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 2013

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

Independent Non-executive Directors

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Corporation Limited
Hang Seng Bank Limited

CORPORATE WEBSITE

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On behalf of the board of directors (the "Board") of Kin Yat Holdings Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2013 ("FY2013").

I am pleased to report a turnaround for the Group in FY2013, achieved under a leadership tasked with furthering our core strengths, shaping up operations that are challenged and gaining ground for new business ventures. Our business and financial goals are well supported by a practicable action plan and timeline, as well as a dedicated staff team.

For the major part of FY2013, a unique set of challenges faced businesses worldwide, while the global economic recovery has proven more prolonged and difficult to come by. Obstacles standing in the way included a protracted euro zone crisis, an unsteady recovery for the United States, a slowdown in the economy of the People's Republic of China (the "PRC"), and more uncertainties in emerging economies.

Our manufacturing business remained a bright spot in our performance and this shall continue to remain as the key drivers of our success. Following the first-time generation of revenue from our natural resources development business segment, albeit on a moderate scale, we would continue to build up the value of this business segment to the Group in a medium-run. The latest announced new business initiatives in relation to property development activities shall be meant to fuel the growth momentum of the Group in a longer run context, resulting in a more balanced business mix for the Group.

PERFORMANCE HIGHLIGHTS AND DIVIDEND

The Group's financial performance in FY2013 is summarised below:

- Consolidated turnover grew 8.8% year on year to HK$1,763,427,000 (Year ended 31 March 2012 ("FY2012"): HK$1,620,460,000);
- Profit attributable to owners of the Company was HK$39,076,000 (FY2012: loss of HK$28,351,000);
- Before inclusion of one-off provisions or expenses of HK$7,013,000 (FY2012: HK$10,987,000) in relation to the closure of Dongguan factory, profit attributable to owners of the Company was HK$46,089,000 (FY2012: loss of HK$17,364,000); and
- Basic earnings per share for the year were HK9.33 cents (FY2012: loss of HK6.77 cents).

The Board is pleased to recommend the payment of a final dividend of HK3.0 cents (FY2012: HK2.0 cents) per share for FY2013, expected to be paid on 16 September 2013 to those shareholders whose names appear on the Company's register of members on 3 September 2013, subject to approval in the annual general meeting of the Company to be held on 26 August 2013. Based on the aforesaid recommended final dividend, the total yearly dividend distributed by the Company was HK3.0 cents (FY2012: HK2.0 cents).

STRATEGIES AND OUTLOOK

Having achieved our pledge of restoring the financial performance of the Group as set out at the onset of FY2013, we will continue on our pathway to building a sustainable business. The Board and management will constantly look out, and devise the right strategy and action in preparation for new challenges and promising opportunities ahead.

To make our growth strategies actionable, we have established a series of concrete targets for the coming years with respect to our short–term to long-run objectives. The Board will regularly review the results of the implementation of the strategies by benchmarking against the targets, while constantly maintaining checks on the investments of the Group to prudently manage our overall risk exposure.

Manufacturing Businesses

We are an industrial group with a diverse range of toy, artificial intelligence (AI) robotic cleaner, smart-home-appliance and motor manufacturing businesses. Our strong research and development and production platform in Shenzhen, Shixing and Shaoguan, the PRC, as well as in other Southeast Asian locations, supports our niche position in electronic and mechanical production.

We remain committed to quality and innovation as the key elements of our high-value-adding manufacturing businesses. Through continued development efforts, we help our clients create and conceptualise products that anticipate end customers' changing needs and preferences. As a manufacturer, we are well aware of the importance of incorporating strict quality requirements into our product development and production process. Continuous quality improvement is pursued to ensure high safety, reliability and functionality for end users.

Clients also partner with us to leverage our production scale and cost structure. We are therefore committed to continued investments in capacity and capability expansion. New facilities under development in Shenzhen, principally for our robotic cleaner business, and the related equipment installation are nearing completion to be fully commissioned in due course. We are also constantly expanding our production capability to support a wider scope of products and to enhance our competitive position.

We have successfully engaged one of the giant players in the toy industry with business commencing during this financial year. We are also in active discussion with the AI line's major customer on extending our production partnership beyond the robotic vacuum cleaner category. These discussions have yielded fruitful results, and the segment looks forward to starting production of other AI products for this customer towards the end of the financial year ending 31 March 2014 ("FY2014").

While we are optimistic that our active business development efforts will bear further fruit in FY2014, we stay alert to the impact of weak market sentiments on orders from our existing clients in the toys sector. The manufacturing segments will maintain flexibility in their allocation of production facilities to cope with demand changes in specific product categories.

