share for the year were HK27.34 cents and HK27.29 cents respectively (FY2010: HK38.52 cents and HK38.32 cents respectively).

The Board is pleased to recommend the payment of a final dividend of HK4.5 cents (FY2010: HK8.0 cents) per share for FY2011, expected to be paid on 9 September 2011 to those shareholders whose names appear on the Company's register of members on 23 August 2011, subject to approval in the annual general meeting of the Company to be held on 15 August 2011. Based on the aforesaid recommended final dividend and the interim dividend of HK4.5 cents per share paid by the Company during FY2011, the yearly dividend distributed by the Company was HK9.0 cents (FY2010: HK13.0 cents), representing 33.0% (FY2010: 33.9%) of the diluted earnings per share of the Company for the year.

STRATEGIES AND OUTLOOK

Manufacturing Businesses

Being an industrial group with a niche in production combining electronic and mechanical capabilities, the Group has consistently advanced its expertise through investments in research and development. Such efforts have yielded the Group a strong niche in artificial intelligence (AI) products and a specialization in high-value-added entertainment toys.

Competitiveness is also derived from the constant drive to increase production automation, vertical integration and efficiency. To accommodate new business and client requirements, the Group has made timely investments to expand and upgrade its production facilities. Part of the Shenzhen premises is currently being rebuilt to convert it into a modernized facility with advanced equipment.

The Group's reliability as a manufacturer has earned it the trust of customers and enabled it to solicit new business. Looking ahead, the performance of the toys line will continue to be constrained by the launch schedule of movies and sluggish market demand for high-end items. In view of this, the electrical and electronic products segment will actively seek to diversify its product offerings. It is studying the feasibility of revamping some of the production lines for the manufacturing of sanitary and health care products.

Sustained momentum is expected for the line of robotic cleaners, with a new series recently commencing production and scheduled for launch in the latter part of the year ending 31 March 2012 ("FY2012").

The healthy order book for the motors segment is likely to continue into FY2012 with strengthened sales efforts to target automobile, office automation and household appliance sector clients. Sales for toy and precision instrument sectors are also expected to be promising in the coming year.

The Group is confident of the ongoing success and profitability of its manufacturing businesses. Our goal for this segment remains sustaining a stable business so as to contribute steadily to the Group's revenue and profitability, while continuing to seek new growth sectors for expansion and diversification.

Non-Manufacturing Businesses

In a broader aspect, the Group seeks diversification of its business portfolio by branching out into the non-manufacturing sector. The segment now comprises a materials development and a natural resources development business.

The materials development unit, specializing in the production of Indium Tin Oxide ("ITO") Targets, has achieved critical technological breakthrough to enable it to advance into the mass production phase in the near future. The unit aims to become one of the first large-scale ITO Target manufacturers in the PRC with the capability of turning out high standard Function Material Targets and nano-films.

Registering satisfactory growth in sales and customer recognition of our ITO Target products, the business will embark on an expansion programme to lift its capacity multifold.

The Group is also delighted to report robust progress for its natural resources development business, which has made important moves during the year to establish footholds in different key sectors in the industry, including but not limited to exploration, exploitation, ore processing, refining and downstream processing activities.

STRATEGIES AND OUTLOOK *(continued)*

Non-Manufacturing Businesses *(continued)*

Based on the key strategy of utilizing the strength of its strong geological team, the Group will continue to identify exploration projects with superior development potential and relatively low investment outlay. The goal is to establish a more balanced portfolio of mining projects in order to better position ourselves to benefit from the opportunities in the resources industry, while minimizing the overall risk exposure.

With a number of polymetallic mine projects currently based in the PRC, the Group is investigating the feasibility of expanding its portfolio beyond the PRC to other strategic locations in Southeast Asia. One of such studies has materialized into acquisition pursuits in the Lao People's Democratic Republic ("Laos"). Upon completion, the acquisition is expected to accelerate revenue and profitability contribution from the natural resources development segment to the Group.

Starting off with investments into exploration projects, the segment strives to synthesize an extensive value chain in the natural resources development industry in order to capture the value added in different key sectors in the industry.

We believe the resources development segment will fuel the Group's overall competitiveness and growth in the long term.

MANAGEMENT VISION

As a reputable manufacturer with over 30 years of experience, Kin Yat has always given top priority to consumer health and stakeholder interests. As a socially responsible enterprise, we also actively contribute to local community initiatives and endeavor to reach out to and strengthen the communities where we operate and which we serve.

Continual improvement is the source of our competence. While we work hard to create economic value for our shareholders, we strive to constantly improve ourselves and maintain the dynamism of the Company. To realize this vision, we are dedicated to nurturing and engaging talent. This staff enhancement initiative has now developed into a learning culture for the entire organization.

Supplemented by a competency-based 360-degree management system, we are able to recognize and maintain areas of individual strength, so as to monitor and improve team performance over the long term.

The Group's sustainable performance is testament to our management vision.

ACKNOWLEDGEMENTS

Finally, I would like to take this opportunity to extend my heartfelt gratitude to our customers, business partners, suppliers and shareholders for their support and trust, and to the members of the Board and our staff for the dedicated efforts and contributions they have made to the Group during the past year.

CHENG Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 27 June 2011

The Group is delighted to report another resilient performance at a time when the manufacturing sector in the PRC is faced with rising raw material costs, wage increases and labor shortages, and in respect of our resources development business a demanding yet productive year laying the foundation for its sustained contributions to the Group's revenue and profitability going forward. During FY2011, the Group's manufacturing businesses continued to grow on the back of strong sales for its robotic cleaner and motor product lines, while momentum of our resources development business took a great leap with the pursuit of new activities that would enhance the depth, breadth and capability of the operations.

During FY2011, the Group has been operating four major business segments, including the three research-and-development-based industrial disciplines of electrical and electronic products, motors and other manufacturing activities, as well as the resources development operations as an additional driver of growth.

Despite the mounting challenges, the Group has sustained relentless efforts to improve competitiveness and to deliver growth as its designated goals. Through furtherance of production automation, product and product mix upgrading, research and development, and business re-engineering, the Group consistently enhances efficiency and increases the proportion of higher-value-added products within its portfolio. As regards its resources development business, which is in investment mode, the Group has been diligently continuing to invest to enhance its business capability.

Amidst the challenges the Group faces particularly in manufacturing businesses, the Group's strategy is to continue efforts in furthering productivity and expertise, and expanding business horizons in order to move up the value chain. Our multi-year initiative to evolve into a well-balanced portfolio of business activities, which best leverages our strengths and helps us exploit further opportunities as they arise, also helps us to ride out market turbulence. The Group is also committed to constantly advancing management capabilities and business dimensions with the aim of creating and delivering long-term value for shareholders. To facilitate the Group's achievement of the designated objectives, the Group maintains a healthy financial position in support of its continued business development initiatives.

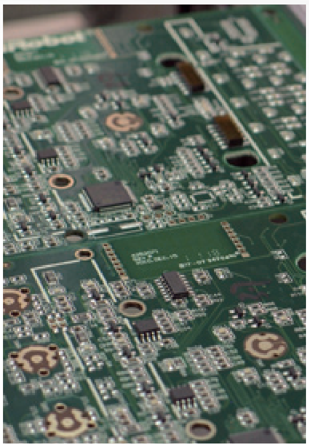
CONSOLIDATED RESULTS

During FY2011, the Group's consolidated turnover increased 19.1% year on year to a record high of HK$1,722,788,000 (FY2010: HK$1,445,904,000). The respective segmental external turnover contribution of the various business streams to the Group's total turnover, together with a percentage breakdown, are set out below:

- HK$1,105,982,000 from the electrical and electronic products business, representing 64.2% of the consolidated turnover of the Group for the year (FY2010: HK$1,020,387,000, 70.6%);
- HK$554,567,000 from the motors business, contributing 32.2% of the total (FY2010: HK$378,262,000, 26.1%);
- HK$52,068,000 from the other manufacturing activities, or 3.0% of the total (FY2010: HK$43,448,000, 3.0%); and
- HK$10,171,000 from the resources development business, accounting for 0.6% of the total (FY2010: HK$3,807,000, 0.3%).

CONSOLIDATED RESULTS *(continued)*

During the year under review, profit attributable to owners of the Company was HK$114,381,000 (FY2010: HK$158,567,000), 27.9% lower year on year. Basic earnings and diluted earnings per share for the year were HK27.34 cents and HK27.29 cents respectively (FY2010: HK38.52 cents and HK38.32 cents respectively), reducing year on year by 29.0% and 28.8% respectively.



The Group's earnings in FY2011 were mainly generated by manufacturing businesses, which have been contending with ballooning labor, raw materials and power costs, as well as a strengthening Renminbi against the US Dollar and weakened consumption. The profitability of the Group was inevitably affected. Overall, the second half of FY2011 was especially affected by lingering economic and political uncertainties, which have weighed on the pace of global recovery and demand in the western economies.

During the reporting year, the electrical and electronic products and motors delivered segment profits of HK$167,045,000 (FY2010: HK$194,670,000) and HK$6,175,000 (FY2010: HK$28,878,000) respectively, whereas the segment comprising other manufacturing activities reported a loss of HK$3,223,000 (FY2010: segment profit of HK$4,497,000). The resources development segment, which reported satisfactory progress with its business development, recorded a segment loss of HK$16,902,000 (FY2010: loss of HK$29,314,000) mainly due to the exploration activities.

OPERATIONAL REVIEW

Electrical and Electronic Products Business Segment

The segment is engaged in the development, design and manufacture of (i) electronic and electrical toys; (ii) electrical appliances, with a niche in artificial intelligence (AI) products; and (iii) small home electrical appliances.

Segment external turnover advanced 8.4% to HK$1,105,982,000 during FY2011 (FY2010: HK$1,020,387,000) on the back of strong demand for its AI line of cleaners and food blenders. The segment profit declined by 14.2% to HK$167,045,000 (FY2010: HK$194,670,000).

The order book for the line of vacuum-cleaning robots remained robust with further advances into the European Union and Asian markets. Further, the Group is delighted to report that a new series of vacuum cleaning robot has gone into production in May 2011. The new series will surely have a positive impact on the performance of this segment for FY2012.

To capture the growth prospects arising from the new collection of robotic cleaners in the coming year, the Group has committed resources and investments to expand both its capacity and capability in this respect.

