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 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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

COMPANY SECRETARY:

Mr. CHAN Ho Man

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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AUDITORS:

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS:

The Hongkong and Shanghai Banking
Corporation Limited
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CORPORATE WEBSITE:

www.kinyat.com.hk

On behalf of the board of directors (the "Board") of Kin Yat Holdings Limited (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2012 ("FY2012").

I wish to, at this outset, briefly review the business environment within which the Group operated during the year. We, as a manufacturer based in the People's Republic of China (the "PRC"), faced a series of daunting operational challenges on top of economic slowdowns across major export markets.

The weak market conditions in the United States and the turbulence caused by the European debt crisis have continued to weigh on the performance of our manufacturing business. At the same time, rising manufacturing costs due to wage and material price increases have been eroding the cost competitiveness of many manufacturers based in the PRC, particularly those in labour-intensive industries including the Group.

These ubiquitous issues were compounded with a list of challenges of our own. First of all, our manufacturing businesses have incurred certain non-recurrent costs which hit the bottom line of the Group, including relocation and related costs for the relocation of motors facilities in Dongguan City, Guangdong Province, the PRC to our lower-cost production base in Shaoguan City, Guangdong Province, the PRC, as one of the strategic moves to realign the Group's manufacturing lines in the PRC. Furthermore, our portfolio of natural resources development businesses, which is not in revenue stage yet, has basically reached the peak investment period before they could advance into the next stage on the whole, thereby incurring higher operating expenses for and exerting funding pressure on the Group.

As a whole, the manufacturing businesses of the Group have achieved a moderate operating profit whilst the loss attributable to our investments in resources development businesses outweighed the operating profit of our manufacturing businesses, resulting in a net loss position for the Group.

PERFORMANCE HIGHLIGHTS AND DIVIDEND

The Group's results in FY2012 continued to be derived from its manufacturing businesses, which remained cash-generative.

Set out below are the highlights of the Group's financial performance in FY2012, which will be discussed in greater detail in the Management Discussion and Analysis section.

- Consolidated turnover decreased 5.9% year on year to HK$1,620,460,000 (Year ended 31 March 2011 ("FY2011"): HK$1,722,788,000);
- Loss attributable to owners of the Company was HK$28,351,000 (FY2011: profit of HK$114,381,000);
- Before inclusion of one-off provisions or expenses of HK$18,841,000 in total (after excluding the portion shared by minority shareholders), loss attributable to owners of the Company was HK$9,510,000 in FY2012 (FY2011: profit of HK$114,381,000); and
- Basic loss per share for the year was HK6.77 cents (FY2011: earnings of HK27.34 cents).

PERFORMANCE HIGHLIGHTS AND DIVIDEND *(continued)*

The Board is pleased to recommend the payment of a final dividend of HK2.0 cents (FY2011: HK4.5 cents) per share for FY2012, expected to be paid on 14 September 2012 to those shareholders whose names appear on the Company's register of members on 28 August 2012, subject to approval in the annual general meeting of the Company to be held on 20 August 2012. Based on the aforesaid recommended final dividend, the total yearly dividend distributed by the Company was HK2.0 cents (FY2011: HK9.0 cents).

STRATEGIES AND OUTLOOK

In the following sections, we will outline the strategies that we are adopting in the face of the current difficulties.

In response to the events of FY2012 and the ongoing challenges, the Group has pledged renewed focus on restoring sustainable financial results from its manufacturing businesses, while continuing prudently to manage its portfolio of other investments which were reaching the peak investment period before advancing into the next stage of development.

The Board will closely monitor and regularly review the results of the implementation of the strategies, with the goal of reviving performance of the Group as a whole and improving shareholder value.

Manufacturing Businesses

We are an industrial group with a niche in electronic and mechanical production. We operate a range of toy, artificial intelligence (AI) robotic cleaner, smart-home-appliance and motor manufacturing businesses, primarily based on our robust research and development and production platform in Shenzhen, Shixing and Shaoguan, the PRC, as well as in other Southeast Asian location.

Despite the setbacks in the macroeconomic environment, the Group remains committed to advancing its research and development capability so as to constantly deliver new product innovations and enhancements to support business development efforts among existing and potential clients. New product developments for the AI robot and toys lines are expected to generate sales in the year to 31 March 2013 ("FY2013").

Quality is another pillar that has contributed to the Group's past success. Building on this quality premise, the Group will seek to substantially improve the performance of its core manufacturing businesses as it works with clients to turn out products that can drive demand.

Consolidation will be a growing theme for the manufacturing industry and we are confident that our track record as a trusted and high-quality production partner will place us advantageously to be the first to rebound from the market adversities.

STRATEGIES AND OUTLOOK *(continued)*

Manufacturing Businesses *(continued)*

Looking at the various cost factors, material price surges are expected to level off in the coming year, along with the possible easing of the appreciation of the Renminbi. The Group is also striving to gain cost savings through automation and reorganization of its production lines.

In view of a possible rebound for the AI product line for the coming months, positive momentum in new toy product developments and expected stabilization of key cost factors, the management maintains a cautiously optimistic outlook for its manufacturing businesses in FY2013.

Non-Manufacturing Businesses

Despite a lack of major revenue breakthrough, the segment has made solid progress over the past year with key activities including the completion of new production lines for the materials development unit, the expansion of natural resources business activities into the Lao People's Democratic Republic ("Lao PDR") and the commissioning of an ore processing plant in Guizhou Province, the PRC.

As the various projects basically entered their peak investment phase as a whole, we note the adverse impact these businesses have on the Group's operating position in general and the higher operating expenses incurred. While striving to rise above the operational difficulties and carve a path-to-revenue for our non-manufacturing businesses, we will also take measures to reduce the possible financial burden it could have on the Group during this investment stage. In view of this, the Company has resolved not to expand into new natural resources development projects for the time being. Other measures could also include, but are not limited to, the slowing down of the pace of development and/or disposing of certain projects.

During these turbulent times, the Group will exercise great caution in formulating strategies for the management of its resources-related business portfolio.

Financial Management

The short-term outlook will continue to be challenging. While we will continue with prudent cost management, consolidating our operations to attain greater efficiency, we will also maintain a healthy balance sheet position so as to support our efforts to pursue business development and new opportunities to strengthen our business momentum.

Consequently, the Group has taken measures to dispose of certain non-core underutilized properties to help it realize its long-term investments. Cash inflow generated will also help to enhance the Group's cash position.

The Group holds a healthy financial position and the core businesses are continuing to contribute strong cash flows. The Group will maintain its long-standing commitment to a prudent and cautious financial management policy, and is confident of increasing shareholder value in the long term as its manufacturing businesses steadily recover from the current adversities and resources investments begin to generate solid returns.

STRATEGIES AND OUTLOOK *(continued)*

Conclusion

Notwithstanding that we have full confidence in the future prospects of our businesses, and that there are signs of a downward trend in raw material prices, we may yet to foresee a quick and significant turnaround of our financial results in FY2013 which would, to a large extent, depend on the recovery in demand for manufactured products.

ACKNOWLEDGEMENTS

I wish to thank our people who are committed to serving our customers while we operate in a difficult environment. I also highlight the extraordinary dedication of the Board to guiding the path to recovery of the Group, ensuring that the long-term interests of our shareholders, customers and other stakeholders are always the priority concern.

CHENG Chor Kit
Chairman and Chief Executive Officer

Hong Kong
27 June 2012

Subject to a variety of macroeconomic and operating adversities, FY2012 has presented the Group with dual challenges of weakening demand on the export front and rising costs in its manufacturing base in the PRC.

In these circumstances, the Group reported its first loss for the whole fiscal year since its listing in 1997. The loss incurred was primarily due to a decline in gross profit margin, which was the combined result of a decrease in contributions from the Group's manufacturing businesses and an increase in operating costs.

Driven by the appreciation of the Renminbi, rising raw material prices and an increase in statutory minimum wages in the PRC, the Group's operating costs for its manufacturing businesses increased considerably during the year. The current set of results also takes into account higher operating expenses incurred from continued investments in strategic growth initiatives, in particular in the materials and natural resources development businesses, which were still in investment mode.

During FY2012, the Group continued to operate 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 a non-manufacturing segment engaging in resources development.

In response to the current circumstances, the Group has pledged renewed focus on restoring sustainable financial results from its manufacturing businesses, while continuing prudently to manage its portfolio of other investments.

Measures taken included the disposal of non-core underutilized properties in Songgang Town, Bao An District, Shenzhen City, Guangdong Province, the PRC. The properties, with a total gross floor area of approximately 22,908 square meters, were sold in May 2012 for a total cash consideration of HK$55 million, where the first payment of HK$10 million was received in mid May 2012 and the final payment of HK$45 million is expected by the end of 2012. The disposal will allow the Group to realize this long-term investment, and the cash inflow generated from the disposal will help enhance the Group's cash position and provide additional resources for the expansion and development of its core businesses. As a result of the disposal, a gain of approximately HK$4.5 million is expected to be realised by the Group during FY2013.

While remaining cautious over the uncertainties in the macroeconomic environment, we believe our healthy balance sheet will position us well to weather the challenges ahead. We have in place a lean operating structure and a strong and devoted management team determined to mitigate possible adverse impacts that the world-wide macroeconomic environment would have on our businesses going forward. Although full of confidence and starting to see a downward trend of raw material prices lately, we may yet to assure a soon and significant turnaround of our financial results in the year to FY2013.

CONSOLIDATED RESULTS

Reflecting a slackened demand and an excess inventories situation with many vendors, the Group's consolidated turnover declined 5.9% year on year to HK$1,620,460,000, after registering a record high of HK$1,722,788,000 in FY2011. The respective segmental external turnover contributions of the various business streams to the Group's total turnover, together with a percentage breakdown, are set out below:

- HK$981,037,000 from the electrical and electronic products business, representing 60.5% of the consolidated turnover of the Group for the year (FY2011: HK$1,105,982,000, 64.2%);

- HK$537,863,000 from the motors business, contributing 33.2% of the total (FY2011: HK$554,567,000, 32.2%);

- HK$94,122,000 from other manufacturing activities, or 5.8% of the total (FY2011: HK$52,068,000, 3.0%); and

- HK$7,438,000 from the resources development business, accounting for 0.5% of the total (FY2011: HK$10,171,000, 0.6%).