We are closely monitoring and managing the upgrading of the production lines in an effort to turnaround our motor manufacturing operations by increasing the production efficiency while lowering labour costs. The turnaround of this business unit is instrumental to the performance of the Group. Various measures including technical enhancement and management strengthening were taken to ensure the achievement of the planned goals.

We will continue to invest in the future of our manufacturing businesses, as we anticipate a continuing flow of innovative, high-quality products for our clients. With a strong order book in hand and positive business developments under way with respect to our home appliances and toys manufacturing business, we confidently maintain an optimistic outlook for FY2014 and the following few years. Consequently, we believe the manufacturing segment will continue to be a key source of contribution to the cash flow of the Group.

STRATEGIES AND OUTLOOK *(continued)*

Non-Manufacturing Businesses

The non-manufacturing business segment is a strategic platform for the Group to achieve long-term growth and performance by rebalancing the business portfolio away from the cyclical economic and industry fluctuations of our manufacturing operations. The segment comprises a materials development business and natural resources development operations.

As a research-and-development-based manufacturer, we are well positioned to provide customised products and services to compete advantageously against major foreign competitors for the materials development business. Having achieved order growth for low-density Indium Tin Oxide ("ITO") tablet targets, the unit aims to achieve the same for large-size ITO targets which command a broader market. Next step, the unit plans to invest upstream and in reclaim/recycling capabilities so as to lower its major material costs.

In view of the slower-than-expected progress to reach a path-to-revenue for the natural resources development business as a whole, the Company has frozen investments in new projects in order to mitigate the adverse impact of higher operating expenses for the Group. While we have slowed down the pace of development of certain projects in order to channel resources into selected strategic project(s), we strive to promote revenue-generating activities through better utilisation of existing production facilities.

The Group holds a 70% interest in an exploration project in a zinc/lead polymetallic tenement area located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC (the "Jinshi Exploration Area"). This project is the one with highest potential to secure a path-to-revenue, since the proven reserves are ready for exploitation once the relevant exploitation licence is obtained. We are looking forward to such a breakthrough to boost the operational revenues and/or valuation of our natural resources development business.

New Business Initiatives

On 7 June 2013, the Company succeeded in bidding for the land use rights of three land parcels (with a total site area of 136,502.4 square metres) located in Dushan County, Guizhou Province, the PRC at the bid price of RMB122,020,000 (approximately HK$154,111,000). Through arrangements between the Company and the local government in Dushan County, the Company is required to pay RMB75,000,000 (approximately HK$94,725,000) in total for the consideration of the acquisition of the land and the local government in Dushan County shall subsequently pay RMB58,620,000 (approximately HK$74,037,000) as a reward to the Company. The Group intends to develop a residential project in phases followed by a commercial development which, depending on market demand and conditions, may comprise a low-density retail complex with a hotel.

The Company is of the view that these business initiatives shall provide an opportunity for the Group to leverage on its existing established business network and relationship in the PRC to further diversify the business of the Group. In particular, the acquisition is in line with the Company's development strategy of securing sources of income in Renminbi in an effort to mitigate possible adverse impacts on the Group from the escalating Renminbi exchange rate.

STRATEGIES AND OUTLOOK *(continued)*

Financial Management

Cost surges will continue to be a threat to the Group as they are to other manufacturers. We aim to achieve cost savings through strict controls, higher automation to reduce labour input, and the consolidation of production facilities in lower-cost locations.

At the same time, we maintain a strong balance sheet to support our pursuit of new growth opportunities that may arise from time to time. As such, the Group holds a healthy cash position and the core businesses are continuing to contribute strong cash flows. We also uphold well-defined risk control principles and are governed by stringent financial objectives that reinforce the Group's strong risk management policy.

Overall, the Group's financial management goals are set on both the enterprise level and for individual business lines, as well as for our investment portfolio.

ACKNOWLEDGEMENTS

The Group could not have accomplished its business and financial goals over the past year without the guidance of the Board and the support of its staff members. I am also thankful to our shareholders, customers and other stakeholders who stand firmly behind our business endeavours and our advance into new horizons.

CHENG Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 27 June 2013

Despite impacts from global economic uncertainty on our differing business streams, the Group is pleased to report a relatively solid set of results, with turnover hitting record high for FY2013.