OPERATIONAL REVIEW *(continued)*

Electrical and Electronic Products Business Segment *(continued)*

Despite the positive picture in the robotics sector, the faltering economic recovery of the United States has presented a growing challenge for the electronic toys business. This business line's sales were restrained by the decrease in orders associated with blockbuster movies during the year, as well as postponement of shipments in the light of weak consumer demand. Sales of the Group's premium products were also affected, as the lower-priced items dominated the marketplace amidst soft market sentiment.

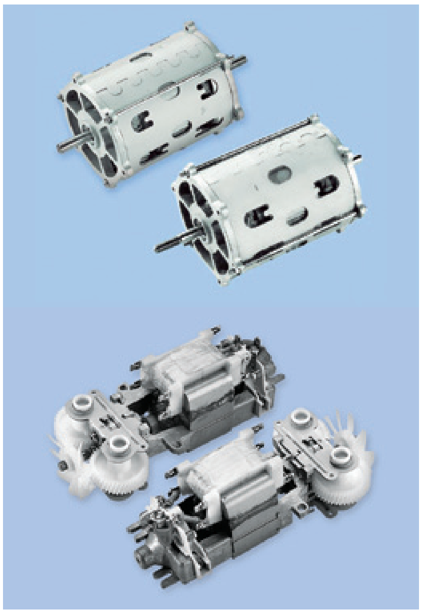
At the same time, inflationary pressure and appreciation of the Renminbi continued to build, causing margin shrinkage for many mainland manufacturers. Despite this, the management is encouraged to report that, having taken proactive steps to upgrade our entire industrial base to make higher-value-added products, and to improve productivity through automation and product re-engineering, we were able to partly offset higher wage, material, electricity and other production costs.

The newly established business of domestic sales of small home electrical appliances under our own house brand in the PRC continued to progress smoothly. The Group intends to diversify the product offerings further in order to drive sales.

Overall, the management is confident of delivering a stable ongoing performance for this segment.

Motors Business Segment

The Group is pleased to report strong performance for the motors segment, which has achieved substantial scale and capability advancements following the successful incorporation of the acquired productive assets into the existing motors operation. The segment now develops, designs and manufactures a wide range of micro-electric motors and related products, ranging from direct-current ("DC"), alternative-current ("AC") motors and brushless motors to motor encoder systems.



Segment external turnover during the year was 46.6% higher year on year at HK$554,567,000 (FY2010: HK$378,262,000), delivering a segment profit of HK$6,175,000 (FY2010: HK$28,878,000), a 78.6% decrease.

The decrease in segment profit was partly caused by the AC motor business, which was still in its investment phase to develop towards a more significant capacity to achieve economies of scale. The segment will continue to optimise its scale in the coming year. In addition, the segment is not shielded from the operational difficulties faced by mainland manufacturers. Whilst the wage and material price hikes, which intensified during the second half of FY2011, had a negative impact on the segment's margin, the management has responded proactively by gearing up its research-and-development competence.

After years of effort and investments in business development, research and development, tests and trial production, the segment's client base has continued to broaden. The segment now serves a wider range of clients in the toy, precision instrument, office automation and household appliance sectors.

OPERATIONAL REVIEW *(continued)*

Motors Business Segment *(continued)*

A breakthrough has also been achieved in the automotive sector business. Being one of the sizeable motor producers in mainland China equipped with the capability to manufacture automotive motors, the Group commands a strong niche in this sector. We aim to tap further into the sector's demand by furthering business development efforts targeting South Korean and Japanese clients.

The order book for the toys and precision instrument sectors also remains healthy for the coming year. We look forward to deriving stable sales from these sectors. Meanwhile, the Group is expanding its sales force for the AC motors line to drive sales in the small household appliances sector.

In line with the Group's core value proposition built on quality and expertise, the segment plans to build a new research-and-development centre based in its Shenzhen plant to facilitate the development of newer and more advanced models for existing and prospective clients.

The Group maintains an optimistic outlook for the ongoing prospects of the motors business in long run.

Other Manufacturing Activities

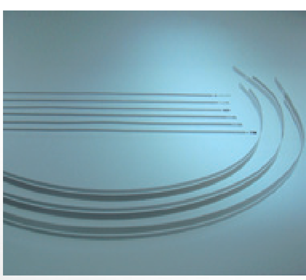
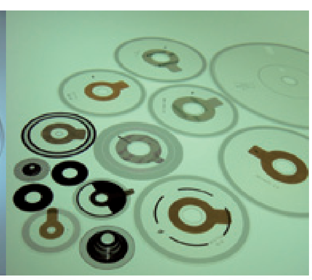
This segment comprises the development, design, manufacture and sales of a broad range of feature plush, wooden and educational toys, on both original design manufacturing ("ODM") and original equipment manufacturing ("OEM") bases, and under the Group's house brand, as well as a newly acquired line of encoder film manufacturing business based in Malaysia.

The segment's external turnover increased by 19.8% year on year during FY2011 to HK$52,068,000 (FY2010: HK$43,448,000) with a segment loss of HK$3,223,000 (FY2010: Segment profit of HK$4,497,000) recorded mainly due to initial set up costs for the newly acquired Malaysian business.

The ODM business line reported encouraging growth in turnover during the year as business from a world-leading vendor has been engaged for the feature plush product line. Efforts have also been expended on strengthening the design edge of the plush products. These, coupled with marketing activities including exhibitions, are expected to help expand sales in the PRC.

For the wooden line of products, the Group is in negotiation with a retail chain in the United States for the sale of its OEM products on its network beginning in the second half of FY2012.

The acquisition in Malaysia was completed during the year. This new unit has been incorporated into the segment with a focus on encoder film. As a part of the segment's sales effort, this unit will provide a different product offering to help expand sales from existing clients.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment

The resources development business segment continued to serve as the strategic platform for the Group to achieve long-term growth and performance. This is also part of the Group's long-term strategy to maintain a stable and broad-based business structure by expanding into non-manufacturing businesses, which can help mitigate the cyclical fluctuations of its industrial operations.

During the year, the segment was engaged in (i) materials development business – the development, manufacture and sale of ITO Targets; and (ii) natural resources development business with respect to non-ferrous metals.

The segment external turnover in FY2011 increased by 2.7 times year on year to HK$10,171,000 (FY2010: HK$3,807,000). The segment reported a loss of HK$16,902,000 (FY2010: loss of HK$29,314,000).

Although segment revenues were modest and were entirely generated from the materials development business, the segment has taken major steps to enhance the product quality and production capacity of the ITO Target business, while working to expand its natural resources development business horizon to span from exploration, exploitation, ore processing and refining to downstream processing and from the PRC to Southeast Asia, in a bid to pave the way for enhancing results. Having given due consideration to the attractiveness and availability of similar projects in various locations, we have been investigating projects strategically located beyond the PRC, to Southeast Asia. In particular, the Group has expanded its natural resources development business to the Laos.

The Group is confident about the potential of the segment and its significant contributions to the Group's revenue and profitability in future.

Materials Development Business

Having spent more than eight years in building strong credentials in our ITO Target business, this first development stage of the business has also helped us gain rich experience and construct a solid foundation for expanding into the next stage of development.

Our achievements so far included the building of a seasoned team of professionals in research and development and production know-how and expertise, the critical technology breakthroughs with improved density and purity of product, and the improvement of production technology enabling the Group to produce larger size ITO Targets of any shape.

With such breakthroughs and positive developments, the business is poised to expand into more advanced product offerings including, inter alia, ITO Targets used in touch screen panels, solar power panels and flat panel displays. The Group also endeavours to capture the first-mover advantage of growing into a large-scale manufacturer in the PRC, an industry opening which is currently untapped.

To this end, the Group is setting up tailor-made new ITO Powder and Target production lines with advanced and improved designs and production technologies. With an estimated investment of not more than HK$100 million, the segment has moved forward plans for multifold expansion of its production capacity.

OPERATIONAL REVIEW *(continued)*

Materials Development Business *(continued)*

Proprietary production lines equipped with advanced and improved production technologies began to be set up within the Group's Shaoguan factory site during the second half of FY2011. The facilities and equipment have been partly installed by the date of this report.

The business is currently at the final preparatory stage for pre-trial run, with the trial run expected to be completed in the next three months. Commissioning of the new production lines is scheduled for the end of 2011.

With the establishment of the new advanced lines, we expect to embark on new market and product development activities in an effort to boost sales and achieve higher margins. The management is confident of achieving its goal of becoming one of the first large-scale production manufacturers in the PRC with capabilities in high standard Function Material Targets and nano-films.

With satisfactory growth in sales and recognition of our products by our customers, we maintain an optimistic outlook for the development of this business.

Natural Resources Development Business

During the year under review, the business was engaged mainly in exploration activities in the polymetallic ore mine in Xian, the PRC. Led by an expert in-house geological team, the Group continues to identify new potential exploitation projects and reports positive progress towards expanding its mining portfolio.

Exploration

During the year under review, exploration works were undertaken at an aggregate exploration area of approximately 27 square kilometres (the "Jinshi Exploration Area") in relation to the lead and zinc polymetallic ore mine located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC (the "Xian Polymetallic Mine"). An additional 18 square kilometres of exploration area in relation to the lead, zinc and iron ore mine located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC (the "Wengyuan Polymetallic Mine") has been secured.

In addition to the existing exploration works carried out in the Jinshi Exploitation Area (as defined below), new works were undertaken in three other strategic locations within the Jinshi Exploration Area in order to better control and enhance the amount of reserves. Such works have yielded satisfactory and encouraging results – polymetallic samples with principally gold contents of 3.89 g/t and 4% lead in average in location I, polymetallic samples with principally gold contents of 2 g/t in average (ranging from 0.74 g/t to 20.01 g/t) in location II, and polymetallic samples with principally lead contents of 5 to 10% in location III.

The acquisition of the Wengyuan Polymetallic Mine was finalised by entering into the sale and purchase agreement between the Group and the vendor in January 2011, pursuant to which, the Group shall acquire 100% of the equity interest in the exploration right with respect to the Wengyuan Polymetallic Mine. The said acquisition constituted a non-disclosable transaction for the Company. The Group has been preparing the required documentation for obtaining approvals to complete the subject acquisition in the PRC and expects to complete the acquisition in the second half of 2011.

OPERATIONAL REVIEW *(continued)*

Natural Resources Development Business *(continued)*

Exploration *(continued)*

Sufficient exploration works had however been carried out in the Wengyuan Polymetallic Mine enabling the Group to apply for an exploitation licence thereof.