For FY2012, the Group reported a loss attributable to owners of the Company of HK$28,351,000, compared to an attributable profit of HK$114,381,000 in FY2011. Basic loss per share for the year was HK6.77 cents (FY2011: earnings of HK27.34 cents). For FY2012, the Group, recorded certain one-off provisions or expenses of HK$18,841,000 (after excluding the portion shared by minority shareholders), in total (FY2011: Nil). Before inclusion of one-off provisions or expenses, loss attributable to owners of the Company was HK$9,510,000 in FY2012 (FY2011: profit of HK$114,381,000).

The Group's results in FY2012 continued to be adversely impacted in respect of its manufacturing businesses by the surge in operating costs caused by the appreciation of the Renminbi and increasing raw material and labour costs in the PRC, while incurring higher operating expenses for the Group's other investments.

The table below sets out the segment results of the Group by business segments for FY2012, together with the comparative figures for the previous year:

Segment results by business segments	*HK$* **FY2012**	**FY2011**	Year-on-year change %
Electrical and electronic products	104,230,000	167,045,000	-37.6
Motors *(Note 1)*	(59,398,000)	6,175,000	N/A
Other manufacturing activities	1,225,000	(3,223,000)	N/A
Resources development *(Note 2)*	(46,038,000)	(16,902,000)	N/A
Total segment results	19,000	153,095,000	N/A

Note 1: including one-off provisions or expenses of HK$10,987,000 for FY2012 and Nil for FY2011

Note 2: including one-off provisions or expenses of HK$10,369,000 for FY2012 and Nil for FY2011

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 electrical home appliances.

Segment external turnover decreased by 11.3% to HK$981,037,000 during FY2012 (FY2011: HK$1,105,982,000). Sales of the lines of AI robotic cleaners and toys have both declined amidst weak market sentiments. The segment profit dropped by 37.6% to HK$104,230,000 (FY2011: HK$167,045,000) as the segment margin was affected by lower sales and surging costs.

Despite a slight slowdown in the order book for robotic cleaners during FY2012, the Group has received a possible rebound indication from the client for FY2013. Discussions are also underway with the client on the development of other products in a bid to build new income streams for the segment.

Orders for toys have also declined in FY2012 as compelled by market dynamics but management has redoubled its business development efforts among both existing and potential customers. New product developments for new customers are expected to begin to bring returns for the segment in FY2013.

We are confident that our track record as a reliable and high-quality supplier will help us further advance our business development initiatives with new customers. We will continue to optimize the utilization of existing facilities by diversifying our product categories and maintain this segment as one of our key sources of cashflow contribution to the Group.

The various cost parameters, which showed an uptrend in FY2012, are expected to stabilize in the coming year against weak market conditions. The appreciation of the Renminbi is expected to be moderate, while an easing of raw material prices is also widely expected as weaker demand begins to bring the commodities market back into balance. The prices of raw materials have remained stable during the past few months, with possible downward movement.

On the basis of a positive order book for the months ensuing and stabilizing cost factors, the management maintains a conservatively optimistic outlook for this segment in FY2013.

Motors Business Segment

The motors segment is engaged in the development, design, manufacture and sale of a wide range of micro-electric motors and related products, ranging from direct-current, alternative-current and brushless motors to motor encoder systems.

Despite strong market headwinds, segment external turnover remained stable at HK$537,863,000 (FY2011: HK$554,567,000) during FY2012. A segment loss of HK$59,398,000 (FY2011: segment profit of HK$6,175,000) was incurred for the first time after including one-off provision or expenses of HK$10,987,000 (FY2011: Nil).

The loss was mainly accounted for by the rising raw material prices and an increase in statutory minimum wages in the PRC leading to a substantial increase in operating costs, aggravated by the appreciation of the Renminbi, and also reflected restrained selling prices owing to severe competition in the market.

OPERATIONAL REVIEW *(continued)*

Motors Business Segment *(continued)*

In an effort to enhance the operational efficiency of this segment, in March 2012 the Group closed its high-cost factory inherited from the previous acquisition of production assets in Dongguan City, Guangdong Province, the PRC. All production lines in Dongguan factory were relocated to our Group's lower-cost facility base in Shaoguan City, Guangdong Province, the PRC. One-off impairment costs in total of approximately HK$10,987,000 was recorded mainly in relation to impairment losses on property, plant and equipment, employee termination benefits and relocation costs of plant and equipment, for the closure of the facility in Dongguan for FY2012.

This relocation is part of our cost restructuring program with a broad aim of reducing operating costs by relocating selected production processes and/or complete product production to lower-cost satellite locations in the PRC whilst enhancing the production mix of higher-margin products in our well-developed production facilities. Further steps of shifting selected production processes and/or product production to other lower-cost locations in the PRC are being planned and rolled out.

In view of the incessant increase in minimum wages and the appreciation of the Renminbi, the segment will continue to enhance the efficiency of its production lines, with special focus placed on furthering the automation process. Furthermore, the segment will strive to achieve higher economies of scale particularly by introducing new products and customers.

In order to continue to broaden the segment's customer base, now covering toy, personal care, precision instrument and automotive sector clients, a new research and development centre has been established. With the recruitment of more engineers to work in the new centre, the segment will be able to further strengthen its research and development capability to respond to more sophisticated customer requirements and to develop new products.

The management has been actively pursuing various measures to raise the top line and control the bottom line through automation and cost savings, and is committed to improve the segment's performance in the coming year.

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 production facilities based in Malaysia.

The segment's external turnover increased by 80.8% year on year during FY2012 to HK$94,122,000 (FY2011: HK$52,068,000). Sales were driven mainly by plush items, but sales increases were also recorded on the wooden and encoder product lines. A segment profit of HK$1,225,000 (FY2011: segment loss of HK$3,223,000) was recorded for the year on the back of higher margins from non-toy wooden items for new customers. The plush line, on the other hand, recorded a further squeeze in margin.

FY2012 was the first full year of operation for our encoder film factory in Malaysia, which is still operating on a moderate scale. The loss incurred for this unit has narrowed during the year. The management believes that it will take more time for it to reach the required level of efficient production scale amidst captive market dynamics by regaining orders from the designated potential customers.

Efforts to expand its product range on top of its toy-sector client portfolio will continue and are expected to bring a positive impact on the segment's sales in the coming year.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment

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

In a snapshot, FY2012 was an eventful year for this segment, which continued to be under active business development despite a lack of major breakthrough in terms of revenue. The segment's businesses were still largely in investment mode and have been experiencing various kinds of difficulties, particularly in obtaining exploitation licences for our exploration projects in the PRC.

Key events during the year include:

- Completion of the construction of the new ITO Powder and Targets production lines within the Group's Shaoguan production base in October 2011;
- Embarking into natural resources business activities in the Lao PDR in November 2011; and
- Commissioning of the ore processing plant in Dushan County, Guizhou Province, the PRC, in March 2012.

While revenues of the segment continued to be fully generated from the materials development business, segment external turnover in FY2012 decreased by 26.9% year on year to HK$7,438,000 (FY2011: HK$10,171,000). Segment loss was HK$46,038,000 (FY2011: HK$16,902,000) during the year, after including one-off provision or expenses of HK$10,369,000 in FY2012 (FY2011: Nil) mainly in relation to initial preparatory fees and provision for litigation claims.

We are aware of the adverse impact these businesses have on the Group's operating position as a whole and the higher operating expenses incurred. At a time when the manufacturing operating environment is facing uncertainty in terms of business volume and margin, the segment's demand for funds to fuel its development, particularly the natural resources development business, could incur a financial burden to the Group. It is against this background that the Company has resolved not to expand into new natural resources development projects for the time being.

Materials Development Business

The Group has been operating this business through a Hong Kong company named Sigma Technology Holdings Limited, which in turn wholly owns a legal entity in the PRC named Shaoguan Sigma Technology Company Limited. Sigma Technology Holdings Limited and Shaoguan Sigma Technology Company Limited are collectively referred to as "Sigma Technology".

FY2012 marked a major milestone in the development of our ITO Targets business when the setting up of the tailor-made new ITO Powder and Target production lines at the new facilities built within the Group's Shaoguan production base was completed in October 2011. The launch of these new proprietary new production lines signifies the ramping up of the operation from a laboratory scale to a commercial production scale.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment *(continued)*

Materials Development Business (continued)

Production process tests and trial runs have started since November 2011. Management efforts have been focused on deploying the relevant technologies and know-how in large scale commercial operation while liaising closely with end users to obtain feedback from sample product testing in order to fine-tune and perfect the production process.

Based on our competitive attributes and the anticipated market growth and potential, Sigma Technology will initially focus on two dedicated markets; the light-emitting diode (LED) illumination and touch panel markets. To this end, Sigma Technology may invest further in auxiliary production processes, including but not limited to ITO Target reclaim/recycling service.

With a home-grown team aiming at providing holistic solutions incorporating technology, sales and after-sales services, Sigma Technology has realigned its distribution channels to enable a more direct distribution of products and to facilitate brand building. As a result, we have temporarily suspended selling products to certain existing customers, causing a comparative decrease in turnover for this business in FY2012.

We are going through the start-up period of a commercial production operation with exceptionally high technology contents and are expected to face various challenges and difficulties inevitably. Yet, we will be steadfast to pursue the principle of "Quality Comes First" in offering our products in this business. On this backdrop, we set the target of launching the products after allowing enough lead time to consolidate our technology fundamentals within the coming year.