The Group's operations are organised into four business segments: the three research-and-development-based manufacturing disciplines of electrical and electronic products, motors, and other manufacturing activities, as well as the resources development operations. This multi-pillar business platform supports progressive growth while helping to safeguard the Group against the risks and challenges in the sectors and markets in which it operates.

The Group is also delighted to report that the overall turnover increase was not only accounted for by increased sales from its manufacturing activities, but also the first-time major sales recorded from our natural resources development business. We welcome this as a clear signal of success in our goal to generate returns from new business initiatives in order to achieve a more balanced revenue mix.

The Group achieved a turnaround during FY2013 reflecting the sound performance of the electrical and electronic products segment, albeit offset to some extent by the losses incurred by the motors and resources development segments.

Understanding the climate we operate in, we have continued to exercise prudent cost management and to streamline our operations, while maintaining a healthy balance sheet position to support new business development initiatives.

As part of this strategy, the Group disposed of an indirect wholly-owned subsidiary which ultimately owns certain non-core underutilised 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 metres, were sold in May 2012 for a total cash consideration of HK$53 million (after adjustment), with the first payment of HK$10 million received in May 2012 and the final payment of HK$43 million settled in June 2013. The disposal has allowed the Group to realise 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 businesses.

CONSOLIDATED RESULTS

The Group's record-high turnover was boosted by sales increase of the electrical and electronic products segment and the first-time major sales recorded by the natural resources development business. Consolidated turnover amounted to HK$1,763,427,000, an 8.8% increase over the HK$1,620,460,000 recorded for FY2012. 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$1,199,515,000 from the electrical and electronic products business, representing 68.0% of the consolidated turnover of the Group for the year (FY2012: HK$981,037,000, 60.5%);
- HK$463,346,000 from the motors business, contributing 26.3% of the total (FY2012: HK$537,863,000, 33.2%);
- HK$60,801,000 from other manufacturing activities, or 3.4% of the total (FY2012: HK$94,122,000, 5.8%); and
- HK$39,765,000 from the resources development business, accounting for 2.3% of the total (FY2012: HK$7,438,000, 0.5%).

For FY2013, the Group reported a profit attributable to owners of the Company of HK$39,076,000, compared to an attributable loss of HK$28,351,000 in FY2012. Basic earnings per share for the year were HK9.33 cents (FY2012: basic loss per share of HK6.77 cents). The attributable profit in FY2013 took into account the gain on disposal of an indirect wholly-owned subsidiary which ultimately owns non-core underutilised properties in Shenzhen and the reversal of prior years' losses shared from the CDR business, the associates of the Group. During the year, the Group recorded certain one-off provisions or expenses of HK$7,013,000 (FY2012: HK$10,987,000) in relation to the closure of Dongguan factory. Before inclusion of one-off provisions or expenses, profit attributable to owners of the Company was HK$46,089,000 (FY2012: loss of HK$17,364,000).

The Group's turnaround in FY2013 was achieved on sales growth of the electrical and electronic products segment on the top line, while efficiency gains and stabilising of both material prices and the Renminbi during the first half of the year have helped the segment improve on the bottom line, albeit to some extent offset by wage increases and inflation in other cost factors.

The table below sets out the results of the Group by business segment for FY2013, together with the comparative figures of the previous year:

Segment results by business segments	*HK$* **FY2013**	**FY2012**	Year-on-year change *%*
Electrical and electronic products	164,527,000	104,230,000	+57.8
Motors *(Note 1)*	(53,064,000)	(59,398,000)	+10.7
Other manufacturing activities	2,266,000	1,225,000	+85.0
Resources development	(57,384,000)	(46,038,000)	–24.6
Total segment results	56,345,000	19,000	+296,452.6

Note 1: including one-off provisions or expenses of HK$7,013,000 for FY2013 (FY2012: HK$10,987,000)

With improved operating conditions and momentum recorded across our manufacturing segments, we have continued to invest in new business ventures for the future.

OPERATIONAL REVIEW

Electrical and Electronic Products Business Segment

This segment undertakes the development, design, manufacture and sale 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 in FY2013 increased by 22.3% to HK$1,199,515,000 (FY2012: HK$981,037,000), with sales growth generated by both the AI robotic cleaners and toys lines. Segment profit also rose 57.8% to HK$164,527,000 (FY2012: HK$104,230,000) as the segment margin improved.

The segment is much encouraged to report sales and earnings growth amidst uncertainties across regions exerting impacts on the already sluggish global trade and local consumption. The orders growth was achieved with the help of consistent efforts of the marketing team to engage new customers for toys and other high-end value-added items. Some new orders began to materialise and contributed to segment sales in this year.