Plans to expand the segment further into Southeast Asia are also underway. After giving due consideration to the potential of natural resources development business in Laos, a formal application was submitted in May 2011 to the relevant government bodies in relation to the exploration rights for copper in an area of 194 square kilometres and for iron in an area of 208 square kilometres. Approval for the exploration rights is expected in the second half of 2011.

Exploitation

Management resources have been focused on the obtaining of the relevant exploitation licences with respect to the Xian Polymetallic Mine and the Wengyuan Polymetallic Mine.

Regarding the Xian Polymetallic Mine, all required documentations were submitted in accordance with the procedures to obtain the exploitation licence in relation to an area of 2.2 square kilometres (the "Jinshi Exploitation Area"), exclusive of the Jinshi Exploration Area, with an aim of obtaining the exploitation licence at a later expected time, before the end of 2011, given that the approval process has been longer than expected.

As regards the Wengguan Polymetallic Mine, in accordance with the approval document issued by the Land and Resources Bureau of Guangdong Province, the PRC, in September 2010 the granting of the exploitation licence for extracting lead, zinc and iron metals was approved for an area of approximately 5 square kilometres (inside of the Wengyuan Polymetallic Mine) for a planned production capacity of 66,000 metric tonnes of lead and zinc per year and 120,000 metric tonnes of iron per year. The Group is in the process of preparing the required documentation for obtaining the subject exploitation licence with an expected completion date by late 2011 or early 2012.

The Group has also been engaged in negotiations with sellers with respect to the acquisition of certain tin mines in Laos with existing exploitation licences, in an effort to accelerate revenue and profitability contribution from our natural resources development business to the Group.


OPERATIONAL REVIEW *(continued)*

Natural Resources Development Business *(continued)*

Ore Processing

The conditional sale and purchase agreement entered into by the Group in September 2010 with respect to the acquisition of an ore processing plant in Xian has not been completed since the conditions to be fulfilled by the seller for the Group to complete the transaction has not been satisfied. The Group intends to acquire this ore processing plant for the support of the processing of the ores from the Group's Wengyuan Polymetallic Mine. In the event that the acquisition of such processing plan could not be completed after the obtaining of the relevant exploitation licence in respect of the Wengyuan Polymetallic Mine, appropriate alternative arrangements will be made for the processing production thereof so as to expedite the contribution to the Group's revenues and profitability in relation to the Group's operation in the Wengyuan Polymetallic Mine.

The Group continues to pursue downstream development opportunities and has been engaged in feasibility studies in relation to the establishment of an independent antimony ore processing plant with a capacity of processing 200 metric tonnes of ores per day in Dushan County, Guizhou Province, the PRC, of which the Group intends to own as to 60% in the operations. The Group plans to use antimony ore from sources surrounding the location of the processing plant, and from other sources in the PRC as well as overseas as the main raw material for the processing operations.

Refining

In line with the defined strategies of the Group to engage in various operations along the value chain of natural resources development, the Group has been engaged in the negotiation with a relevant party in the PRC in an effort of owning an equity interest of 60% in a smelting plant with an annual capacity of producing 2,000 to 3,000 metric tonnes of ingots in Dushan County, Guizhou Province, the PRC, for the refining of antimony ingots.

The Group intends to utilise mainly the supply of antimony ores and also the output of antimony concentrate from the independent antimony ore processing plant in Dushan County, Guizhou Province, the PRC, to be established by the Group therein as raw material for our refining operations.

Downstream Processing

To further leverage on the intended ore processing and refining operations of the Group, we are prepared to establish a medium-sized downstream processing plant in Dushan County, Guizhou Province, the PRC, using antimony ingots as raw materials for production. The subject products are antinomy oxides including but not limited to antimony trioxide and antimony pentoxide which are widely used for flame retardants, flocculants and in the production of glass, paint and adhesives. Progresses have been made in the land use right acquisition, and the preparation of a feasibility study and a design proposal with completion expected to be in next year.

The Group is strongly encouraged by the solid progress achieved by the segment to take forward plans to capture the value-adding prospects of different key sectors in the natural resources industry, including but not limited to exploration, exploitation, ore processing, refining and downstream processing.

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 2011, the Group had time deposits of HK$86,803,000 (FY2010: HK$114,219,000), cash and bank balances of HK$127,724,000 (FY2010: HK$245,801,000), and net current assets of HK$332,759,000 (FY2010 (restated): HK$368,831,000). As at 31 March 2011, shareholders' equity was HK$1,035,767,000 (FY2010: HK$927,581,000). Currently, total consolidated banking facilities of the Group from all banks as at 31 March 2011 amounted to approximately HK$209,580,000 (FY2010: HK$169,200,000), of which HK$171,419,000 (FY2010: HK$72,361,000) was utilized.

As at 31 March 2011, current ratio of the Group (current assets divided by current liabilities) was 1.6 times and maintained at a healthy position (FY2010 (restated): 2.2 times), and gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) was 16.5% and maintained at a relatively low level (FY2010: 7.8%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 12 August 2011 to Monday, 15 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 August 2011.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 23 August 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 19 August 2011 to Tuesday, 23 August 2011, both days inclusive, during which period no transfer of share will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Thursday, 18 August 2011. The payment of final dividend will be made on Friday, 9 September 2011.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 27 June 2011

The directors of the Company present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2011.

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, materials primarily for use in liquid crystal display, mine exploration and other manufacturing activities.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2011 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 HK4.5 cents per ordinary share was paid to shareholders on 6 January 2011. The directors recommend the payment of a final dividend of HK4.5 cents per ordinary share in respect of the year to shareholders on the register of members on 23 August 2011. 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	**2011**	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,722,788**	1,445,904	1,574,220	1,637,242	920,944
PROFIT BEFORE TAX	**138,529**	188,127	100,818	135,858	77,601
Income tax expense	**(28,072)**	(30,655)	(9,766)	(16,882)	(6,908)
PROFIT FOR THE YEAR	**110,457**	157,472	91,052	118,976	70,693
ATTRIBUTABLE TO:					
Owners of the Company	**114,381**	158,567	89,238	117,268	67,183
Non-controlling interests	**(3,924)**	(1,095)	1,814	1,708	3,510
	110,457	157,472	91,052	118,976	70,693

SUMMARY FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)		
NON-CURRENT ASSETS	**717,342**	572,442	609,607	534,882	394,569
CURRENT ASSETS	**859,877**	684,271	474,465	566,908	457,927
TOTAL ASSETS	**1,577,219**	1,256,713	1,084,072	1,101,790	852,496
CURRENT LIABILITIES	**(527,118)**	(315,440)	(242,704)	(293,367)	(186,600)
NON-CURRENT LIABILITIES	**(14,334)**	(13,692)	(12,698)	(17,599)	(15,901)
TOTAL LIABILITIES	**(541,452)**	(329,132)	(255,402)	(310,966)	(202,501)
NET ASSETS	**1,035,767**	927,581	828,670	790,824	649,995

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 28 and 29 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 30(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 2011, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK$198,810,000 of which HK$18,844,000 have 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$124,530,000 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 72% of the total sales for the year and sales to the largest customer included therein amounted to 36%.

Purchases attributable to the Group's five largest suppliers accounted for less than 20% 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

Mr. Cheng Chor Kit
Mr. Fung Wah Cheong, Vincent
Mr. Liu Tat Luen
Mr. Chui Pak Shing (appointed on 1 September 2010)
Mr. Wong Wai Ming (resigned on 1 May 2010)
Mr. Wong Weng Loong (resigned on 1 September 2010)

Independent non-executive directors

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

In accordance with the Company's bye-laws, Mr. Cheng Chor Kit, Mr. Fung Wah Cheong, Vincent and Mr. Chui Pak Shing 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

Mr. 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 Mr. Fung Wah Cheong, Vincent, Mr. Liu Tat Luen and Mr. Chui Pak Shing entered into service contract with the Company for a term of three years commencing from 26 August 2008, 28 December 2009 and 1 September 2010, 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 2011, 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 shares
Mr. Cheng Chor Kit	Long position	Founder of a trust	273,412,000 *(Note)*	65.29
		Beneficial owner	3,300,000	0.79
		Interest held by spouse	1,200,000	0.29
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	6,900,000	1.65

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 Mr. 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
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	500,000 (0.12%)	23/07/2009	1/8/2010-22/7/2019	HK$1.426
Mr. Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.48%)	4/1/2010	4/1/2013-3/1/2020	HK$2.102
Mr. Chui Pak Shing	Long position	Beneficial owner	1,000,000 (0.24%)	29/3/2011	29/3/2014-28/3/2021	HK$2.792
Prof. Chung Chi Ping, Roy *JP*	Long position	Beneficial owner	650,000 (0.16%)	29/3/2011	29/3/2011-28/3/2021	HK$2.792
Mr. Wong Chi Wai	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011-28/3/2021	HK$2.792
Ms. Sun Kwai Yu	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011-28/3/2021	HK$2.792

The directors' interests in the Company's share options are disclosed in note 29 to the financial statements.

Save as disclosed above, as at 31 March 2011, 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 29 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 29 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

Mr. Cheng Chor Kit, aged 59, 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 40 years of experience in the toy industry.

Mr. Fung Wah Cheong, Vincent, aged 55, 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.

Mr. Liu Tat Luen, aged 46, is an executive director of the Company. He joined the Group in December 2009 and has a focus on the natural resource development business 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.

Mr. Chui Pak Shing, *CPA (Aust.), HKICPA*, aged 43, is an executive director of the Company. He joined the Group in 1997 and resigned from the Group as an executive director in April 2006. He then rejoined in August 2010 and appointed as an executive director in September 2010. He has over 18 years of working experience in accounting and financial management and served as executive director and financial controller of several Hong Kong-listed companies in various manufacturing industries. He holds a bachelor degree in Commerce from University of Wollongong in Australia and a master degree in Business Administration from University of Portsmouth in the United Kingdom. He is a member of both CPA Australia and Hong Kong Institute of Certified Public Accountants.

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

Independent non-executive directors

Prof. Chung Chi Ping, Roy ***JP***, aged 58, 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 group vice chairman of Techtronic Industries Company Limited. He holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was also appointed as 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. He is an active member of many government commissions. He is currently the vice chairman of the Federation of Hong Kong Industries, a member on Innovation and Technology Steering Committee of the Innovation & Technology Commission, HKSAR, and the vice chairman of The Hong Kong Standard & Testing Centre Limited, the director of The Hong Kong Design Centre Limited. He is a council member of the University of Warwick, the United Kingdom, the council chairman 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, and also a member of board of directors of the Hong Kong Paediatric Foundation. He is the founder of the Bright Future Charitable Foundation.