Natural Resources Development Business

During the year under review, the business was engaged mainly in:

(i) Exploration activities in

- the zinc/lead polymetallic tenement area of 27 square kilometres with an exploration licence (the "Jinshi Exploration Area") in relation to the Xian Polymetallic Mine located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province; the PRC, where the Group has a 70% interest;

- the zinc/lead/iron polymetallic tenement area of 18 square kilometres with an exploration licence (the "Wengyuan Exploration Area") located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC, where the Group has a 100% interest; and

- the copper/iron tenement area of 324 square kilometres with relevant licences and government approvals (the "Saiyabouly Exploration Area") located in Saiyabouly Province, the Lao PDR, where the Group has a 70% interest.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment *(continued)*

Natural Resources Development Business *(continued)*

(ii) Ore processing and refining and downstream processing activities in

- the ore processing facilities with a daily capacity of 500 tonnes, mainly for magnetic iron, located near the Wengyuan Exploration Area where the Group has a 100% interest; and

- the ore processing plant with a daily capacity of 300 tonnes, mainly for antimony ore processing, located in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest; and

- the smelting plant with an annual capacity of 2,000 to 3,000 tonnes of antimony ingots in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest.

Exploration

(i) The Jinshi Exploration Area

Since the latter part of FY2012, geological work in relation to the Jinshi Exploration Area was temporarily slowed down given that the statutory amount of geological work for the renewal of the relevant exploration licence and the application for an exploitation licence has largely been completed.

The existing relevant exploration licence expired in April 2012, and the government approval to grant the renewed exploration licence for two more years is expected by the end of June 2012. However, in accordance with the relevant national requirements in the PRC, the size of the Jinshi Exploration Area is expected to be reduced to approximately 24 square kilometres (excluding the designated Jinshi Exploitation Area as defined below).

We adopted a strategy that substantial further investment in the Jinshi Exploration Area would only be made when the relevant exploitation licence can be secured. The Group has basically restricted the capital investment for the Jinshi Exploration Area to minimum geological work, infrastructure and auxiliary construction to prepare for and accommodate the anticipated exploitation stage going forward. Management efforts are focused on the obtaining of the relevant exploitation licence for the designated Jinshi Exploitation Area.

(ii) The Wengyuan Exploration Area

The existing relevant exploration licence expired in June 2012, and the government approval to grant the renewed exploration licence for two more years is expected by the end of July 2012.

Supplemental exploration work has been carried out in the Wengyuan Exploration Area to further delineate the reserves and exact locations of minerals in the area. However, further investment in the exploration work in the area is kept at a minimum level pending the obtaining of the relevant exploitation licence for the designated Wengyuan Exploitation Area (as defined below).

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment *(continued)*

Natural Resources Development Business *(continued)*

Exploration (continued)

(iii) The Saiyabouly Exploration Area

Following the entering into the relevant prospecting and exploration agreement with the Lao PDR Government in November 2011, the Group has started reconnaissance survey work on the Saiyabouly Exploration Area.

The planned initial geochemical prospecting and geophysical prospecting fieldwork within an area of 194 square kilometres in the Saiyabouly Exploration Area have been completed.

The location of Saiyabouly Exploration Area has entered into the rainy season since late May and we would expect to resume fieldwork for reconnaissance survey in the area around October 2012.

For such a large tenement area, our key strategy to progress the project is to identity as soon as practicable the potential area where we could conduct detailed geological work so as to bring the particular area to its next stage of development – the exploration stage. For the time being, we are still analysing the preliminary geological data we have collected so far for the 194 square kilometre area and could not arrive at definitive conclusions yet. Provided there is a favourable result of our prospecting work, the expected time to identify a designated area for applying for an exploration stage would be around end of 2013.

Exploitation

(i) The designated Jinshi Exploitation Area

The progress of expecting to obtain the relevant exploitation licence for an area of 2.2 square kilometres (the "designated Jinshi Exploitation Area") in relation to the Xian Polymetallic Mine has been delayed, as compared to our anticipated time frame of obtaining the exploitation licence before the end of 2011 as forecast in our annual report for FY2011. One of the key prerequisites to obtaining an exploitation licence is approval from the relevant Environmental Protection Bureau, which has not yet been granted.

We have been informed that certain new requirements for the obtaining of such approval have been promulgated since we started the project. To this end, we are working closely with our advisers, consultants and local partner to devise measures to obtain approval for the project.

While we are determined to make every effort to obtain the exploitation licence, judging from the currently available information the management cannot form a view with certainty that the relevant exploitation licence for the designated Jinshi Exploitation Area can be obtained.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment *(continued)*

Natural Resources Development Business *(continued)*

Exploitation (continued)

(ii) The designated Wengyuan Exploitation Area

The obtaining of the exploitation licence for an area of 5 square kilometres (the "designated Wengyuan Exploitation Area") within the Wengyuan Exploration Area is still in progress.

Similar to the situation in our project in Xian, one of the key prerequisites to obtaining the exploitation licence is approval from the relevant Environmental Protection Bureau, which has not yet been granted. The originally expected time frame of obtaining the exploitation licence by late 2011 or early 2012 as forecast in our annual report for FY2011 is delayed to around end of the first quarter 2013 based on the current developments.

Ore Processing

The acquisition of an ore processing plant near the location of the Jinshi Exploration Area has not materialised for the reason that the seller has not been able to fulfill the required conditions precedent related to this potential acquisition by us. Nevertheless, we have made arrangements for the outsourcing to this processing plant of the ore by-products obtained from the Jinshi Exploration Area as and when needed in order to maximize the cashflow generating ability of the project under the current stage of development. We would revisit the possibility of acquiring this ore processing plant when we can be certain of obtaining the relevant exploitation licence for our project in Xian.

The magnetic iron ore processing facilities with a daily capacity of 500 tonnes located near the Wengyuan Exploration Area is exclusively to support the project therein. Should the relevant exploitation licence be obtained, this ore processing facilities could commence production. When appropriate, minor investment would be made to upgrade the facilities in order to enhance the production efficiency.

The construction of the independent antimony ore processing plant with a daily capacity of 300 tonnes located in Dushan County, Guizhou Province, the PRC was completed in February 2012. Trial running has commenced. We are sourcing antimony ores in the plant's surroundings. The performance of the plant will depend on the quality and quantity of antimony ores available.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment *(continued)*

Natural Resources Development Business *(continued)*

Refining and Downstream Processing

The Company, through a non-wholly owned subsidiary, has entered into a conditional sale and purchase agreement with the seller pursuant to which the non-wholly owned subsidiary will acquire the entire interest in a smelting plant with an annual capacity of 2,000 to 3,000 tonnes of antimony ingots in Dushan County, Guizhou Province, the PRC. The operations of the smelting plant has temporarily been suspended pending studies of a technological upgrade to uplift production efficiency.

Given the overall sluggish development of our natural resources development business, we have decided to put on hold the construction of the planned medium-sized downstream processing plant in Dushan county, Guizhou Province, the PRC.

Given the nature of the prolonged time span required to achieve revenue from the natural resources development projects, this business may continue to require funding support from the Group which may or may not result in satisfactory outcomes within a short period of time. In this connection, we will strive to overcome difficulties to proceed cautiously with existing businesses on the one hand, but unless we could carve a path-to-revenue for this business on the other hand, we have been strategising and devising measures to reduce the possible financial burden this segment would have had on the Group during this investment stage. Possible measures could include, but are not limited to, slowing the pace of development and/or disposing of certain projects.

The Group will maintain extreme prudent during these turbulent times in formulating its ongoing strategies for the development and management of its portfolio of resources related businesses.

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 2012, the Group had time deposits of HK$79,775,000 (FY2011: HK$86,803,000), cash and bank balances of HK$159,589,000 (FY2011: HK$127,724,000), and net current assets of HK$406,153,000 (FY2011: HK$332,759,000). As at 31 March 2012, shareholders' equity was HK$1,001,243,000 (FY2011: HK$1,035,767,000). Currently, total consolidated banking facilities of the Group from all banks as at 31 March 2012 amounted to approximately HK$426,560,000 (FY2011: HK$209,580,000), of which HK$307,516,000 (FY2011: HK$171,419,000) was utilized.

As at 31 March 2012, current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position of 1.8 times (FY2011: 1.6 times), with gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) at 30.7% (FY2011: 16.5%). 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, 17 August 2012 to Monday, 20 August 2012, 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, 16 August 2012.

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 28 August 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 24 August 2012 to Tuesday, 28 August 2012, 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, 23 August 2012. The payment of final dividend will be made on Friday, 14 September 2012.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong
27 June 2012

REPORT OF THE DIRECTORS

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 2012.

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 panel display, mine exploration, ore processing and other manufacturing activities.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2012 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 35 to 112.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year to shareholders on the register of members on 28 August 2012. 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	**2012**	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,620,460**	1,722,788	1,445,904	1,574,220	1,637,242
PROFIT/(LOSS) BEFORE TAX	**(19,144)**	138,529	188,127	100,818	135,858
Income tax expense	**(15,519)**	(28,072)	(30,655)	(9,766)	(16,882)
PROFIT/(LOSS) FOR THE YEAR	**(34,663)**	110,457	157,472	91,052	118,976
ATTRIBUTABLE TO:					
Owners of the Company	**(28,351)**	114,381	158,567	89,238	117,268
Non-controlling interests	**(6,312)**	(3,924)	(1,095)	1,814	1,708
	(34,663)	110,457	157,472	91,052	118,976

SUMMARY FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES	As at 31 March 2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**768,663**	717,342	572,442	609,607	534,882
CURRENT ASSETS	**934,940**	859,877	684,271	474,465	566,908
TOTAL ASSETS	**1,703,603**	1,577,219	1,256,713	1,084,072	1,101,790
CURRENT LIABILITIES	**(528,787)**	(527,118)	(315,440)	(242,704)	(293,367)
NON-CURRENT LIABILITIES	**(173,573)**	(14,334)	(13,692)	(12,698)	(17,599)
TOTAL LIABILITIES	**(702,360)**	(541,452)	(329,132)	(255,402)	(310,966)
NET ASSETS	**1,001,243**	1,035,767	927,581	828,670	790,824

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 29 and 30 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 31(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 2012, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK$180,069,000 of which HK$8,375,000 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 64% of the total sales for the year and sales to the largest customer included therein amounted to 33%.