While the manufacturing sector in the PRC continued to be affected by increases in wages and other operating expenses, the Group was able to relief some of the cost pressure by the deployment of the LEAN production process during FY2013. These factors, coupled with our continued efforts to achieve efficiency gains, have helped the segment improve on its margin.

In addition to the successful engagement of one of the giant players in the toy industry with business commencing during this financial year, we are also in active discussion with the AI line's major customer to extend our production partnership beyond the robotic vacuum cleaner category. Such discussions have yielded positive results and the segment looks forward to starting production of more categories of AI products for this customer towards the end of FY2014.

Despite the addition of new customers, management stays alert to the possible reduction in orders from some existing clients in view of the weak demand in the toys sector. The Division will maintain flexibility in the allocation of production facilities to different product lines.

The construction of a new building in Shenzhen has been substantially completed with the installation of new machinery currently under way. These new facilities will mainly be dedicated to the expected increase in orders from the AI product line, as well as to support our ongoing business development efforts. We will continue to optimise the utilisation of our existing facilities by diversifying into new product categories.

Management is alert to the constant threat of cost inflation exacerbated by a new round of Renminbi appreciation, and will strive to offset their adverse effects by tight cost controls and efficiency improvements through constant process reengineering.

At the same time, we will continue to leverage our profile as a high-value-adding manufacturer to engage customers looking to place sophisticated high-end product orders with a reliable production partner. The robust order book on hand and positive business developments make a strong case for an optimistic outlook for FY2014 and the next few years down the road. This segment will also continue to be a key source of cash flow contribution to support the Group's other business pursuits.

OPERATIONAL REVIEW *(continued)*

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 (DC), alternative-current (AC) and brushless motors to motor encoder systems.

As manufacturing activities in the PRC moderated amidst weak market sentiments, segment external turnover decreased by 13.9% year on year to HK$463,346,000 (FY2012: HK$537,863,000) during FY2013. With the margin under further pressure from rising wages and other operating costs, a segment loss of HK$53,064,000 (FY2012: HK$59,398,000) was recorded after including one-off provision or expenses of HK$7,013,000 (FY2012: HK$10,987,000), mainly the further write off/impairment on property, plant and equipment resulting from the closure of the facilities in Dongguan City, Guangdong Province, the PRC.

The closure of underperforming facilities in Dongguan and the subsequent integration of the production lines into the lower-cost facility base in Shaoguan and Shixing, Guangdong Province, the PRC, have yielded cost savings. However, the efficiency gains achieved from the relocation and consolidation were not sufficient to fully offset the steep rise in operating costs and the negative impact of the sales decline.

However, the efforts we have placed on furthering automation and efficiency improvement began to yield results, the operating loss in the second half has diminished, a signal of a steady improvement on the segment's margin. As the facilities integration is expected to be completed in FY2014, we look forward to more efficiency gains from greater economies of scale on sales.

Despite the difficult backdrop, the segment will strive to achieve margin improvement through expanding its revenue base. As such, the segment will continue to develop new products and to solicit new business.

Management will also continue to target on enhancing the efficiency of the segment's production lines through increased automation and procedure improvement. This will indeed be a continuous effort as the segment is pressured by the inevitable uptrend of labour and other operating costs.

We are committed to turning around the segment's performance, but we understand that the task will be a difficult one in the face of the operating challenges and subdued market demand. Management will hence continue with prudent cost management, streamlining the segment's operations, while furthering its efforts in the exploration of new avenues of business growth.

Other Manufacturing Activities

This segment comprises the development, design, manufacture and sale of a broad range of feature plush and wooden toys, on both original design manufacturing (ODM) and original equipment manufacturing (OEM) bases, as well as an encoder film manufacturing production facility based in Malaysia.

OPERATIONAL REVIEW *(continued)*

Other Manufacturing Activities *(continued)*

The segment's external turnover decreased by 35.4% year on year during FY2013 to HK$60,801,000 (FY2012: HK$94,122,000) with segment profit up by 85.0% to HK$2,266,000 (FY2012: HK$1,225,000). It is notable that the Malaysian plant recorded a profit for the first time since its business was restarted after a two-year reengineering effort following asset acquisition in late 2010.

The decrease in turnover was mainly caused by the upgrading of the plush product items by incorporating a significant amount of electronic components, thus leading to the classification of part of these products to the electrical and electronic products business segment.