Mr. Wong Chi Wai, aged 45, 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 23 years of experience in the accountancy profession and he is currently 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.

Ms. Sun Kwai Yu, aged 49, 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 18 years' experience in 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 2011, the following interests of 5% or more of the issued shares 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 shares	Number of share options held
Mr. Cheng Chor Kit	Through a controlled corporation, beneficial owner and interest held by spouse	277,912,000 *(Notes 1, 2 and 4)*	66.37	–
Hallgain Management Limited ("**Hallgain**")	Through a controlled corporation	28,762,000 *(Note 3)*	6.87	–

Note 1: Among these shares, 273,412,000 shares were held through Resplendent and 1,200,000 shares were held by the spouse of Mr. Cheng Chor Kit.

Note 2: The spouse of Mr. Cheng Chor Kit is deemed to be interested in these ordinary shares in which Mr. Cheng Chor Kit is deemed or taken to be interested for the purpose of the SFO.

Note 3: 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 4: This refers to the same shareholding of Mr. 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 29 to the financial statements.

Save as disclosed above, as at 31 March 2011, no person, other than Mr. 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

Details of connected transactions are disclosed in accordance with the requirements of Chapter 14A of the Listing Rules and in note 31 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.

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
27 June 2011

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 2011 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 office 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 2011 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. Liu Tat Luen
Mr. Chui Pak Shing (appointed as executive director with effect from 1 September 2010)
Mr. Wong Wai Ming (resigned as executive director on 1 May 2010)
Mr. Wong Weng Loong (resigned as executive director on 1 September 2010)

Independent Non-executive Directors

Prof. 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 2011 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. Chui Pak Shing joined the Company as executive director and entered into a service contract with the Company for a term of three years commencing 1 September 2010. He is subject to a termination by either party giving not less than six months' prior written notice.

Mr. Wong Wai Ming and Mr. Wong Weng Loong resigned as executive directors of the Company with effect from 1 May 2010 and 1 September 2010, respectively.

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 Prof. 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. 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 three times during the year ended 31 March 2011 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), Prof. 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 2011, the nomination committee of the Board held one meeting. At the meeting, 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), Prof. 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 2011, 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 2010 as well as the interim report for the six months ended 30 September 2010. 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 2011.

The audit committee of the Board held four meetings during the year ended 31 March 2011. 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 Auditors' Report on pages 31 and 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	**2010/2011**	2009/2010
	HK$	HK$
Audit services	**2,550,000**	1,500,000
Non-audit services		
Tax services	**1,004,000**	243,000
Total	**3,554,000**	1,743,000

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 2011, 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 2011 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, monthly returns and press releases, 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 2010/2011

The number of Board and board committee meetings attended by each Director for the year ended 31 March 2011.

	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)*	6/6	N/A	3/3	1/1
Mr. Fung Wah Cheong, Vincent *(Deputy Chairman)*	6/6	N/A	3/3	1/1
Mr. Liu Tat Luen	6/6	N/A	N/A	N/A
Mr. Chui Pak Shing (appointed on 1 September 2010)	4/6	N/A	N/A	N/A
Mr. Wong Wai Ming (resigned on 1 May 2010)	0/6	N/A	N/A	N/A
Mr. Wong Weng Loong (resigned on 1 September 2010)	1/6	N/A	N/A	N/A
Independent Non-executive director				
Prof. Chung Chi Ping, Roy *JP* (Chairman of the remuneration committee)	6/6	4/4	3/3	1/1
Mr. Wong Chi Wai (Chairman of the nomination committee)	6/6	4/4	3/3	1/1
Ms. Sun Kwai Yu (Chairman of the audit committee)	6/6	4/4	3/3	1/1

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

We have audited the consolidated financial statements of Kin Yat Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 108, which comprise the consolidated and company statements of financial position as at 31 March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, 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

27 June 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	*5*	**1,722,788**	1,445,904
Cost of sales		**(1,439,827)**	(1,106,586)
Gross profit		**282,961**	339,318
Other income and gains, net	*5*	**31,719**	23,038
Selling and distribution expenses		**(44,900)**	(38,137)
Administrative expenses		**(130,064)**	(134,943)
Finance costs	*6*	**(1,052)**	(1,001)
Share of profits and losses of associates		**(135)**	(148)
PROFIT BEFORE TAX	*7*	**138,529**	188,127
Income tax expense	*9*	**(28,072)**	(30,655)
PROFIT FOR THE YEAR		**110,457**	157,472
ATTRIBUTABLE TO:			
Owners of the Company	*10*	**114,381**	158,567
Non-controlling interests		**(3,924)**	(1,095)
		110,457	157,472
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*12*		
Basic		**HK27.34 cents**	HK38.52 cents
Diluted		**HK27.29 cents**	HK38.32 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR		**110,457**	157,472
OTHER COMPREHENSIVE INCOME:			
Revaluation surplus, net	13	**16,082**	3,730
Deferred tax debited to revaluation reserve	27	**(2,251)**	(669)
		13,831	3,061
Exchange differences on translation of foreign operations		**32,113**	72
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	7	**–**	(4,806)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**156,401**	155,799
ATTRIBUTABLE TO:			
Owners of the Company		**160,705**	156,839
Non-controlling interests		**(4,304)**	(1,040)
		156,401	155,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**618,610**	518,097	553,679
Investment properties	14	**42,169**	37,727	36,591
Prepaid land lease payments	15	**14,147**	14,009	14,286
Goodwill	16	**4,650**	4,650	4,650
Interests in associates	18	**(7,439)**	(7,199)	(7,028)
Deferred development costs	19	**6,470**	5,158	7,429
Deposits	22	**38,735**	–	–
Total non-current assets		**717,342**	572,442	609,607
CURRENT ASSETS				
Inventories	20	**357,577**	155,519	154,842
Accounts receivable	21	**185,742**	132,932	120,866
Prepayments and deposits	22	**84,838**	35,800	19,594
Financial assets at fair value through profit or loss	23	**17,193**	–	–
Time deposits	24	**86,803**	114,219	50,131
Cash and bank balances	24	**127,724**	245,801	129,032
Total current assets		**859,877**	684,271	474,465
CURRENT LIABILITIES				
Accounts and bills payables, accrued liabilities and other payables	25	**332,405**	226,910	146,585
Derivative financial instruments		**–**	–	798
Interest-bearing bank borrowings	26	**171,419**	72,361	86,944
Tax payable		**23,294**	16,169	8,377
Total current liabilities		**527,118**	315,440	242,704
NET CURRENT ASSETS		**332,759**	368,831	231,761
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,050,101**	941,273	841,368
NON-CURRENT LIABILITIES				
Deferred tax liabilities	27	**14,334**	13,692	12,698
NET ASSETS		**1,035,767**	927,581	828,670

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
EQUITY				
Equity attributable to owners of the Company				
Issued share capital	*28*	**41,875**	41,785	40,882
Reserves	*30(a)*	**1,002,535**	890,560	768,416
		1,044,410	932,345	809,298
Non-controlling interests		**(8,643)**	(4,764)	19,372
TOTAL EQUITY		**1,035,767**	927,581	828,670

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

	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 2009	40,882	107,226	8,249	25,693	55,259	6,150	–	565,839	768,416	19,372	828,670
Revaluation surplus, net	–	–	–	3,730	–	–	–	–	3,730	–	3,730
Revaluation surplus shared by non-controlling interests	–	–	–	(48)	–	–	–	–	(48)	48	–
Deferred tax debited to revaluation reserve *(note 27)*	–	–	–	(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 29)*	–	–	1,303	–	–	–	–	–	1,303	–	1,303
Lapse of share options *(note 28(a))*	–	–	(732)	–	–	–	–	732	–	–	–
Issue of shares *(note 28)*	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
At 1 April 2010	41,785	123,015	3,058	28,706	50,518	6,150	(8,904)	688,017	890,560	(4,764)	927,581
Revaluation surplus, net *(note 13)*	–	–	–	16,082	–	–	–	–	16,082	–	16,082
Deferred tax debited to revaluation reserve *(note 27)*	–	–	–	(2,251)	–	–	–	–	(2,251)	–	(2,251)
Exchange realignment	–	–	–	–	32,493	–	–	–	32,493	(380)	32,113
Profit for the year	–	–	–	–	–	–	–	114,381	114,381	(3,924)	110,457
Total comprehensive income/(expense) for the year	–	–	–	13,831	32,493	–	–	114,381	160,705	(4,304)	156,401
Acquisition of non-controlling interests *(note 17)*	–	–	–	–	–	–	(36)	–	(36)	425	389
Final 2010 dividend paid *(note 11)*	–	–	–	–	–	–	–	(33,501)	(33,501)	–	(33,501)
Equity-settled share option expense *(note 29)*	–	–	2,458	–	–	–	–	–	2,458	–	2,458
Issue of shares *(note 28)*	90	1,515	(322)	–	–	–	–	–	1,193	–	1,283
Interim 2011 dividend paid *(note 11)*	–	–	–	–	–	–	–	(18,844)	(18,844)	–	(18,844)
At 31 March 2011	**41,875**	**124,530**	**5,194**	**42,537**	**83,011**	**6,150**	**(8,940)**	**750,053**	**1,002,535**	**(8,643)**	**1,035,767**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**138,529**	188,127
Adjustments for:			
Finance costs	6	**1,052**	1,001
Share of profits and losses of associates		**135**	148
Bank interest income	7	**(1,357)**	(687)
Depreciation	7	**74,544**	72,607
Amortisation of prepaid land lease payments	7	**359**	315
Amortisation of deferred development costs	7	**6,344**	6,359
Gain on deregistration of subsidiaries	7	**–**	(4,806)
Gain on a bargain purchase	7	**(278)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**2,081**	(136)
Write-off of items of property, plant and equipment	7	**–**	12,317
Equity-settled share option expense	7	**2,458**	1,303
Impairment/(write-back of impairment) of accounts receivable	7	**(683)**	193
Surplus on revaluation of land and buildings and investment properties, net	7	**(6,254)**	(1,179)
Fair value gain on derivative financial instruments, net	7	**–**	(28)
		216,930	275,534
Increase in inventories		**(202,058)**	(677)
Increase in accounts receivable		**(52,127)**	(12,259)
Increase in prepayments and deposits		**(87,729)**	(16,244)
Decrease/(increase) in amounts due from associates		**(355)**	23
Decrease in derivative financial instruments		**–**	(770)
Increase in financial assets at fair value through profit or loss		**(17,193)**	–
Increase in accounts and bills payables, accrued liabilities and other payables		**105,617**	80,325
Cash generated from/(used in) operations		**(36,915)**	325,932
Interest received		**1,357**	687
Interest paid		**(1,052)**	(1,001)
Hong Kong profits tax paid		**(20,006)**	(22,003)
Overseas income taxes paid		**(2,801)**	(535)
Dividends paid	11	**(52,345)**	(37,121)
Dividends paid to non-controlling interests		**–**	(2,000)
Net cash flows from/(used in) operating activities		**(111,762)**	263,959