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

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

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Cheng Chor Kit
Mr. Fung Wah Cheong, Vincent
Mr. Liu Tat Luen
Mr. Chui Pak Shing

Independent non-executive directors

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

In accordance with the Company's bye-laws, Mr. Liu Tat Luen, Prof. Chung Chi Ping, Roy *BBS JP* and Mr. Wong Chi Wai 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 a service contract with the Company for a term of three years commencing from 1 August 2011, 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 2012, 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	274,712,000 *(Note)*	65.60
		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 *BBS 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 30 to the financial statements.

Save as disclosed above, as at 31 March 2012, 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 30 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, or any of its holding companies, subsidiaries and 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 30 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 and fellow subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF THE DIRECTORS

Executive directors

Mr. Cheng Chor Kit, aged 60, 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 56, 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 47, 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 44, 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 joined in August 2010 and appointed as an executive director in September 2010. He has over 19 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 before he joined the Company in August 2010. He holds a bachelor degree in Commerce from Australia and a master degree in Business Administration from 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 *BBS JP*, aged 59, 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 (TTI). He was appointed as the group vice chairman of TTI on 18 April 2007 and has been re-designed as non-executive director of TTI with the effect from 1 July 2011. He holds a Doctor of Engineering Degree from the University of Warwick, the United Kingdom. He was appointed as an Industrial Professor by the University of Warwick, the 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 awarded the Bronze Bauhinia Stal (BBS) Medal by the Hong Kong SAR Government on 1 July 2011. 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 of the Steering Committee on Innovation and Technology of the Innovation and Technology Commission 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 the board of directors of the Hong Kong Paediatric Foundation. He is the Founder of the Bright Future Charitable Foundation.

Mr. Wong Chi Wai, aged 46, 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 24 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 50, has been an independent non-executive director of the Company since September 2004. She is also the chairman of the Company's audit committee and a member of the Company's remuneration committee and nomination committee. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She had 19 years' experience 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 2012, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity of interest and nature	Number of ordinary shares held	Approximate percentage of the Company's issued shares	Number of share options held
Mr. Cheng Chor Kit	Through a controlled corporation, beneficial owner and interest held by spouse	279,212,000 *(Notes 1, 2 and 4)*	66.68	–
Hallgain Management Limited ("Hallgain")	Through a controlled corporation	25,128,000 *(Note 3)*	6.00	–

Note 1: Among these shares, 274,712,000 shares were held through Resplendent and 1,200,000 shares were held by the spouse of Cheng Chor Kit.

Note 2: The spouse of Cheng Chor Kit is deemed to be interested in these ordinary shares in which 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 35.3% of the entire issued share capital of KCHL by Hallgain.

Note 4: This refers to the same shareholding of Cheng Chor Kit mentioned in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.

Save as disclosed above, as at 31 March 2012, no person, other than Cheng Chor Kit, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 4 May 2011, the Company, as a borrower, entered into a 60 months HK$100 million term loan facility agreement with a bank.

On 16 May 2011, the Company, as a borrower, entered into a 42 months HK$100 million term loan facility agreement with a bank.

Each of the term loan facility agreement imposes, inter alia, a condition that Mr. Cheng Chor Kit, the director and the controlling shareholder of the Company, and the discretionary trust set up by him for the benefit of his family; collectively shall beneficially or directly maintain a shareholding of not less than 50% of the issued share capital of the Company. A breach of the above mentioned condition will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of the loan shall become immediately due and repayable on demand.

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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 39 to the financial statements.

AUDITORS

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

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

Hong Kong
27 June 2012

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 2012 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 23 to 24 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 2012 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

Independent Non-executive Directors

Prof. Chung Chi Ping, Roy *BBS 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 five times during the year ended 31 March 2012 and meeting attendance records are set out on page 32 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.

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.

BOARD OF DIRECTORS *(continued)*

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.

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 *BBS 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.

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 held one meeting during the year ended 31 March 2012 to review and approve the director's remuneration packages. Meeting attendance records of the remuneration committee are set out on page 32 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 *BBS 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 2012, the nomination committee of the Board met once to assess the independence of the Independent Non-Executive Directors and to make recommendations to the Board on the re-election of Directors. Meeting attendance records of the nomination committee of the Board are set out on page 32 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 *BBS 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 2012, 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 2011 as well as the interim report for the six months ended 30 September 2011. 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 2012.

The audit committee of the Board held three meetings during the year ended 31 March 2012. Meeting attendance records of the audit committee of the Board are set out on page 32 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 33 and 34 of this annual report has set out the reporting responsibilities of Ernst & Young, the external auditors of the Company.

Auditors' Remuneration

Nature of services	**2011/2012**	2010/2011
	HK$'000	*HK$'000*
Audit services	**2,770**	2,550
Non-audit services		
Tax services	**1,210**	1,004
Total	**3,980**	3,554

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 2012, 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 2012 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 2011/2012

The number of Board and board committee meetings attended by each Director for the year ended 31 March 2012.

		No. of meeting attended/held		
Name of Director	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director				
Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*	5/5	N/A	1/1	1/1
Mr. Fung Wah Cheong, Vincent *(Deputy Chairman)*	5/5	N/A	1/1	1/1
Mr. Liu Tat Luen	5/5	N/A	N/A	N/A
Mr. Chui Pak Shing	5/5	N/A	N/A	N/A
Independent Non-executive Director				
Prof. Chung Chi Ping, Roy *BBS JP* *(Chairman of the remuneration committee)*	5/5	3/3	1/1	1/1
Mr. Wong Chi Wai *(Chairman of the nomination committee)*	5/5	3/3	1/1	1/1
Ms. Sun Kwai Yu *(Chairperson of the audit committee)*	5/5	3/3	1/1	1/1

ERNST & YOUNG
安 永

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 35 to 112, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 value 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss 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
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

27 June 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**1,620,460**	1,722,788
Cost of sales		**(1,460,434)**	(1,439,827)
Gross profit		**160,026**	282,961
Other income and gains, net	5	**31,178**	31,719
Selling and distribution expenses		**(41,258)**	(44,900)
Administrative expenses		**(163,453)**	(130,064)
Finance costs	6	**(5,637)**	(1,052)
Share of profits and losses of associates		**–**	(135)
PROFIT/(LOSS) BEFORE TAX	7	**(19,144)**	138,529
Income tax expense	9	**(15,519)**	(28,072)
PROFIT/(LOSS) FOR THE YEAR		**(34,663)**	110,457
ATTRIBUTABLE TO:			
Owners of the Company	10	**(28,351)**	114,381
Non-controlling interests		**(6,312)**	(3,924)
		(34,663)	110,457
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**(HK6.77) cents**	HK27.34 cents
Diluted		**(HK6.77) cents**	HK27.29 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012 *HK$'000*	2011 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(34,663)**	110,457
OTHER COMPREHENSIVE INCOME:		
Revaluation surplus, net	**21,653**	16,082
Deferred tax debited to asset revaluation reserve	**(3,537)**	(2,251)
	18,116	13,831
Exchange differences on translation of foreign operations	**11**	32,113
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(16,536)**	156,401
ATTRIBUTABLE TO:		
Owners of the Company	**(10,009)**	160,705
Non-controlling interests	**(6,527)**	(4,304)
	(16,536)	156,401

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**703,032**	618,610
Investment properties	14	**–**	42,169
Prepaid land lease payments	15	**22,852**	14,147
Goodwill	16	**4,650**	4,650
Interests in associates	18	**(7,833)**	(7,439)
Intangible assets	19	**26,366**	6,470
Deposits	23	**19,596**	38,735
Total non-current assets		**768,663**	717,342
CURRENT ASSETS			
Assets classified as held for sale	20	**50,482**	–
Inventories	21	**338,180**	357,577
Accounts receivable	22	**217,137**	185,742
Prepayments and deposits	23	**77,977**	84,838
Financial assets at fair value through profit or loss	24	**11,800**	17,193
Time deposits	25	**79,775**	86,803
Cash and bank balances	25	**159,589**	127,724
Total current assets		**934,940**	859,877
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	26	**335,764**	332,405
Interest-bearing bank borrowings	27	**153,478**	171,419
Amounts due to non-controlling shareholders	32(c)	**17,450**	–
Tax payable		**22,095**	23,294
Total current liabilities		**528,787**	527,118
NET CURRENT ASSETS		**406,153**	332,759
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,174,816**	1,050,101
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**154,038**	–
Deferred tax liabilities	28	**19,535**	14,334
Total non-current liabilities		**173,573**	14,334
NET ASSETS		**1,001,243**	1,035,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	*29*	**41,875**	41,875
Reserves	*31(a)*	**974,526**	1,002,535
		1,016,401	1,044,410
Non-controlling interests		**(15,158)**	(8,643)
TOTAL EQUITY		**1,001,243**	1,035,767