As discussed in the interim financial statements, sales in both the plush and wooden toy lines slowed in the second half of the fiscal year. However, we hold a brighter outlook for FY2014 as the segment has engaged new toy customers for its wooden product facilities. Sales are expected to grow in the coming year, and over the longer term we expect to see further improvement in the performance of this segment.

Resources Development Business Segment

During the year, the segment was engaged in (i) materials development business-the development, manufacture and sale of ITO Targets; and (ii) natural resources development business with respect to mainly copper, zinc, gold, silver, antimony and iron metals.

As the natural resources development business in the PRC was still experiencing various kinds of difficulties, particularly in obtaining exploitation licences, and our exploration project in Lao People's Democratic Republic ("Lao PDR") was in its reconnaissance survey stage, revenue from this business during the year was moderate and mainly attributable to processing and trading activities.

Although the ITO Targets business began to see revenue being generated from low-density ITO tablet targets, the market size for this type of product would not be large enough to justify full-capacity production in our facilities. On the other hand, the high-density ITO large-size targets, which have a much larger market, are still in the product testing stage. This business segment has hence not recorded substantial revenues during the year.

Segment external turnover in FY2013 increased by 434.6% year on year to HK$39,765,000 (FY2012: HK$7,438,000). A segment loss of HK$57,384,000 (FY2012: HK$46,038,000) was incurred during the year, which was mainly attributable to the expenses incurred from our exploration activities and the initial preparatory expenses incurred by our materials development business.

While we have slowed down the pace of development of certain projects in order to channel resources into selected strategic project(s), we strive to promote revenue-generating activities through better utilisation of existing production facilities including processing of mineral ores from independent third parties.

OPERATIONAL REVIEW *(continued)*

Resources Development Business Segment *(continued)*

Our exploration project in Jinshi Exploration Area (as defined below) is the one with highest potential to secure a path-to-revenue, since the proven reserves are ready for exploitation once the relevant exploitation licence is obtained. We are looking forward to such a breakthrough to boost the operational revenues and/or valuation of our natural resources development business.

Materials Development Business

During FY2013, the business was principally engaged in the development, manufacture and sale of ITO Targets through Shaoguan Sigma Technology Company Limited.

The business operates two major product streams: low-density ITO tablet targets for evaporation, and high-density ITO large-size targets for sputtering. Initially, we aim to achieve a mix of 20% of our production capacity for low-density ITO tablet targets and 80% for high-density ITO large-size targets. Low-density ITO tablet targets are mainly used in the LED (light-emitting diode) illumination industry, which is expected to be expanding but has a limited market size at the moment. High-density ITO large-size targets are widely used in the LCD (liquid crystal display), TP (touch panel) and thin film industries with a much larger market size.

On the back of production facilities pilot running and being refined since August 2012, we began to test out our products and obtained qualification approval from a mix of targeted customers. During the period under review, we have focused on obtaining qualification for our product samples with targeted customers in order to build up our credentials in various dedicated end customer industries. Efforts have also been placed in promoting awareness of our "Sigma" brand.

Such efforts have started to pay off and sales orders began to filter through towards the end of FY2013. We have witnessed increasing size of and stabilising commercial sales orders for low-density ITO tablet targets from a number of customers who are amongst the top LED illumination industry players in the PRC. Commencing at the end of 2012, we have been receiving affirmative results from selected LCD TN/STN and TP customers in both the PRC and Taiwan on product functionality testing of our large-size ITO targets.

Going forward, efforts will be focused on securing long-term and stable sales orders for large-size ITO targets to maintain a stable and sizeable volume of sales. It is against this background that we will execute the next key strategies of investing upstream and in reclaim/recycling capabilities so as to lower the major material costs.

OPERATIONAL REVIEW *(continued)*

Materials Development Business *(continued)*

Natural Resources Development Business

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

(i) Exploration and exploitation activities in

- the zinc/lead polymetallic tenement area of 24 square kilometres with an exploration licence (the "Jinshi Exploration Area") (exclusive of designated Jinshi Exploitation Area as defined below) located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC (the "Xian Polymetallic Mine"), 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") (inclusive of designated Wengyuan Exploitation Area as defined below) located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC (the "Wengyuan Polymetallic Mine"), where the Group has a 100% interest;

- 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;

- an area of 2.2 square kilometres (the "designated Jinshi Exploitation Area") in relation to the Xian Polymetallic Mine; and

- an area of 5 square kilometres (the "designated Wengyuan Exploitation Area") (within the Wengyuan Exploration Area) in relation to the Wengyuan Polymetallic Mine.