	Notes	2011 HK$'000	2010 HK$'000
Net cash flows from/(used in) operating activities		**(111,762)**	263,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(136,226)**	(45,857)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**42,953**	(91,146)
Additions to deferred development costs	19	**(7,532)**	(4,088)
Proceeds from disposal of items of property, plant and equipment		**64**	424
Acquisition of non-controlling interests	17	**1,005**	(30,000)
Net cash flows used in investing activities		**(99,736)**	(170,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**1,283**	10,930
New bank loans		**153,122**	–
Repayment of bank loans		**(54,064)**	(14,583)
Net cash flows from/(used in) financing activities		**100,341**	(3,653)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(111,157)**	89,639
Cash and cash equivalents at beginning of year		**268,874**	179,163
Effect of foreign exchange rate changes, net		**8,617**	72
CASH AND CASH EQUIVALENTS AT END OF YEAR		**166,334**	268,874
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**127,724**	245,801
Non-pledged time deposits	24	**86,803**	114,219
Cash and cash equivalents as stated in the consolidated statement of financial position		**214,527**	360,020
Non-pledged time deposits with original maturity of more than three months when acquired	24	**(48,193)**	(91,146)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**166,334**	268,874

STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**31 March 2011 *HK$'000***	31 March 2010 *HK$'000* (restated)	1 April 2009 *HK$'000* (restated)
NON-CURRENT ASSETS				
Interests in subsidiaries	*17*	**311,015**	301,909	338,881
CURRENT ASSETS				
Prepayment	*22*	**3**	–	2
Dividends receivable		**100,000**	90,000	90,000
Cash and bank balances	*24*	**393**	570	976
Total current assets		**100,396**	90,570	90,978
CURRENT LIABILITIES				
Other payables		**2,462**	1,157	1,605
Interest-bearing bank borrowings	*26*	**38,540**	68,749	80,000
Total current liabilities		**41,002**	69,906	81,605
NET CURRENT ASSETS		**59,394**	20,664	9,373
NET ASSETS		**370,409**	322,573	348,254
EQUITY				
Issued share capital	*28*	**41,875**	41,785	40,882
Reserves	*30(b)*	**328,534**	280,788	307,372
TOTAL EQUITY		**370,409**	322,573	348,254

Cheng Chor Kit	**Fung Wah Cheong, Vincent**
Director	*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, materials primarily for use in liquid crystal display, mine exploration and other manufacturing activities.

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 land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss, 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

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are 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. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Basis of consolidation from 1 April 2009

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to consolidated income statement or retained profits, as appropriate.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation prior to 1 April 2009

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2009, were accounted for using the parent entity extension method, whereby the differences 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 was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2009 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2009 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on a Demand Clause*

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

During the year ended 31 March 2010, the Group has early adopted HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*. Other than as further explained below regarding the impact of amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs.

There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- *HKAS 17 Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  Upon the adoption of the amendments, the classification of leases in Mainland China remained as operating leases. As the lease in Hong Kong cannot be allocated reliably between land and building elements before the adoption of the amendments, in which case the entire lease was generally treated as finance lease and accounted for as property, plant and equipment.

(b) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

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

(b) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (continued)*

Prior to the adoption of this interpretation, the Group's term loans were classified in the statement of financial position as non-current liabilities separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loans have been reclassified as current liabilities. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include statements of financial position as at 1 April 2009.

Further details of the loans are disclosed in note 26 to the financial statements.

The above change has had no effect on the consolidated income statement. The effect on the statements of financial position is summarised as follows:

Group	**31 March 2011** ***HK$'000***	31 March 2010 *HK$'000*	1 April 2009 *HK$'000*
Current liabilities			
Increase in interest-bearing bank borrowings	**5,207**	38,819	72,361
Non-current liabilities			
Decrease in interest-bearing bank borrowings	**(5,207)**	(38,819)	(72,361)

Company	**31 March 2011** ***HK$'000***	31 March 2010 *HK$'000*	1 April 2009 *HK$'000*
Current liabilities			
Increase in interest-bearing bank borrowings	**5,207**	38,540	68,750
Non-current liabilities			
Decrease in interest-bearing bank borrowings	**(5,207)**	(38,540)	(68,750)

There was no impact on the net assets of the Group and the Company.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 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 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.

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; or

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates *(continued)*

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 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.

Business combinations and goodwill

Business combinations from 1 April 2009

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of 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 are expensed as incurred.

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 is 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 is recognised in accordance with HKAS 39 either in profit or loss or as a 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 aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Business combinations from 1 April 2009 *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. 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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) 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.

Business combinations prior to 1 April 2009

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2009:

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 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 were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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:

Freehold land	Not depreciated
Medium term leasehold land and buildings in Hong Kong	Over the shorter of the remaining lease terms and 4%
Buildings outside Hong Kong	Over the shorter of the remaining lease terms and 3.3%
Moulds, tools, and plant and machinery	10% to 20%
Furniture, equipment and motor vehicles	10% to 25%

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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.

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, including prepaid land lease payments under 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, and 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 receivable, amounts due from associates, financial assets at fair value through profit or loss and derivatives financial instruments.

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 by 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 amortisation 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

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.

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 and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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").

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 Binominal valuation model, further details of which are given in note 29 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

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.

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 of Republic 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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

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.

Impairment of accounts receivable

Impairment allowances for accounts receivable are made based on assessment of the recoverability of accounts receivable 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 land and buildings and investment properties

The 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 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 27 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 resources development segment consists of the manufacture and sale of materials primarily for use in liquid crystal display and mine exploration; and

(d) other manufacturing activities segment consists of the manufacture and sale of feature plush, wooden toys and encoder film.

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 2011 and 2010.

Group	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**1,105,982**	1,020,387	**554,567**	378,262	**10,171**	3,807	**52,068**	43,448	**–**	–	**1,722,788**	1,445,904
Intersegment sales	**2,678**	2,317	**36,875**	60,460	**–**	–	**211**	–	**(39,764)**	(62,777)	**–**	–
Other income and gains, net	**6,590**	9,589	**19,472**	8,302	**114**	1,354	**493**	222	**–**	–	**26,669**	19,467
Total	**1,115,250**	1,032,293	**610,914**	447,024	**10,285**	5,161	**52,772**	43,670	**(39,764)**	(62,777)	**1,749,457**	1,465,371
Segment results	**167,045**	194,670	**6,175**	28,878	**(16,902)**	(29,314)	**(3,223)**	4,497	**–**	–	**153,095**	198,731
Interest and unallocated gains											**5,050**	3,571
Unallocated expenses											**(18,429)**	(13,026)
Finance costs											**(1,052)**	(1,001)
Share of profits and losses of associates											**(135)**	(148)
Profit before tax											**138,529**	188,127
Income tax expense											**(28,072)**	(30,655)
Profit for the year											**110,457**	157,472
Segment assets	**1,201,001**	769,443	**453,182**	285,077	**123,974**	28,524	**53,076**	30,401	**(539,022)**	(263,233)	**1,292,211**	850,212
Unallocated assets											**285,008**	406,501
Total assets											**1,577,219**	1,256,713
Segment liabilities	**270,297**	130,146	**353,344**	268,037	**211,453**	84,170	**28,683**	4,526	**(539,022)**	(263,233)	**324,755**	223,646
Unallocated liabilities											**216,697**	105,486
Total liabilities											**541,452**	329,132
Other segment information:												
Depreciation and amortisation	**46,604**	45,984	**31,435**	31,046	**856**	729	**1,746**	1,077	**–**	–	**80,641**	78,836
Unallocated amounts											**606**	445
											81,247	79,281
Impairment/(write-back of impairment) of accounts receivable	**(175)**	(41)	**(508)**	234	**–**	–	**–**	–	**–**	–	**(683)**	193
Capital expenditure	**52,533**	27,659	**47,189**	18,097	**11,022**	3,170	**33,014**	1,019	**–**	–	**143,758**	49,945
Surplus on revaluation of land and buildings, net	**(4,149)**	(28)	**–**	(15)	**–**	–	**–**	–	**–**	–	**(4,149)**	(43)
Unallocated amounts											**(2,105)**	(1,136)
											(6,254)	(1,179)
Deficit/(surplus) on revaluation recognised directly in equity	**(7,733)**	(811)	**(334)**	(633)	**(471)**	2	**(4,697)**	–	**–**	–	**(13,235)**	(1,442)
Unallocated amounts											**(2,847)**	(2,288)
											(16,082)	(3,730)

4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

Group	United States of America		Europe		Asia		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**499,682**	487,821	**385,395**	375,014	**697,896**	454,793	**139,815**	128,276	**1,722,788**	1,445,904

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

	Hong Kong		Elsewhere in the PRC		Malaysia		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:	**44,706**	34,157	**643,171**	545,484	**36,904**	–	**724,781**	579,641

Non-current assets for the segment information consist of property, plant and equipment, investment properties, prepaid land lease payments, intangible assets and deposits.