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 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	–	–	–	16,082	–	–	–	–	16,082	–	16,082
Deferred tax debited to asset revaluation reserve *(note 28)*	–	–	–	(2,251)	–	–	–	–	(2,251)	–	(2,251)
Exchange differences on translation of foreign operations	–	–	–	–	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)
Interim 2011 dividend paid *(note 11)*	–	–	–	–	–	–	–	(18,844)	(18,844)	–	(18,844)
Equity-settled share option expense *(note 30)*	–	–	2,458	–	–	–	–	–	2,458	–	2,458
Issue of shares *(note 29)*	90	1,515	(322)	–	–	–	–	–	1,193	–	1,283
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
At 1 April 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
Revaluation surplus, net *(note 13)*	–	–	–	21,653	–	–	–	–	21,653	–	21,653
Deferred tax debited to asset revaluation reserve *(note 28)*	–	–	–	(3,537)	–	–	–	–	(3,537)	–	(3,537)
Exchange differences on translation of foreign operations	–	–	–	–	226	–	–	–	226	(215)	11
Loss for the year	–	–	–	–	–	–	–	(28,351)	(28,351)	(6,312)	(34,663)
Total comprehensive income/(expense) for the year	–	–	–	18,116	226	–	–	(28,351)	(10,009)	(6,527)	(16,536)
Final 2011 dividend paid *(note 11)*	–	–	–	–	–	–	–	(18,844)	(18,844)	–	(18,844)
Equity-settled share option expense *(note 30)*	–	–	844	–	–	–	–	–	844	–	844
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	–	12	12
At 31 March 2012	**41,875**	**124,530**	**6,038**	**60,653**	**83,237**	**6,150**	**(8,940)**	**702,858**	**974,526**	**(15,158)**	**1,001,243**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(19,144)**	138,529
Adjustments for:			
Finance costs	6	**5,637**	1,052
Share of profits and losses of associates		**–**	135
Bank interest income	7	**(1,857)**	(1,357)
Dividend income from listed investments	7	**(811)**	–
Depreciation	7	**79,280**	74,544
Amortisation of prepaid land lease payments	7	**507**	359
Amortisation of deferred development costs	7	**6,583**	6,344
Gain on a bargain purchase	7	**–**	(278)
Loss on disposal of items of property, plant and equipment, net	7	**1,788**	2,081
Write-off of items of property, plant and equipment	7	**5,283**	–
Equity-settled share option expense	7	**844**	2,458
Impairment/(write-back of impairment) of accounts receivable	7	**24**	(683)
Surplus on revaluation of land and buildings and investment properties, net	7	**(8,313)**	(6,254)
		69,821	216,930
Decrease/(increase) in inventories		**19,397**	(202,058)
Increase in accounts receivable		**(31,419)**	(52,127)
Decrease/(increase) in prepayments and deposits		**26,227**	(87,729)
Decrease/(increase) in amounts due from associates		**394**	(355)
Decrease/(increase) in financial assets at fair value through profit or loss		**5,393**	(17,193)
Increase in accounts and bills payable, accrued liabilities and other payables		**3,359**	105,617
Cash generated from/(used in) operations		**93,172**	(36,915)
Interest received		**1,857**	1,357
Dividend income from listed investments	7	**811**	–
Interest paid		**(5,637)**	(1,052)
Hong Kong profits tax paid		**(12,212)**	(20,006)
Overseas income taxes paid		**(2,842)**	(2,801)
Dividends paid	11	**(18,844)**	(52,345)
Net cash flows from/(used in) operating activities		**56,305**	(111,762)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Net cash flows from/(used in) operating activities		**56,305**	(111,762)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(150,077)**	(136,226)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(11,020)**	42,953
Additions to prepaid land lease payments	15	**(9,439)**	–
Additions to intangible assets	19	**(26,479)**	(7,532)
Proceeds from disposal of items of property, plant and equipment		**957**	64
Acquisition of non-controlling interests	17	**–**	1,005
Net cash flows used in investing activities		**(196,058)**	(99,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**–**	1,283
Capital contribution by non-controlling shareholders		**12**	–
Increase in amounts due to non-controlling shareholders		**17,450**	–
New bank loans		**417,756**	153,122
Repayment of bank loans		**(281,659)**	(54,064)
Net cash flows from financing activities		**153,559**	100,341
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**13,806**	(111,157)
Cash and cash equivalents at beginning of year		**166,334**	268,874
Effect of foreign exchange rate changes, net		**11**	8,617
CASH AND CASH EQUIVALENTS AT END OF YEAR		**180,151**	166,334
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**159,589**	127,724
Non-pledged time deposits	25	**79,775**	86,803
Cash and cash equivalents as stated in the consolidated statement of financial position		**239,364**	214,527
Non-pledged time deposits with original maturity of more than three months when acquired	25	**(59,213)**	(48,193)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**180,151**	166,334

STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**552,710**	311,015
CURRENT ASSETS			
Prepayments	23	**9**	3
Dividends receivable		**–**	100,000
Cash and bank balances	25	**247**	393
Total current assets		**256**	100,396
CURRENT LIABILITIES			
Other payables		**2,938**	2,462
Interest-bearing bank borrowings	27	**43,478**	38,540
Total current liabilities		**46,416**	41,002
NET CURRENT ASSETS/(LIABILITIES)		**(46,160)**	59,394
TOTAL ASSETS LESS CURRENT LIABILITIES		**506,550**	370,409
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**154,038**	–
NET ASSETS		**352,512**	370,409
EQUITY			
Issued share capital	29	**41,875**	41,875
Reserves	31(b)	**310,637**	328,534
TOTAL EQUITY		**352,512**	370,409

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Group was principally involved in the design, manufacture and sale of electrical and electronic products, motors, materials primarily for use in panel display, mine exploration, ore processing 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, assets classified as held for sale 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 2012. 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.

Total comprehensive income within a subsidiary is 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.

2.2 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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and the amendment to HKAS 1 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 32 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. The key amendment most applicable to the Group is HKAS 1 *Presentation of Financial Statements*. This amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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 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*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

Further information about those changes that are expected to affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 April 2013.

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

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 April 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 April 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 April 2013.

Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out a collection of amendments to HKFRSs which are issued in response to the International Accounting Standards Board's annual improvements project to make necessary, but non-urgent, amendments to International Financial Reporting Standards ("IFRSs") that will not be included as part of another major project. The amendments contained in *Annual Improvements to HKFRSs 2009-2011 Cycle* are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier. The Group expected to adopt the amendments from 1 April 2013. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant final impact on the Group.

The Group is in the process of making an assessment of impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would 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 that are stated at cost less any impairment losses 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, which was not previously eliminated in the consolidated reserves, is included as part of the Group's interests in associates and is not individually tested for impairment.

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

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitles their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will be recognised in accordance with HKAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 identifiable net 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 the income statement as a gain on bargain purchase.

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.

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, goodwill and assets classified as held for sale), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Property, plant and equipment and depreciation

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 lease terms and 4%
Buildings outside Hong Kong	Over the shorter of 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 sale proceeds and the carrying amount of the relevant asset.

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

Investment properties

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

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.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the unit of production method. Mining rights are written off to the income statement if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less any impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation are included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Exploration rights and assets *(continued)*

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area and proved profitable and probable reserves of mines being identified is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantial expenditure on future exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised using the unit of production method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to the income statement if the exploration property is abandoned.

Exploration and evaluation assets are tested for impairment whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 market place.

The Group's financial assets include cash and bank balances, time deposits, accounts receivable, amounts due from associates and financial assets at fair value through profit or loss.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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 for loans and in other expenses for receivables.

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts and other payables, amounts due to non-controlling shareholders and interest-bearing bank borrowings.

Subsequent measurement

The subsequent 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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:

- when the deferred tax liability arises from the initial recognition of goodwill or 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or the income statement is also recognised in other comprehensive income or the income statement, respectively).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 Binomial valuation model, further details of which are given in note 30 to the financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

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

(d) 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 is a person or a close member of that person's family and that person

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and the Group are members of the same group;

 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

 (iii) the entity and the Group are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

 (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

 (vi) the entity is controlled or jointly controlled by a person identified in (a); and

 (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 described below:

Impairment 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 28 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of exploration rights and assets

The carrying value of exploration rights and assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or where appropriate, the cash-generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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 panel display, mine exploration, ore processing; 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 2012 and 2011.

	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**981,037**	1,105,982	**537,863**	554,567	**7,438**	10,171	**94,122**	52,068	**–**	–	**1,620,460**	1,722,788
Intersegment sales	**1,777**	2,678	**13,647**	36,875	**–**	–	**1,741**	211	**(17,165)**	(39,764)	**–**	–
Other income and gains, net	**7,402**	6,590	**18,316**	19,472	**3,164**	114	**599**	493	**–**	–	**29,481**	26,669
Total	**990,216**	1,115,250	**569,826**	610,914	**10,602**	10,285	**96,462**	52,772	**(17,165)**	(39,764)	**1,649,941**	1,749,457
Segment results	**104,230**	167,045	**(59,398)**	6,175	**(46,038)**	(16,902)	**1,225**	(3,223)	**–**	–	**19**	153,095
Interest and unallocated gains											**1,697**	5,050
Unallocated expenses											**(15,223)**	(18,429)
Finance costs											**(5,637)**	(1,052)
Share of profits and losses of associates											**–**	(135)
Profit/(loss) before tax											**(19,144)**	138,529
Income tax expense											**(15,519)**	(28,072)
Profit/(loss) for the year											**(34,663)**	110,457
Segment assets	**1,364,184**	1,201,001	**425,238**	453,182	**232,132**	123,974	**67,390**	53,076	**(697,986)**	(539,022)	**1,390,958**	1,292,211
Unallocated assets											**312,645**	285,008
Total assets											**1,703,603**	1,577,219
Segment liabilities	**274,864**	270,297	**361,164**	353,344	**377,792**	211,453	**32,921**	28,683	**(697,986)**	(539,022)	**348,755**	324,755
Unallocated liabilities											**353,605**	216,697
Total liabilities											**702,360**	541,452
Other segment information:												
Depreciation and amortisation	**49,934**	46,604	**30,176**	31,435	**2,627**	856	**2,935**	1,746	**–**	–	**85,672**	80,641
Unallocated amounts											**698**	606
											86,370	81,247
Impairment/(write-back of impairment) of accounts receivable	**–**	(175)	**2**	(508)	**22**	–	**–**	–	**–**	–	**24**	(683)
Capital expenditure	**61,654**	52,533	**32,971**	47,189	**90,939**	11,022	**431**	33,014	**–**	–	**185,995**	143,758
Surplus on revaluation of land and buildings and investment properties recognised in income statement, net	**–**	(4,149)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(4,149)
Unallocated amounts											**(8,313)**	(2,105)
											(8,313)	(6,254)
Surplus on revaluation of land and buildings recognised directly in equity	**(13,695)**	(7,733)	**(1,129)**	(334)	**(631)**	(471)	**(4,691)**	(4,697)	**–**	–	**(20,146)**	(13,235)
Unallocated amounts											**(1,507)**	(2,847)
											(21,653)	(16,082)