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

- the 500 metric-tonne-per-day ore processing facilities mainly for magnetic iron located near the Wengyuan Exploration Area;

- the 300 metric-tonne-per-day ore processing plant mainly for antimony ore processing located in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest; and

- the 2,000 to 3,000 metric-tonne-per-annum smelting plant for antimony ingots in Dushan County, where the Group will have a 60% interest.

OPERATIONAL REVIEW *(continued)*

Materials Development Business *(continued)*

Natural Resources Development Business *(continued)*

Exploration

(i) The Jinshi Exploration Area

Capital investments in the Jinshi Exploration Area have been restricted to exploration work with an effort to lead to additional proven reserves outside the designated Jinshi Exploitation Area. This strategy is expected to yield multiple benefits, including additional proven reserves to augment the capital valuation reference of this project as a whole, and the mineral ores obtained from exploration activities would be test-processed in order to allow us to further verify the operational data of this project.

During the year under review, by-product mineral ores of approximately 3,000 tonnes obtained through exploration activity were test-processed by a third-party processing plant nearby. The results have provided us with a benchmark on the operational data of the project and we expect the ores through exploitation activity in the designated Jinshi Exploitation Area will yield higher metal contents as compared to this trial run.

(ii) The Wengyuan Exploration Area

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. During the year under review, the Group had completed work with respect to approximately 500 metres of exploratory tunnel in the area.

However, we have encountered complicated geological conditions where a massive broken fault zone lies in the course of our exploration work. After thorough assessment by our geologists, we decided to conduct small-scale geophysical prospecting work which will provide more information on the geological characteristics and start a new exploration plan for a new exploratory tunnel in the area. Further results are expected to be revealed in approximately six months when we reach the expected locations of mineral occurrence and veins.

(iii) The Saiyabouly Exploration Area

The initial geochemical prospecting and geophysical prospecting work planned for the project have been completed and we started geological drilling work in selected strategic locations in the tenement area of copper at the end of March 2013, which was completed in June 2013.

Going forward, we shall analyse the potential of Saiyabouly Exploration Area by reviewing all data collected from our prospecting work so far and decide on the next step of whether we shall bring any particular area within the Saiyabouly Exploration Area to its next stage of development.

OPERATIONAL REVIEW *(continued)*

Materials Development Business *(continued)*

Natural Resources Development Business *(continued)*

Exploitation

(i) The designated Jinshi Exploitation Area

The progress of obtaining the relevant exploitation licence for the designated Jinshi Exploitation Area has been further delayed, as one of the key pre-requisites to obtaining an exploitation licence, being the approval from the relevant Environmental Protection Bureau, has not yet been granted. To this end, we are working closely with advisers, consultants and our local project partner to devise measures to obtain the approval. While we are determined to obtain the exploitation licence, judging from the currently available information, the management could not form a certain view that the relevant exploitation licence for the designated Jinshi Exploitation Area could be obtained.

(ii) The designated Wengyuan Exploitation Area

The obtaining of the exploitation licence for the designated Wengyuan Exploitation Area was still undergoing. The only remaining information required for the application of the exploitation licence, being the environmental protection assessment report, will be submitted around July 2013. We are working closely with advisers and consultants to achieve the results and shall update shareholders of the Company on the progress as appropriate.

Ore Processing

The acquisition of an ore processing plant near the location of the Jinshi Exploration Area has not materialised. We have made arrangements for the outsourcing to this processing plant of the ore by-products obtained from exploration work in the Jinshi Exploration Area for test processing. We would only revisit the possibility of acquiring this ore processing plant when we could be certain about the relevant exploitation licence for our project in Xian.

The 500 metric-tonnes-per-day ore processing facilities mainly for magnetite located near the Wengyuan Exploration Area has no operations pending commencement of exploitation in the designated Wengyuan Exploitation Area.

During the year, we conducted pilot running of the 300 metric-tonnes-per-day independent ore processing plant mainly for antimony ore processing located in Dushan County to verify operational data and fine-tune the process. Nevertheless, availability of antimony ores around the location of this plant is limited at the moment, and we have been sourcing antimony ores from provinces outside Guizhou with inevitably higher transportation costs.

To process mineral ores from sources at a considerable distance from the processing plant is only a temporary means to generate revenue given the related high transportation cost, and we have been working towards strategic alliances with certain parties who have control over antimony mineral resources in Dushan County to secure relatively low-cost feedstock for both our processing plant and smelting plant.