(c) Information about major customers:

Revenue of HK$998,802,000 (2010: HK$928,875,000) 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$369,993,000 (2010: HK$464,526,000) was derived from sales of electrical and electronic products and other manufacturing activities 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$628,809,000 (2010: HK$464,349,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**1,105,982**	1,020,387
Motors	**554,567**	378,262
Materials from resources development	**10,171**	3,807
Other manufacturing activities	**52,068**	43,448
	1,722,788	1,445,904
Other income and gains, net		
Bank interest income	**1,357**	687
Gross rental income	**4,797**	6,364
Sale of scrap materials	**23,073**	7,962
Gain on deregistration of subsidiaries	**–**	4,806
Gain on a bargain purchase	**278**	–
Gain/(loss) on disposal of items of property, plant and equipment, net	**(2,081)**	136
Fair value gain on derivative financial instruments, net	**–**	28
Fair value gain on financial assets at fair value through profit or loss, net	**435**	–
Others	**3,860**	3,055
	31,719	23,038

6. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,052**	1,001

7. PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Auditors' remuneration	**2,550**	1,500
Depreciation	**74,544**	72,607
Amortisation of prepaid land lease payments	**359**	315
Research and development costs:		
Amortisation of deferred development costs*	**6,344**	6,359
Current year expenditure	**–**	2,307
Minimum lease payments under operating leases in respect of land and buildings	**4,487**	4,783
Gain on deregistration of subsidiaries	**–**	(4,806)
Gain on a bargain purchase	**(278)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**2,081**	(136)
Write-off of items of property, plant and equipment **	**–**	12,317
Impairment/(write-back of impairment) of accounts receivable	**(683)**	193
Employee benefit expense (including directors' remuneration – *note 8*):		
Wages and salaries	**331,478**	237,872
Equity-settled share option expense *(note 29)*	**2,458**	1,303
Pension scheme contributions	**2,121**	1,994
	336,057	241,169
Surplus on revaluation of land and buildings and investment properties, net**	**(6,254)**	(1,179)
Fair value gain on derivative financial instruments, net	**–**	(28)
Fair value gain on financial assets at fair value through profit or loss, net	**(435)**	–
Foreign exchange differences, net	**(399)**	2,748
Bank interest income	**(1,357)**	(687)
Net rental income	**(4,352)**	(5,797)

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 surplus on revaluation of 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.

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	
	2011	2010
	HK$'000	*HK$'000*
Fees	**600**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**9,776**	7,081
Performance related bonuses*	**6,712**	6,904
Equity-settled share option expense	**1,703**	1,088
Pension scheme contributions	**413**	326
	18,604	15,399
	19,204	15,849

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

During the year, 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 29. 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

	2011		
	Fees	**Equity-settled share option expense**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***
Chung Chi Ping, Roy *JP*	**200**	**537**	**737**
Wong Chi Wai	**200**	**248**	**448**
Sun Kwai Yu	**200**	**248**	**448**
	600	**1,033**	**1,633**

	2010		
	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
Chung Chi Ping, Roy *JP*	150	–	150
Wong Chi Wai	150	–	150
Sun Kwai Yu	150	–	150
	450	–	450

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

(b) Executive directors

	2011				
	Salaries, allowances and benefits in kind *HK$'000*	**Performance related bonuses** *HK$'000*	**Equity-settled share option expense** *HK$'000*	**Pension scheme contributions** *HK$'000*	**Total remuneration** *HK$'000*
Cheng Chor Kit	**4,800**	**1,976**	**–**	**360**	**7,136**
Fung Wah Cheong, Vincent	**1,764**	**2,716**	**181**	**12**	**4,673**
Wong Wai Ming*	**70**	**–**	**–**	**1**	**71**
Wong Weng Loong**	**275**	**–**	**56**	**21**	**352**
Liu Tat Luen	**1,992**	**1,087**	**433**	**12**	**3,524**
Chui Pak Shing***	**875**	**933**	**–**	**7**	**1,815**
	9,776	**6,712**	**670**	**413**	**17,571**

	2010				
	Salaries, allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Equity-settled share option expense *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *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

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

** Wong Weng Loong resigned as an executive director of the Company on 1 September 2010 and remains as an employee of the Group.

*** Chui Pak Shing was appointed as an executive director of the Company on 1 September 2010.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

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

The five highest paid employees during the year included four (2010: three) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining one (2010: two) non-director, highest paid employee are set out below:

	2011	2010
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**720**	2,442
Performance related bonuses	**200**	317
Equity-settled share option expense	**–**	21
Pension scheme contributions	**12**	12
	932	2,792

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

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	1	2

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 29 to the financial statements. The fair value of such options, which had 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 prior year is included in the above non-director, highest paid employee's remuneration disclosures.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 at 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)*

	2011 HK$'000	2010 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**16,022**	21,037
Underprovision in prior years	**4,476**	2,649
Current – Elsewhere		
Charge for the year	**9,434**	6,644
Deferred tax *(note 27)*	**(1,860)**	325
Total tax charge for the year	**28,072**	30,655

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 rate is as follows:

	2011 HK$'000	2010 HK$'000
Group:		
Profit before tax	**138,529**	188,127
Tax at the statutory tax rate	**26,311**	35,056
Lower tax rates for specific provinces or enacted by local authority	**(11,214)**	(6,960)
Lower tax rate due to tax holidays	**–**	(11,239)
Adjustments in respect of current tax of previous periods	**4,476**	2,649
Income not subject to tax	**(5,646)**	(8,360)
Expenses not deductible for tax	**6,770**	13,640
Tax losses utilised from previous periods	**(691)**	(268)
Tax losses not recognised	**8,066**	6,137
Tax charge at the Group's effective rate	**28,072**	30,655

No share of tax attributable to associates (2010: 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 2011 includes a loss of HK$3,560,000 (2010: a loss of HK$793,000) which has been dealt with in the financial statements of the Company (note 30(b)).

11. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2010 – HK8 cents per ordinary share (2010: final dividend of HK4 cents per ordinary share, in respect of the financial year ended 31 March 2009)	**33,501**	16,353
Interim – HK4.5 cents (2010: HK5 cents) per ordinary share	**18,844**	20,768
	52,345	37,121
Proposed final dividend		
Final – HK4.5 cents (2010: HK8 cents) per ordinary share	**18,844**	33,428

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 equity holders of the Company of HK$114,381,000 (2010: HK$158,567,000) and the weighted average of 418,402,795 (2010: 411,683,529) 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 equity holders of the Company of HK$114,381,000 (2010: HK$158,567,000) and 419,124,229 (2010: 413,805,477) 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:

	2011	2010
Weighted average number of ordinary shares used in calculating basic earnings per share	**418,402,795**	411,683,529
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	**721,434**	2,121,948
Weighted average number of ordinary shares used in calculating diluted earnings per share	**419,124,229**	413,805,477

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2011

	Medium term leasehold land and buildings	Freehold land and buildings	Construction in progress	Moulds, tools, and plant and machinery	Furniture, equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At 1 April 2010	197,757	–	26,821	544,077	182,864	951,519
Additions	1,194	20,533	39,461	60,860	14,178	136,226
Disposals	–	–	–	(5,300)	(199)	(5,499)
Surplus on revaluation	7,248	4,634	–	–	–	11,882
Transfers	18,086	–	(27,279)	–	9,193	–
Exchange realignment	5,392	–	1,437	19,144	7,330	33,303
At 31 March 2011	229,677	25,167	40,440	618,781	213,366	1,127,431
Accumulated depreciation:						
At 1 April 2010	–	–	–	334,724	98,698	433,422
Provided during the year	8,174	63	–	51,996	14,311	74,544
Disposals	–	–	–	(3,299)	(55)	(3,354)
Write-back on revaluation	(8,286)	(63)	–	–	–	(8,349)
Exchange realignment	112	–	–	9,490	2,956	12,558
At 31 March 2011	–	–	–	392,911	115,910	508,821
Net book value:						
At 31 March 2011	229,677	25,167	40,440	225,870	97,456	618,610
An analysis of cost or valuation:						
At cost	–	–	40,440	618,781	213,366	872,587
At 2011 valuation	229,677	25,167	–	–	–	254,844
	229,677	25,167	40,440	618,781	213,366	1,127,431

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

Group

31 March 2010

	Medium term leasehold land and buildings *HK$'000*	Freehold land and buildings *HK$'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)*

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

	2011	2010
	HK$'000	*HK$'000*
Land and buildings held on medium-term leases:		
Hong Kong	**30,930**	25,950
Outside Hong Kong	**198,747**	171,807
Freehold land and buildings outside Hong Kong	**25,167**	–
Total valuation	**254,844**	197,757

As at 31 March 2011, the Group's land and buildings in Hong Kong, Mainland China and Malaysia were revalued at market value, on an existing state basis by Asset Appraisal Limited, independent professionally qualified valuers, at HK$30,930,000, RMB164,960,000 (equivalent to HK$198,747,000) and Ringgit Malaysia 10,067,000 (equivalent to HK$25,167,000), respectively. Revaluation surpluses of HK$16,082,000 and HK$4,149,000 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$20,231,000 was reflected as an increase of valuation of property, plant and equipment of HK$11,882,000 and write-back of accumulated depreciation of HK$8,349,000.

At 31 March 2011, the buildings in Mainland China included certain buildings with a net book value of approximately HK$66,460,000 (2010: HK$51,143,000) 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 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$194,135,000 (2010: HK$162,448,000).

14. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount at 1 April	**37,727**	36,591
Net profit from a fair value adjustment	**2,105**	1,136
Exchange realignment	**2,337**	–
Carrying amount at 31 March	**42,169**	37,727

14. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties were revalued on 31 March 2011 by Asset Appraisal Limited, independent professionally qualified valuers, at RMB35,000,000 (equivalent to HK$42,169,000) 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 32(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	
	2011	2010
	HK$'000	*HK$'000*
Cost:		
At 1 April	**17,842**	17,842
Exchange realignment	**679**	–
At 31 March	**18,521**	17,842
Amortisation:		
At 1 April	**3,518**	3,203
Recognised during the year	**359**	315
Exchange realignment	**138**	–
At 31 March	**4,015**	3,518
Carrying amount at 31 March	**14,506**	14,324
Current portion included in prepayments and deposits *(note 22)*	**(359)**	(315)
Non-current portion	**14,147**	14,009

The leasehold land is held under a medium term lease and is 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	
	2011	2010
	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 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 2011, 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	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**104,950**	104,950
Due from subsidiaries	**336,897**	246,130
Due to a subsidiary	**(130,832)**	(49,171)
	311,015	301,909

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.

17. INTERESTS IN SUBSIDIARIES *(continued)*

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$50,000,000	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
Kin Yat Industrial Company Limited	Hong Kong	Ordinary HK$3,200,000	100%	Trading of toys, moulds, electronic products, 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

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)*				
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$40,000,000	100%	Manufacture and trading of motors
Shaoguan Konso Technology Co., Ltd.#	PRC	HK$250,000,000	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
Shaoguan Sigma Technology Co., Ltd.#	PRC	RMB58,406,950	100%	Development and distribution of materials
Shenzhen Kin Yat Power Electronic Co., Ltd.#	PRC	US$5,000,000	100%	Manufacture and trading of toys and electronic products
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$16,500,000	100% *(Note (c))*	Property holding, manufacture and trading of motors

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 Turbo Electronic Technology 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
Smart Electric Motor Co. Limited	Hong Kong	Ordinary HK$1	100%	Trading of motors and sourcing of materials
Smart Electric Motor Singapore Pte. Ltd. ("Smart Singapore")	Singapore	Ordinary SG$100	100% *(Note (a))*	Trading of motors
Standard Motor Company Limited ("Standard Motor')	Hong Kong	Ordinary HK$40,000,000	100% *(Note (c))*	Manufacture and trading of motors and sourcing of materials
Success Mode Industries Limited ("Success Mode")	Hong Kong	Ordinary HK$1,000,000	100% *(Note (b))*	Manufacture and trading of metallic parts
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

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)*				
Standard Encoder (Malaysia) Sdn Bhd***	Malaysia	Ordinary RM500,000	100%	Manufacture and trading of encoder film
Standard Land (Malaysia) Sdn Bhd***	Malaysia	Ordinary RM500,000	100%	Property holding

\# 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.