4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

Group	United States of America		Europe		Asia		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**399,470**	499,682	**352,495**	385,395	**745,596**	697,896	**122,899**	139,815	**1,620,460**	1,722,788

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

Group	Hong Kong		PRC		Malaysia		Lao PDR		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Non-current assets	**46,651**	44,706	**692,321**	643,171	**35,982**	36,904	**1,542**	–	**776,496**	724,781

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

(c) Information about major customers

Revenue of HK$857,881,000 (2011: HK$998,802,000) 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$326,143,000 (2011: HK$369,993,000) 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$531,738,000 (2011: HK$628,809,000) 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:

	2012 *HK$'000*	2011 *HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**981,037**	1,105,982
Motors	**537,863**	554,567
Materials from resources development	**7,438**	10,171
Products from other manufacturing activities	**94,122**	52,068
	1,620,460	1,722,788
Other income and gains, net		
Bank interest income	**1,857**	1,357
Dividend income from listed investments	**811**	–
Gross rental income	**3,620**	4,797
Sale of scrap materials	**26,016**	23,073
Gain on a bargain purchase	**–**	278
Loss on disposal of items of property, plant and equipment, net	**(1,788)**	(2,081)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**(3,981)**	435
Others	**4,643**	3,860
	31,178	31,719

6. FINANCE COSTS

	Group 2012 *HK$'000*	 2011 *HK$'000*
Interest on bank loans wholly repayable within five years	**5,637**	1,052

7. PROFIT/(LOSS) BEFORE TAX

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

	2012 *HK$'000*	2011 *HK$'000*
Auditors' remuneration	**2,770**	2,550
Depreciation	**79,280**	74,544
Amortisation of prepaid land lease payments	**507**	359
Amortisation of deferred development costs*	**6,583**	6,344
Minimum lease payments under operating leases in respect of land and buildings	**4,803**	4,487
Gain on a bargain purchase	**–**	(278)
Loss on disposal of items of property, plant and equipment, net	**1,788**	2,081
Write-off of items of property, plant and equipment**	**5,283**	–
Impairment/(write-back of impairment) of accounts receivable *(note 22)*	**24**	(683)
Employee benefit expense (including directors' remuneration – *note 8):*		
Wages and salaries	**355,835**	331,478
Equity-settled share option expense *(note 30)*	**844**	2,458
Pension scheme contributions	**1,933**	2,121
	358,612	336,057
Surplus on revaluation of land and buildings and investment properties, net**	**(8,313)**	(6,254)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**3,981**	(435)
Foreign exchange differences, net	**7,858**	(399)
Bank interest income	**(1,857)**	(1,357)
Dividend income from listed investments	**(811)**	–
Net rental income	**(3,285)**	(4,352)

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	
	2012	2011
	HK$'000	*HK$'000*
Fees	**600**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**11,280**	9,776
Performance related bonuses*	**1,806**	6,712
Equity-settled share option expense	**742**	1,703
Pension scheme contributions	**396**	413
	14,224	18,604
	14,824	19,204

* Executive directors of the Company are entitled to discretionary bonus payments.

During the year ended 31 March 2011, certain directors were granted share options, in respect of their services of the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

	2012		
	Fees	**Equity-settled share option expense**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***
Chung Chi Ping, Roy *BBS JP*	**200**	**–**	**200**
Wong Chi Wai	**200**	**–**	**200**
Sun Kwai Yu	**200**	**–**	**200**
	600	**–**	**600**

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

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

(b) Executive directors

	2012				
	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Equity-settled share option expense**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Cheng Chor Kit	**4,800**	**–**	**–**	**360**	**5,160**
Fung Wah Cheong, Vincent	**2,988**	**1,306**	**–**	**12**	**4,306**
Liu Tat Luen	**1,992**	**–**	**433**	**12**	**2,437**
Chui Pak Shing	**1,500**	**500**	**309**	**12**	**2,321**
	11,280	**1,806**	**742**	**396**	**14,224**

	2011				
	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cheng Chor Kit	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

* 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 Company.

*** 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 (2011: Nil).

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

The five highest paid employees during the year included four (2011: four) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining one (2011: one) non-director, highest paid employee are set out below:

	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**900**	720
Performance related bonuses	**300**	200
Pension scheme contributions	**12**	12
	1,212	932

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

	Number of employees	
	2012	2011
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–
	1	1

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 were entitled to exemptions or reductions from the standard income tax rate for a fixed term prior to 1 January 2008 might continue to enjoy such treatment until the fixed term expires.

9. INCOME TAX *(continued)*

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**8,059**	16,022
Underprovision/(overprovision) in prior years	**(211)**	4,476
Current – Elsewhere		
Charge for the year	**6,007**	9,434
Deferred tax *(note 28)*	**1,664**	(1,860)
Total tax charge for the year	**15,519**	28,072

A reconciliation of the tax expense applicable to profit/(loss) 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:

	2012	2011
	HK$'000	*HK$'000*
Group:		
Profit/(loss) before tax	**(19,144)**	138,529
Tax at the statutory tax rates	**(6,654)**	26,311
Lower tax rates for specific provinces or enacted by local authority	**(3,967)**	(11,214)
Adjustments in respect of current tax of previous periods	**(211)**	4,476
Income not subject to tax	**(2,839)**	(5,646)
Expenses not deductible for tax	**14,111**	6,770
Tax losses from previous periods utilised	**(77)**	(691)
Tax losses not recognised	**15,156**	8,066
Tax charge at the Group's effective rate	**15,519**	28,072

No share of tax attributable to associates (2011: Nil) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2012 includes a profit of HK$103,000 (2011: loss of HK$3,560,000) which has been dealt with in the financial statements of the Company *(note 31(b))*.

11. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends paid during the year		
Final in respect of the financial year ended 31 March 2011 – HK4.5 cents per ordinary share (2011: final dividend of HK8 cents per ordinary share, in respect of the financial year ended 31 March 2010)	**18,844**	33,501
Interim – Nil (2011: HK4.5 cents per ordinary share)	**–**	18,844
	18,844	52,345
Proposed final dividend		
Final – HK2.0 cents (2011: HK4.5 cents) per ordinary share	**8,375**	18,844

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/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to equity holders of the Company of HK$28,351,000 (2011: profit of HK$114,381,000) and 418,748,000 (2011: weighted average of 418,402,795) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2012 as share options outstanding during the year had an anti-dilutive effect on the basic loss per share presented.

The calculation of the diluted earnings per share amount for the year ended 31 March 2011 is based on the profit for the year attributable to equity holders of the Company of HK$114,381,000 and 419,124,229 ordinary shares, being the number of shares outstanding, adjusted for the effects of the dilutive potential ordinary shares outstanding.

A reconciliation of the weighted average number of ordinary shares used in calculating basic and diluted earnings per share for the year ended 31 March 2011 was as follows:

	2011
Weighted average number of ordinary shares used in calculating the basic earnings per share	418,402,795
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year ended 31 March 2011	721,434
Weighted average number of ordinary shares used in calculating the diluted earnings per share	419,124,229

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2012

	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 2011	229,677	25,167	40,440	618,781	213,366	1,127,431
Additions	–	–	47,395	82,808	19,874	150,077
Disposals	–	–	–	(3,544)	(1,805)	(5,349)
Write-off	–	–	–	(111)	(7,674)	(7,785)
Surplus on revaluation	7,770	4,438	–	–	–	12,208
Transfers	1,053	–	(23,636)	–	22,583	–
At 31 March 2012	238,500	29,605	64,199	697,934	246,344	1,276,582
Accumulated depreciation:						
At 1 April 2011	–	–	–	392,911	115,910	508,821
Provided during the year	9,191	254	–	52,753	17,082	79,280
Disposals	–	–	–	(1,590)	(1,014)	(2,604)
Write-off	–	–	–	–	(2,502)	(2,502)
Write-back on revaluation	(9,191)	(254)	–	–	–	(9,445)
At 31 March 2012	–	–	–	444,074	129,476	573,550
Net book value:						
At 31 March 2012	238,500	29,605	64,199	253,860	116,868	703,032
An analysis of cost or valuation:						
At cost	–	–	64,199	697,934	246,344	1,008,477
At 2012 valuation	238,500	29,605	–	–	–	268,105
	238,500	29,605	64,199	697,934	246,344	1,276,582

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

Group

31 March 2011

	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 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)*

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

	2012	2011
	HK$'000	*HK$'000*
Land and buildings held on medium term leases in Hong Kong	**32,500**	30,930
Buildings held on medium term leases outside Hong Kong	**206,000**	198,747
Freehold land and buildings outside Hong Kong	**29,605**	25,167
Total valuation	**268,105**	254,844

As at 31 March 2012, the Group's land and buildings in Hong Kong and Malaysia, and buildings in Mainland China were revalued at market value, on an existing state basis by Asset Appraisal Limited, independent professionally qualified valuers, at HK$32,500,000, Ringgit Malaysia 11,842,000 (equivalent to HK$29,605,000) and RMB170,980,000 (equivalent to HK$206,000,000), respectively. Revaluation surpluses of HK$21,653,000 resulting from the above revaluation, were credited to the asset revaluation reserve. The effect of the total revaluation surplus of HK$21,653,000 was reflected as an increase of valuation of property, plant and equipment of HK$12,208,000 and write-back of accumulated depreciation of HK$9,445,000.