OPERATIONAL REVIEW *(continued)*

Materials Development Business *(continued)*

Natural Resources Development Business *(continued)*

Refining and Downstream Processing

During the year under review, the 2,000 to 3,000 metric-tonnes-per-annum smelting plant for antimony ingots in Dushan County has maintained limited operations with antimony ores sourced from third parties outside Guizhou. However, the legal process for the Group to acquire a 60% interest in the smelting plant has not been completed. Subject to the completion of the said acquisition, we plan to build a strategic alliance with local sources of antimony ores to support this operation.

In view of the prolonged investment phase of the natural resources development business, management have resolved to withhold investments in new projects to strictly control the risk exposure of the Group. The Group will exercise extreme caution in the further development of its portfolio of resources-related businesses.

NEW BUSINESS INITIATIVES

On 7 June 2013, the Group succeeded in bidding for the land use rights of three land parcels at the bid price of RMB122,020,000 (approximately HK$154,111,000). Through arrangements between the Group and the local government in Dushan County, Guizhou Province, the PRC, the Group is required to pay RMB75,000,000 (approximately HK$94,725,000) in total for the consideration of the acquisition of the land and the local government in Dushan County shall subsequently pay RMB58,620,000 (approximately HK$74,037,000) as a reward to the Company. The Group has paid a deposit of RMB36,800,000 (approximately HK$46,478,000) and expects to pay the remaining consideration of acquisition of the land of RMB38,200,000 (approximately HK$48,247,000) within 60 days after the land use rights grant contract has been entered into by the Group. The Group expects to enter into the related land use rights grant contracts at around the end of July 2013.

The three land parcels are located in Dushan County, Guizhou Province, the PRC, with a total site area of 136,502.4 square metres, of which 83,166.24 square metres is intended for commercial and residential use with a plot ratio of not more than 2.5, and 53,336.16 square metres is intended for commercial use with a plot ratio of not more than 3.5. For residential use, the land use right is for a term of 70 years, whereas for commercial use, the land use right is for a term of 40 years.

In view of the general rising trend of the property market in Dushan County and the pace of economic development activities in the surrounding areas, the Group intends to develop the project on the land in phases in order to capture the best potential value of the land and to provide a growth platform for the Group in a longer-run context.

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 2013, the Group had time deposits of HK$89,197,000 (FY2012: HK$79,775,000), cash and bank balances of HK$210,039,000 (FY2012: HK$159,589,000), and net current assets of HK$322,938,000 (FY2012: HK$406,153,000). As at 31 March 2013, shareholders' equity was HK$1,049,273,000 (FY2012: HK$1,001,243,000). Currently, total consolidated banking facilities of the Group from all banks as at 31 March 2013 amounted to approximately HK$371,349,000 (FY2012: HK$426,560,000), of which HK$268,168,000 (FY2012: HK$307,516,000) was utilised.

As at 31 March 2013, current ratio of the Group (current assets divided by current liabilities) was 1.6 times (FY2012: 1.8 times) and maintained at a healthy position, and gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) was 25.6% (FY2012: 30.7%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group employed over 9,200 full-time employees, of which less than 90 of them were stationed in Hong Kong headquarters with the remaining working in PRC, Lao PDR and Malaysia.

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 23 August 2013 to Monday, 26 August 2013, 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 22 August 2013.

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 3 September 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 30 August 2013 to Tuesday, 3 September 2013, 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, 29 August 2013. The payment of final dividend will be made on Monday, 16 September 2013.

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries have no significant changes during the year and consisted of the design, manufacture and sale of electrical and electronic products, motors, mining products and materials primarily for use in panel display, mine exploration, ore processing and other manufacturing activities.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2013 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 42 to 118.

The directors recommend the payment of a final dividend of HK3.0 cents per ordinary share in respect of the year to shareholders on the register of members on 3 September 2013. 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	**2013**	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,763,427**	1,620,460	1,722,788	1,445,904	1,574,220
PROFIT/(LOSS) BEFORE TAX	**61,852**	(19,144)	138,529	188,127	100,818
Income tax expense	**(33,429)**	(15,519)	(28,072)	(30,655)	(9,766)
PROFIT/(LOSS) FOR THE YEAR	**28,423**	(34,663)	110,457	157,472	91,052
ATTRIBUTABLE TO:					
Owners of the Company	**39,076**	(28,351)	114,381	158,567	89,238
Non-controlling interests	**(10,653)**	(6,312)	(3,924)	(1,095)	1,814
	28,423	(34,663)	110,457	157,472	91,052