*** They were newly incorporated during the year.

Notes:

(a) During the year ended 31 March 2011, the Group had further acquired the remaining 35% equity interest in Smart Singapore from the non-controlling interest at a cash consideration of HK$6 and the shareholder's loan of HK$389,000 from the non-controlling interest was assigned to the Group. The difference between the consideration and the carrying value of non-controlling interest acquired of HK$36,000 was recognised in the equity. Thereafter, the equity interest in Smart Singapore changed from 65% to 100%.

(b) During the year ended 31 March 2011, the Group had further acquired 51% equity interest in Success Mode at a cash consideration of HK$200,000. The fair value of the identifiable assets and liabilities of Success Mode, including cash and bank balances and other payables, amounted to HK$1,205,000 and HK$267,000, respectively, at the date of acquisition. The gain on a bargain purchase was amounted to HK$278,000 and was credited to the income statement. Thereafter, the equity interest in Success Mode changed from 49% to 100%.

Since the acquisition, Success Mode did not make any contribution to the Group's revenue and consolidated profit for the year ended 31 March 2011. Had the combination taken place at the beginning of the year, the revenue and profit of the Group for the year would have been HK$1,724,677,000 and HK$110,181,000, respectively.

(c) During the year ended 31 March 2010, the Group had further acquired the remaining 10% equity interest in Standard Motor from non-controlling interests at a cash consideration of HK$30,000,000 (note 31(c)) 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 2011 HK$'000	2010 HK$'000
Share of net deficits	**(15,474)**	(14,879)
Due from associates	**8,035**	7,680
	(7,439)	(7,199)

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

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

	2011 HK$'000	2010 HK$'000
Assets	**17,414**	42,106
Liabilities	**(70,798)**	(77,633)
Revenues	**(45,522)**	(51,912)
Losses	**16,917**	2,596

19. DEFERRED DEVELOPMENT COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Cost:		
At 1 April	**18,190**	21,277
Additions	**7,532**	4,088
Retirements	**(7,820)**	(7,175)
Exchange realignment	**387**	–
At 31 March	**18,289**	18,190
Accumulated amortisation:		
At 1 April	**13,032**	13,848
Provided during the year	**6,344**	6,359
Retirements	**(7,820)**	(7,175)
Exchange realignment	**263**	–
At 31 March	**11,819**	13,032
Net book value:		
At 31 March	**6,470**	5,158

20. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**205,398**	107,160
Work in progress	**49,457**	22,625
Finished goods	**102,722**	25,734
	357,577	155,519

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	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**135,636**	100,107
31 – 60 days	**31,383**	21,868
61 – 90 days	**15,194**	8,367
Over 90 days	**4,382**	4,158
	186,595	134,500
Less: Impairment allowance	**(853)**	(1,568)
	185,742	132,932

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 April	**1,568**	4,473
Impairment losses recognised/(write-back) *(note 7)*	**(683)**	193
Amount write-off as uncollectible	**(32)**	(3,098)
At 31 March	**853**	1,568

At 31 March 2011, accounts receivable of HK$853,000 (2010: HK$1,568,000) 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	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**150,243**	108,702
Less than 1 month past due	**25,326**	18,606
Over 1 month past due	**10,173**	5,624
	185,742	132,932

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. PREPAYMENTS AND DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Deposits for mining projects		**35,120**	–	**–**	–
Deposit for land lease payment		**3,615**	–	**–**	–
Prepayments		**82,502**	34,347	**3**	–
Other deposits		**1,977**	1,138	**–**	–
Prepaid land lease payments	*15*	**359**	315	**–**	–
		123,573	35,800	**3**	–
Less: Current portion		**(84,838)**	(35,800)	**(3)**	–
Non-current portion		**38,735**	–	**–**	–

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Listed investments in Hong Kong, at market value	**17,193**	–

The above investments at 31 March 2011 were classified at held for trading and were, upon initial recognition, designated by the Group as financial assets as fair value through profit or loss.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits				
– original maturity of more than three months	**48,193**	91,146	**–**	–
– original maturity of less than three months	**38,610**	23,073	**–**	–
	86,803	114,219	**–**	–
Cash and bank balances	**127,724**	245,801	**393**	570
	214,527	360,020	**393**	570

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$118,679,000 (2010: HK$100,729,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

25. ACCOUNTS AND BILLS PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

An ageing of the Group's accounts and bills payables 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	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**106,611**	62,864
31 – 60 days	**41,846**	25,854
61 – 90 days	**22,136**	22,390
Over 90 days	**9,190**	6,121
Accounts and bills payables	**179,783**	117,229
Accrued liabilities	**123,282**	94,278
Other payables	**29,340**	15,403
	332,405	226,910

The accounts and bills payables 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 2011, included in other payables, an amount of RMB5,200,000 (2010: RMB5,200,000), approximately HK$6,265,000 (2010: HK$5,909,000) received since 2009 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 resource development project.

26. INTEREST-BEARING BANK BORROWINGS

Group

	Effective interest rate	**Maturity** *(Note)*	**31 March 2011** ***HK$'000***	31 March 2010 *HK$'000* (restated)	1 April 2009 *HK$'000* (restated)
Current					
Bank loan – unsecured	Hong Kong Interbank Offered Rate ("HIBOR")+1.5%	On demand	**–**	3,612	6,944
Bank loans – unsecured	HIBOR+1%	On demand	**171,419**	68,749	80,000
			171,419	72,361	86,944

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

Company

	Effective interest rate	Maturity *(Note)*	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
Current					
Bank loan – unsecured	HIBOR+1%	On demand	**38,540**	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 and United States dollars.

Note: As further explained in notes 2.2 and 37 to the financial statements, due to the adoption of HK Interpretation 5 in the current reporting period, the Group's term loans in the amount of HK$171,419,000 (2010: HK$72,361,000) and the Company's term loan in the amount of HK$38,540,000 (2010: HK$68,749,000) containing an on-demand clause have been reclassified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable on demand.

Based on the maturity terms of the loans, the amounts repayable in respect of the Group's loans are: HK$166,212,000 payable within one year or on demand (2010: HK$33,542,000); HK$5,207,000 payable in the second year (2010: HK$33,612,000); and nil payable in the third to fifth years, inclusive (2010: HK$5,207,000). The amounts repayable in respect of the Company's loan are HK$33,333,000 payable within one year or on demand (2010: HK$30,209,000), HK$5,207,000 payable in the second year (2010: HK$33,333,000); and nil payable in the third to fifth years, inclusive (2010: HK$5,207,000).

27. 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$'000*	Revaluation of land and buildings *HK$'000*	Total *HK$'000*
At 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 recognised in the consolidated statement of financial position at 31 March 2010 and 1 April 2010	6,779	7,021	13,800
Deferred tax debited to equity during the year	–	2,251	2,251
Deferred tax debited/(credited) to the income statement during the year *(note 9)*	(2,365)	505	(1,860)
Exchange realignment	–	251	251
Gross deferred tax liabilities at 31 March 2011	4,414	10,028	14,442

Deferred tax assets

Group

	Losses available for offsetting against future taxable profit *HK$'000*
At 1 April 2009	(261)
Deferred tax debited to the income statement during the year *(note 9)*	153
Gross deferred tax assets recognised in the consolidated statements of financial position at 31 March 2010, 1 April 2010 and 31 March 2011	(108)

27. DEFERRED TAX *(continued)*

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:

	2011	2010
	HK$'000	*HK$'000*
Gross deferred tax liabilities	**14,442**	13,800
Gross deferred tax assets	**(108)**	(108)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**14,334**	13,692

The Group has unrecognised tax losses of HK$54,554,000 (2010: HK$48,594,000) that are arising from 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.

At 31 March 2011, 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 withholding taxes on undistributed profit on PRC subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$12,974,000 (2010: HK$8,952,000) at 31 March 2011.

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

28. SHARE CAPITAL

	Company 2011 HK$'000	2010 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
418,748,000 (2010: 417,848,000) ordinary shares of HK$0.10 each	**41,875**	41,785

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 HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2009	408,816,000	40,882	107,226	148,108
Issue of shares *(Note (a))*	9,032,000	903	15,789	16,692
At 1 March 2010 and 1 April 2010	417,848,000	41,785	123,015	164,800
Issue of shares *(Note (b))*	900,000	90	1,515	1,605
At 31 March 2011	418,748,000	41,875	124,530	166,405

Notes:

(a) During the year ended 31 March 2010, 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 29), 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.

An amount of HK$6,494,000 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.

(b) During the year ended 31 March 2011, the subscription rights attaching to 900,000 share options were exercised at the subscription prices of HK$1.426 per share (note 29), resulting in the issue of 900,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$1,283,000. An amount of HK$322,000, was transferred from the share option reserve account to share premium account upon the exercise of options.

29. 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.

29. SHARE OPTION SCHEME *(continued)*

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

2011

	Date of share options granted	Number of share options: At 1 April 2010	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2011	Exercise period	Exercise price per share HK$	Price of Company's shares at grant date of options* HK$
Directors									
Fung Wah Cheong, Vincent	8/10/2007	2,500,000	–	–	(2,500,000)**	–	1/8/2008-7/10/2017	2.52	2.52
	23/7/2009	1,400,000	–	(900,000)	–	500,000	1/8/2010-22/7/2019	1.426	1.40
Wong Weng Loong***	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
Chui Pak Shing****	29/3/2011	–	1,000,000	–	–	1,000,000	29/3/2014-28/3/2021	2.792	2.77
Chung Chi Ping, Roy *JP*	29/3/2011	–	650,000	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
Wong Chi Wai	29/3/2011	–	300,000	–	–	300,000	29/3/2011-28/3/2021	2.792	2.77
Sun Kwai Yu	29/3/2011	–	300,000	–	–	300,000	29/3/2011-28/3/2021	2.792	2.77
Other employees									
In aggregate	14/11/2003	382,000	–	–	–	382,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	220,000	–	–	–	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
	29/3/2011	–	650,000	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
		7,502,000	2,900,000	(900,000)	(2,500,000)	7,002,000			

* 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 the grant of the options.