At 31 March 2012, the buildings in Mainland China included certain buildings with a net book value of approximately HK$63,691,000 (2011: HK$66,460,000) 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$186,673,000 (2011: HK$194,135,000).

14. INVESTMENT PROPERTIES

	Group 2012 HK$'000	2011 HK$'000
Carrying amount at 1 April	**42,169**	37,727
Net profit from a fair value adjustment	**8,313**	2,105
Transfer to assets classified as held for sale *(note 20)*	**(50,482)**	–
Exchange realignment	**–**	2,337
Carrying amount at 31 March	**–**	42,169

At 31 March 2012, the Group's investment properties were revalued by Asset Appraisal Limited, independent professionally qualified valuers, at RMB41,900,000 (equivalent to HK$50,482,000) at market value, on an existing state basis and transferred to assets classified as held for sale.

The Group's investment properties were 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 2012 HK$'000	2011 HK$'000
Cost:		
At 1 April	**18,521**	17,842
Additions	**9,439**	–
Exchange realignment	**–**	679
At 31 March	**27,960**	18,521
Amortisation:		
At 1 April	**4,015**	3,518
Recognised during the year	**507**	359
Exchange realignment	**–**	138
At 31 March	**4,522**	4,015
Carrying amount at 31 March	**23,438**	14,506
Current portion included in prepayments and deposits *(note 23)*	**(586)**	(359)
Non-current portion	**22,852**	14,147

The Group's prepaid land lease payments are held under medium term leases and are situated in Mainland China.

At 31 March 2012, the Group is in the process of obtaining the land use right certificate in respect of prepaid land lease payments of net carrying amount of HK$7,909,000 (2011: Nil). The land is located in Shenzhen, the PRC with a lease term of 50 years.

16. GOODWILL

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

	Group	
	2012	2011
	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 2012, 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 key assumption for the cash flow projections is the budgeted gross margin which is the average gross profit margin achieved in the years before the budgeted year. The financial budgets are prepared reflecting actual and prior year performance and development expectations.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**104,950**	104,950
Due from subsidiaries	**447,760**	336,897
Due to a subsidiary	**–**	(130,832)
	552,710	311,015

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/ Hong Kong	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
Jianfu Mining (Guizhou) Company Limited #	PRC	RMB50,132,000	75%	Ore processing
Jinjianyuan Mining Company Limited #	PRC	RMB100,000	100%	Mine exploration
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
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 ("Newway")	Hong Kong	Ordinary HK$3,000,000	100%	Trading of electrical household 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)*				
Penta Blesses Enterprises Limited	Hong Kong	Ordinary HK$1,000,000	100%	Investment holding and trading of toys and electrical appliances
Renhua Talent Wood Co., Ltd. #	PRC	HK$20,000,000	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	RMB107,164,350	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$18,000,000	100%	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., Ltd.	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%	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))*	Dormant
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
Standard Encoder (Malaysia) Sdn Bhd	Malaysia	Ordinary RM500,000	100%	Manufacture and trading of encoder film

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 Land (Malaysia) Sdn Bhd	Malaysia	Ordinary RM500,000	100%	Property holding
Ordovician Mining (HK) Limited	Hong Kong	Ordinary HK$15,000,000	70%	Investment holding
Ordovician Mining (Lao) Company Limited	Lao People's Democratic Republic ("Lao PDR")	US$510,000	70%	Mine exploration
Profithuge Investment (Hong Kong) Limited	Hong Kong	Ordinary HK$100	75%	Investment 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.

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 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 values 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 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 turnover 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 ended 31 March 2011 would have been HK$1,724,677,000 and HK$110,181,000, respectively.

18. INTERESTS IN ASSOCIATES

	Group 2012 HK$'000	2011 HK$'000
Share of net deficits	**(15,474)**	(15,474)
Due from associates	**7,641**	8,035
	(7,833)	(7,439)

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:

	2012 HK$'000	2011 HK$'000
Assets	**1,116**	17,414
Liabilities	**(63,432)**	(70,798)
Revenue	**(931)**	(45,522)
Loss	**2,434**	16,917

19. INTANGIBLE ASSETS

Group

	Exploration rights and assets HK$'000	Deferred development costs HK$'000	Total HK$'000
2012			
Cost:			
At 1 April 2011	**–**	**18,289**	**18,289**
Additions	**18,594**	**7,885**	**26,479**
Retirements	**–**	**(4,593)**	**(4,593)**
At 31 March 2012	**18,594**	**21,581**	**40,175**
Accumulated amortisation:			
At 1 April 2011	**–**	**11,819**	**11,819**
Provided during the year	**–**	**6,583**	**6,583**
Retirements	**–**	**(4,593)**	**(4,593)**
At 31 March 2012	**–**	**13,809**	**13,809**
Net book value:			
At 31 March 2012	**18,594**	**7,772**	**26,366**
2011			
Cost:			
At 1 April 2010	–	18,190	18,190
Additions	–	7,532	7,532
Retirements	–	(7,820)	(7,820)
Exchange realignment	–	387	387
At 31 March 2011	–	18,289	18,289
Accumulated amortisation:			
At 1 April 2010	–	13,032	13,032
Provided during the year	–	6,344	6,344
Retirements	–	(7,820)	(7,820)
Exchange realignment	–	263	263
At 31 March 2011	–	11,819	11,819
Net book value:			
At 31 March 2011	–	6,470	6,470

20. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**–**	–
Transfer from investment properties *(note 14)*	**50,482**	–
At 31 March	**50,482**	–

21. INVENTORIES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Raw materials	**173,765**	205,398
Work in progress	**37,894**	49,457
Finished goods	**126,521**	102,722
	338,180	357,577

22. 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 to two months, extending up to three 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 imposed tightened control 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. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. 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	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**143,210**	135,636
31 – 60 days	**56,023**	31,383
61 – 90 days	**9,286**	15,194
Over 90 days	**9,490**	4,382
	218,009	186,595
Less: Impairment allowance	**(872)**	(853)
	217,137	185,742

22. ACCOUNTS RECEIVABLE *(continued)*

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**853**	1,568
Impairment losses recognised/(written back) *(note 7)*	**24**	(683)
Amount written off as uncollectible	**(5)**	(32)
At 31 March	**872**	853

At 31 March 2012, accounts receivable with a gross carrying amount of HK$872,000 (2011: HK$853,000) 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.

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**170,215**	150,243
Less than 1 month past due	**37,001**	25,326
Over 1 month past due	**9,921**	10,173
	217,137	185,742

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.

23. PREPAYMENTS AND DEPOSITS

		Group		Company	
		2012	2011	**2012**	2011
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Deposits for mining projects		**19,596**	35,120	**–**	–
Deposit for land lease payment		**–**	3,615	**–**	–
Prepayments		**76,050**	82,502	**9**	3
Other deposits		**1,341**	1,977	**–**	–
Prepaid land lease payments	*15*	**586**	359	**–**	–
		97,573	123,573	**9**	3
Less: Current portion		**(77,977)**	(84,838)	**(9)**	(3)
Non-current portion		**19,596**	38,735	**–**	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Listed investments in Hong Kong, at market value	**11,800**	17,193

The above investments at 31 March 2012 were classified at held for trading and were, upon initial recognition, classified by the Group as financial assets as at fair value through profit or loss.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits				
– original maturity of more than three months	**59,213**	48,193	**–**	–
– original maturity of less than three months	**20,562**	38,610	**–**	–
	79,775	86,803	**–**	–
Cash and bank balances	**159,589**	127,724	**247**	393
	239,364	214,527	**247**	393

25. CASH AND CASH EQUIVALENTS *(continued)*

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$121,812,000 (2011: HK$118,679,000). 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.

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**94,125**	106,611
31 – 60 days	**59,718**	41,846
61 – 90 days	**18,511**	22,136
Over 90 days	**5,364**	9,190
Accounts and bills payable	**177,718**	179,783
Accrued liabilities	**133,518**	123,282
Other payables	**24,528**	29,340
	335,764	332,405

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

As at 31 March 2012, included in other payables, was an amount of RMB5,200,000 (2011: RMB5,200,000), approximately HK$6,265,000 (2011: HK$6,265,000), 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 resources development project.

27. INTEREST-BEARING BANK BORROWINGS

Group

	Effective interest rate	Maturity (Note)	2012 HK$'000	2011 HK$'000
Current				
Bank loans – unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.88%	2013	**38,271**	–
Bank loans – unsecured	HIBOR+1% to 2%	2013	**5,207**	–
Bank loans – unsecured	HIBOR+1% to 2%	On demand	**110,000**	171,419
			153,478	171,419
Non-current				
Bank loans – unsecured	HIBOR+1.88%	2014 – 2016	**154,038**	–
			307,516	171,419

Company

	Effective interest rate	Maturity (Note)	2012 HK$'000	2011 HK$'000
Current				
Bank loans – unsecured	HIBOR+1.88%	2013	**38,271**	–
Bank loans – unsecured	HIBOR+1% to 2%	2013	**5,207**	–
Bank loans – unsecured	HIBOR+1% to 2%	On demand	**–**	38,540
			43,478	38,540
Non-current				
Bank loans – unsecured	HIBOR+1.88%	2014 – 2016	**154,038**	–
			197,516	38,540

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: At 31 March 2011, the Group's term loans in the amount of HK$171,419,000 and the Company's term loan in the amount of HK$38,540,000 containing an on-demand clause have been classified 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 and HK$5,207,000 payable in the second year; while the amounts repayable in respect of the Company's loans are: HK$33,333,000 payable within one year or on demand and HK$5,207,000 payable in the second year.

28. 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 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 recognised in the consolidated statement of financial position at 31 March 2011 and 1 April 2011	4,414	10,028	14,442
Deferred tax debited to equity during the year	–	3,537	3,537
Deferred tax debited/(credited) to the income statement during the year *(note 9)*	(414)	2,078	1,664
Gross deferred tax liabilities at 31 March 2012	4,000	15,643	19,643

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	(108)

28. 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:

	2012	2011
	HK$'000	*HK$'000*
Gross deferred tax liabilities	**19,643**	14,442
Gross deferred tax assets	**(108)**	(108)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**19,535**	14,334

The Group has unrecognised tax losses of HK$114,846,000 (2011: HK$54,554,000) 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 2012, 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$14,663,000 (2011: HK$12,974,000) at 31 March 2012.

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

29. SHARE CAPITAL

	Company 2012 HK$'000	2011 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
418,748,000 (2011: 418,748,000) ordinary shares of HK$0.10 each	**41,875**	41,875

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 2010	417,848,000	41,785	123,015	164,800
Issue of shares *(Note)*	900,000	90	1,515	1,605
At 31 March 2011, 1 April 2011 and 31 March 2012	418,748,000	41,875	124,530	166,405

Note:

During the year ended 31 March 2011, the subscription rights attaching to 900,000 share options were exercised at the subscription price of HK$1.426 per share (note 30), 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.

30. 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.

30. SHARE OPTION SCHEME *(continued)*

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

2012

		Number of share options							
	Date of share options granted	At 1 April 2011	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2012	Exercise period	Exercise price per share *HK$*	Price of the Company's shares at grant date of options* *HK$*
Directors									
Fung Wah Cheong, Vincent	23/7/2009	500,000	–	–	–	500,000	1/8/2010-22/7/2019	1.426	1.40
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 *BBS 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
	14/3/2008	500,000	–	–	–	500,000	14/3/2009-13/3/2018	1.99	1.99
	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
		7,002,000	–	–	–	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.

30. SHARE OPTION SCHEME *(continued)*

2011

	Date of share options granted	Number of share options					Exercise period	Exercise price per share	Price of the Company's shares at grant date of options*
		At 1 April 2010	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2011		HK$	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 *BBS 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.

The Company recognised a total share option expense of HK$844,000 (2011: HK$2,458,000) for the share options granted in prior years during the year.

30. 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:

	2012		2011	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At 1 April	**2.23**	**7,002,000**	2.01	7,502,000
Granted during the year	–	–	2.792	2,900,000
Exercised during the year	–	–	1.426	(900,000)
Cancelled during the year	–	–	2.52	(2,500,000)
At 31 March	**2.23**	**7,002,000**	2.23	7,002,000

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$14,914,000 (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.

31. 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.

(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 2010		123,015	3,058	104,750	49,965	280,788
Profit for the year		–	–	–	96,440	96,440
Final 2010 dividend paid	*11*	–	–	–	(33,501)	(33,501)
Equity-settled share option expense	*30*	–	2,458	–	–	2,458
Issue of shares	*29*	1,515	(322)	–	–	1,193
Interim 2011 dividend paid	*11*	–	–	–	(18,844)	(18,844)
At 31 March 2011 and 1 April 2011		124,530	5,194	104,750	94,060	328,534
Profit for the year		–	–	–	103	103
Final 2011 dividend paid	*11*	–	–	–	(18,844)	(18,844)
Equity-settled share option expense	*30*	–	844	–	–	844
At 31 March 2012		124,530	6,038	104,750	75,319	310,637

31. RESERVES *(continued)*

(b) Company *(continued)*

The profit of HK$103,000 (2011: a profit of HK$96,440,000) for the year ended 31 March 2012 included dividend income of Nil (2011: HK$100,000,000) 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.

32. RELATED PARTY TRANSACTIONS AND BALANCES

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 31 March 2011, a corporate guarantee of 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) Compensation of key management personnel of the Group:

	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**12,180**	10,496
Performance related bonuses	**2,106**	6,912
Equity-settled share option expense	**742**	670
Pension scheme contributions	**408**	425
Total compensation paid to key management personnel	**15,436**	18,503

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

(c) Balances with non-controlling shareholders are unsecured, interest-free and have no fixed terms of repayment.

33. 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 the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**–**	1,574
In the second to fifth years, inclusive	**–**	2,920
	–	4,494

(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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**531**	4,962
In the second to fifth years, inclusive	**1,509**	5,003
After five years	**755**	1,132
	2,795	11,097

The Company did not have any operating lease arrangements at the end of the reporting period (2011: Nil).

34. COMMITMENTS

(i) At the end of the reporting period, the Group had contracted for capital commitments in respect of subsidiaries in the PRC and Lao PDR amounting to HK$47,083,000 (2011: HK$94,190,000).

(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$36,748,000 (2011: HK$50,426,000) and land use right of Nil (2011: HK$4,549,000).

(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$26,187,000 (2011: HK$25,904,000).

The Company did not have any other significant commitments at the end of the reporting period (2011: Nil).

35. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided guarantees of HK$260,000,000 (2011: HK$202,000,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK$110,000,000 (2011: HK$132,879,000) had been utilised as at the end of the reporting period.

At 31 March 2011, a corporate guarantee of HK$14,500,000 was given by the Group in respect of banking facilities granted to certain of its associates, of which HK$2,740,000 had been utilised at 31 March 2011.

36. 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	**2012**		2011	
	Financial assets at fair value through profit or loss	**Loans and receivables**	Financial assets at fair value through profit or loss	Loans and receivables
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Due from associates	**–**	**7,641**	–	8,035
Accounts receivable	**–**	**217,137**	–	185,742
Time deposits	**–**	**79,775**	–	86,803
Cash and bank balances	**–**	**159,589**	–	127,724
Financial assets at fair value through profit or loss	**11,800**	**–**	17,193	–
	11,800	**464,142**	17,193	408,304

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Group	
Financial liabilities	**2012**	2011
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Accounts and bills payables	**177,718**	179,783
Financial liabilities included in other payables and accrued liabilities	**34,348**	29,340
Amounts due to non-controlling shareholders	**17,450**	–
Interest-bearing bank borrowings	**307,516**	171,419
	537,032	380,542

	Company	
Financial assets	**2012**	2011
	HK$'000	*HK$'000*
Loan and receivables:		
Due from subsidiaries	**447,760**	336,897
Dividends receivable	**–**	100,000
Cash and bank balances	**247**	393
	448,007	437,290

	Company	
Financial liabilities	**2012**	2011
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Due to a subsidiary	**–**	130,832
Other payables	**2,938**	2,460
Interest-bearing bank borrowings	**197,516**	38,542
	200,454	171,834

37. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values 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 2012:				
Financial assets at fair value through profit or loss	**11,800**	**–**	**–**	**11,800**
As at 31 March 2011:				
Financial assets at fair value through profit or loss	17,193	–	–	17,193

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 (2011: Nil).

38. 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 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.

38. 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 27 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/(loss) after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in interest rate	**Increase/ (decrease) in loss after tax**
	%	***HK$'000***
2012		
Hong Kong dollar	**1**	**3,075**
Hong Kong dollar	**(1)**	**(3,075)**

	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

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") or United States dollars ("USD"). Given that the HK$ is pegged to the USD, the Group does not have a foreign currency hedging policy on it. During the reporting year, the Group did not enter into any new foreign exchange derivative transactions. The management monitors the foreign exchange exposure and will consider hedging the significant foreign currency exposures should the need arise. Moreover, the majority of the Group's operating assets are located in the PRC and are denominated in RMB. As the Group's results are reported in HK$, there will be a translation gain as a result of the RMB appreciation, and vice versa.

38. 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/(loss) after tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss after tax *HK$'000*
2012		
If Hong Kong dollar weakens against RMB	**5**	**(1,815)**
If Hong Kong dollar strengthens against RMB	**(5)**	**1,815**

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 22 to the financial statements.

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.

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

Liquidity risk *(continued)*

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

2012

	On demand or less than one year *HK$'000*	**One to five years** *HK$'000*	**Total** *HK$'000*
Accounts and bills payables, accrued liabilities and other payables	**212,066**	**–**	**212,066**
Amounts due to non-controlling shareholders	**17,450**	**–**	**17,450**
Interest-bearing bank borrowings	**158,362**	**160,535**	**318,897**
	387,878	**160,535**	**548,413**

2011

	On demand or less than one year *HK$'000*	One to five years *HK$'000*	Total *HK$'000*
Accounts and bills payables, accrued liabilities 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

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

Liquidity risk *(continued)*

Company

2012

	On demand or less than one year *HK$'000*	One to five years *HK$'000*	Total *HK$'000*
Other payables	**2,938**	**–**	**2,938**
Interest-bearing bank borrowings	**47,951**	**160,535**	**208,486**
Guarantees given to banks in connection with facilities utilised by subsidiaries	**110,000**	**–**	**110,000**
	160,889	**160,535**	**321,424**

2011

	On demand or less than one year *HK$'000*	One to five years *HK$'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	135,619	–	135,619
	176,921	130,832	307,753

* At 31 March 2011, included in interest-bearing bank borrowings are term loans. The loans 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 its 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 position 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 year ended 31 March 2012 and year ending 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 year ended 31 March 2012 and year ending 31 March 2013, respectively.

38. 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 24) as at 31 March 2012.

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	
	2012	2011
	HK$'000	*HK$'000*
Listed investments in Hong Kong	**1,180**	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 2012 and 31 March 2011.

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 end of the reporting periods were as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Total interest-bearing bank borrowings	**307,516**	171,419
Total equity	**1,001,243**	1,035,767
Gearing ratio	**30.7%**	16.5%

39. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, on 26 April 2012, the Group had entered into a sale and purchase agreement with an independent third party (the "Purchaser") to dispose of properties of the Group (the "Disposal") at a cash consideration of HK$55,000,000 to the Purchaser. Further details of the Disposal were disclosed in the Company's announcement dated 7 May 2012.

(b) Subsequent to the end of the reporting period, on 4 May 2012, the Group had entered into an agreement with the People's Government of Dushan, Guizhou Province, the PRC to acquire a 50 years' land use right of a piece of land located in Guizhou Province at a consideration of RMB16,620,000 (equivalent to HK$20,024,000).

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2012.