** These share options were cancelled at the annual general meeting on 31 August 2010.

*** Wong Weng Loong resigned as a director of the Company on 1 September 2010 and remains as an employee of the Group.

**** Chui Pak Shing was appointed as a director of the Company on 1 September 2010.

29. SHARE OPTION SCHEME *(continued)*

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	Price of Company's shares at grant date of options**
								HK$	*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 the grant of the options.

These share options were cancelled at the annual general meeting on 31 August 2010.

During the year ended 31 March 2011, 2,900,000 share options was granted on 29 March 2011. The fair value of the share options granted during the year was HK$2,497,000.

The Company recognised a total share option expense of HK$2,458,000 (2010: HK$1,303,000) for the share options granted in the current and prior years during the year.

29. SHARE OPTION SCHEME *(continued)*

The fair value of equity-settled share options granted during the year ended 31 March 2011 was estimated as at the date of grant using the Binomial 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:

	2011
Dividend yield (%)	4.51
Volatility (%)	44.33
Employee exit rate post-vesting (%)	3.8
Risk-free interest rate (%)	2.717
Expected life of options (year)	0-3
Prevailing market price (HK$ per share)	2.77

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:

	2011		2010	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At 1 April	**2.01**	**7,502,000**	1.51	11,610,000
Granted during the year	**2.792**	**2,900,000**	1.71	5,000,000
Exercised during the year	**1.426**	**(900,000)**	1.21	(9,032,000)
Cancelled during the year	**2.52**	**(2,500,000)**	–	–
Lapsed during the year	**–**	**–**	1.03	(76,000)
At 31 March	**2.23**	**7,002,000**	2.01	7,502,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.426 per share.

29. SHARE OPTION SCHEME *(continued)*

During the year, 900,000 share options were exercised and resulted in the issue of 900,000 ordinary shares of the Company and new share capital of HK$90,000 and share premium of HK$1,193,000 (before issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had 7,002,000 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 7,002,000 additional ordinary shares of the Company and additional share capital of HK$700,000 and share premium of approximately HK$14,919,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 7,002,000 share options outstanding under the Scheme, which represented approximately 1.67% of the Company's shares in issue as at that date.

30. 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.

30. 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 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	29	–	1,303	–	–	1,303
Issue of shares	28	15,789	(5,762)	–	–	10,027
Lapse of share options	28	–	(732)	–	732	–
Interim 2010 dividend paid	11	–	–	–	(20,768)	(20,768)
At 31 March 2010 and 1 April 2010		123,015	3,058	104,750	49,965	280,788
Profit for the year and total comprehensive income for the year		–	–	–	96,440	96,440
Final 2010 dividend paid	11	–	–	–	(33,501)	(33,501)
Equity-settled share option expense	29	–	2,458	–	–	2,458
Issue of shares	28	1,515	(322)	–	–	1,193
Interim 2011 dividend paid	11	–	–	–	(18,844)	(18,844)
At 31 March 2011		124,530	5,194	104,750	94,060	328,534

The profit of HK$96,440,000 (2009: a loss of HK$793,000) for the year ended 31 March 2011 included a dividend income of HK$100,000,000 (2009: Nil) received from a subsidiary of the Company.

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.

31. 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 (2010: 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 ended 31 March 2010, the Group sold motors of HK$940,000 to Gimelli Laboratories Company Limited, of which Chung Chi Ping, Roy *JP*, an independent non-executive director of the Company, was 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) 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 considerations of HK$24,000,000, HK$3,000,000 and HK$3,000,000, respectively (note 17).

The directors considered that the considerations of the acquisition were fair and reasonable and in the interests of shareholders of the Company as a whole.

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

	2011	2010
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**10,496**	9,523
Performance related bonuses	**6,912**	7,221
Equity-settled share option expense	**670**	1,109
Pension scheme contributions	**425**	338
Total compensation paid to key management personnel	**18,503**	18,191

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

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

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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.

At 31 March 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,574**	1,861
In the second to fifth years, inclusive	**2,920**	4,600
	4,494	6,461

(b) As lessee

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.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**4,962**	4,497
In the second to fifth years, inclusive	**5,003**	5,720
After five years	**1,132**	1,424
	11,097	11,641

The Company did not have any operating lease arrangements at the end of the reporting period (2010: Nil).

33. COMMITMENTS

(i) At the end of the reporting period, the Group had contracted for capital commitments in respect of wholly-owned enterprises in the PRC amounting to HK$94,190,000 (2010: HK$89,865,000).

(ii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the acquisitions of property, plant and equipment of approximately HK$50,426,000 (2010: HK$27,913,000) and land use right of HK$4,549,000 (2010: Nil).

(iii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the investment in mining projects of approximately HK$25,904,000 (2010: Nil).

The Company did not have any other significant commitments at the end of the reporting period (2010: Nil).

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided guarantees of HK$202,000,000 (2010: HK$149,700,000) and HK$14,500,000 (2010: HK$14,500,000) in respect of banking facilities granted to certain of its subsidiaries and associates, of which HK$132,877,000 (2010: HK$3,612,000) and HK$2,740,000 (2010: HK$5,567,000) had been utilised as at the end of the reporting period, respectively.

35. 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	**2011**		2010	
	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	**–**	**8,035**	–	7,680
Accounts receivable	**–**	**185,742**	–	132,932
Time deposits	**–**	**86,803**	–	114,219
Cash and bank balances	**–**	**127,724**	–	245,801
Financial assets at fair value through profit or loss	**17,193**	**–**	–	–
	17,193	**408,304**	–	500,632

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Group	
Financial liabilities	**2011**	2010
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Accounts and bills payables	**179,783**	117,229
Financial liabilities included in other payables	**29,340**	15,403
Interest-bearing bank borrowings	**171,419**	72,361
	380,542	204,993

	Company	
Financial assets	**2011**	2010
	HK$'000	*HK$'000*
Loan and receivables:		
Due from subsidiaries	**336,897**	246,130
Dividends receivable	**100,000**	90,000
Cash and bank balances	**393**	570
	437,290	336,700

	Company	
Financial liabilities	**2011**	2010
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Due to a subsidiary	**130,832**	49,171
Other payables	**2,460**	1,157
Interest-bearing bank borrowings	**38,542**	68,749
	171,834	119,077

36. FAIR VALUE AND 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)

Assets measured at fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2011:				
Financial assets at fair value through profit or loss	17,193	–	–	17,193
As at 31 March 2010:				
Financial assets at fair value through profit or loss	–	–	–	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

37. 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 when necessary, 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, liquidity risk and market risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

37. 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 26 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**
	%	*HK$'000*
2011		
Hong Kong dollar	**1**	**(1,714)**
Hong Kong dollar	**(1)**	**1,714**
2010		
Hong Kong dollar	1	(724)
Hong Kong dollar	(1)	724

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, 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.

37. 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 (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit after tax
	%	*HK$'000*
2011		
If Hong Kong dollar weakens against RMB	**5**	**26,081**
If Hong Kong dollar strengthens against RMB	**(5)**	**(26,081)**
2010		
If Hong Kong dollar weakens against RMB	5	15,775
If Hong Kong dollar strengthens against RMB	(5)	(15,775)

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 and other receivables, 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.

37. 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

2011

	On demand or less than one year *HK$'000*	**More than one year** *HK$'000*	**Total** *HK$'000*
Accounts and bills payables and other payables	**209,123**	**–**	**209,123**
Interest-bearing bank borrowings*	**172,114**	**–**	**172,114**
Guarantees given to banks in connection with facilities utilised by associates	**2,740**	**–**	**2,740**
	383,977	**–**	**383,977**

2010

	On demand or less than one year *HK$'000* (restated)	More than one year *HK$'000* (restated)	Total *HK$'000*
Accounts and bills payables and other payables	132,632	–	132,632
Interest-bearing bank borrowings*	73,339	–	73,339
Guarantees given to banks in connection with facilities utilised by associates	5,567	–	5,567
	211,538	–	211,538

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

Liquidity risk *(continued)*

Company

2011

	On demand or less than one year *HK$'000*	**More than one year** *HK$'000*	**Total** *HK$'000*
Due to a subsidiary	**–**	**130,832**	**130,832**
Other payables	**2,460**	**–**	**2,460**
Interest-bearing bank borrowings*	**38,842**	**–**	**38,842**
Guarantees given to banks in connection with facilities utilised by subsidiaries and associates	**135,617**	**–**	**135,617**
	176,919	**130,832**	**307,751**

2010

	On demand or less than one year *HK$'000* (restated)	More than one year *HK$'000* (restated)	Total *HK$'000*
Due to a subsidiary	–	49,171	49,171
Other payables	1,157	–	1,157
Interest-bearing bank borrowings*	69,694	–	69,694
Guarantees given to banks in connection with facilities utilised by subsidiaries and associates	9,179	–	9,179
	80,030	49,171	129,201

* Included in interest-bearing bank borrowings are term loans. The loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand". Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loans agreements. This evaluation was made considering: the financial positions of the Group and the Company at the date of approval of the financial statements; the Group's and the Company's compliance with the loan covenants; the lack of events of default, and the fact that the Group and the Company have made all previously scheduled repayments on time. In accordance with the terms of the Group's loans, the maturity terms at 31 March 2011 are HK$166,891,000 and HK$5,223,000 for the years ending 31 March 2012 and 31 March 2013, respectively. In accordance with the terms of the Company's loans, the maturity terms at 31 March 2011 are HK$33,619,000 and HK$5,223,000 for the years ending 31 March 2012 and 31 March 2013, respectively.

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

Market risk

Market risk is the risk that the fair values of investments held for trading decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to market risk arising from individual investments classified as held for trading (note 23) as at 31 March 2011.

The following table demonstrates the sensitivity to every 10% change in the fair values of the financial assets at fair value through profit or loss, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Listed investments in Hong Kong	**1,719**	–

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 2011 and 31 March 2010.

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	
	2011	2010
	HK$'000	*HK$'000*
Total interest-bearing bank borrowings	**171,419**	72,361
Total equity	**1,035,767**	927,581
Gearing ratio	**16.5%**	7.8%

38. 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.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2011.