SUMMARY FINANCIAL INFORMATION *(continued)*

	As at 31 March				
ASSETS AND LIABILITIES	**2013**	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**857,858**	768,663	717,342	572,442	609,607
CURRENT ASSETS	**872,721**	934,940	859,877	684,271	474,465
TOTAL ASSETS	**1,730,579**	1,703,603	1,577,219	1,256,713	1,084,072
CURRENT LIABILITIES	**(549,783)**	(528,787)	(527,118)	(315,440)	(242,704)
NON-CURRENT LIABILITIES	**(131,523)**	(173,573)	(14,334)	(13,692)	(12,698)
TOTAL LIABILITIES	**(681,306)**	(702,360)	(541,452)	(329,132)	(255,402)
NET ASSETS	**1,049,273**	1,001,243	1,035,767	927,581	828,670

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 2013, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK$196,397,000 of which HK$12,562,000 has been proposed as final dividend for the year after the reporting period. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK$104,750,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK$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 66% of the total sales for the year and sales to the largest customer included therein amounted to 38%.

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.

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, Vivian

In accordance with the Company's bye-laws, Mr. Cheng Chor Kit, Mr. Fung Wah Cheong, Vincent and Ms. Sun Kwai Yu, Vivian 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 2012 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, UNDERLYING SHARES AND DEBENTURE

As at 31 March 2013, the interests of the directors and chief executive of the Company in the shares, underlying shares and debenture 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 (the "BVI"). Padora Global Inc. ("Padora") is the beneficial owner of all the issued capital of Resplendent. Padora is a company incorporated in the BVI and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustee of a discretionary trust established by Mr. Cheng Chor Kit for his family.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE *(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 *HK$*
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	500,000 (0.12%)	23/7/2009	1/8/2010-22/7/2019	1.426
Mr. Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.48%)	4/1/2010	4/1/2013-3/1/2020	2.102
Mr. Chui Pak Shing	Long position	Beneficial owner	1,000,000 (0.24%)	29/3/2011	29/3/2014-28/3/2021	2.792
		Beneficial owner	1,000,000 (0.24%)	19/3/2013	29/3/2014-18/3/2023	0.974
Prof. Chung Chi Ping, Roy *BBS JP*	Long position	Beneficial owner	650,000 (0.16%)	29/3/2011	29/3/2011-28/3/2021	2.792
		Beneficial owner	950,000 (0.23%)	19/3/2013	19/3/2013-18/3/2023	0.974
Mr. Wong Chi Wai	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011-28/3/2021	2.792
		Beneficial owner	500,000 (0.12%)	19/3/2013	19/3/2013-18/3/2023	0.974
Ms. Sun Kwai Yu, Vivian	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011-28/3/2021	2.792
		Beneficial owner	500,000 (0.12%)	19/3/2013	19/3/2013-18/3/2023	0.974

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 2013, none of the directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and 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

None of the directors nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group 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 61, 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. Mr. Cheng 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 57, 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. Mr. Fung 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 48, is an executive director of the Company. He joined the Group in December 2009 and has a focus on the resources development business of the Group. Mr. Liu 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 45, is an executive director of the Company. He joined the Group in 1997 and resigned from the Group as an executive director in April 2006. He then rejoined in August 2010 and was appointed as an executive director in September 2010. Mr. Chui has over 20 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. Mr. Chui holds a Bachelor Degree in Commerce in Australia and a Master Degree in Business Administration in the United Kingdom. He is a member of both CPA Australia and Hong Kong Institute of Certified Public Accountants.

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

Independent non-executive directors

Prof. Chung Chi Ping, Roy *BBS JP*, aged 60, 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 a co-founder of Techtronic Industries Company Limited ("TTI") (Stock Code: 669), whose shares are listed on the Main Board of the Stock Exchange. Prof Chung, previously the group managing director of TTI since 1985, was appointed as the group vice chairman and executive director of TTI in April 18, 2007. He has been re-designated to non-executive director of TTI with effect from 1 July 2011. Prof. Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom and Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on 1 July 2011. He was also appointed as Justice of Peace by the Hong Kong SAR Government on 1 July 2005 and won the Hong Kong Young Industrialists Award in 1997. Prof Chung is highly dedicated to the advancement of industry and is the Chairman of the Federation of Hong Kong Industries. In addition, Prof. Chung holds positions on a number of Hong Kong SAR Government advisory committees and is also an active member of many social committees and associations. On 22 September 2012, Prof. Chung was appointed as an independent non-executive director of KFM Kingdom Holdings Limited (Stock code: 3816) whose shares are listed on the GEM Board of the Stock Exchange.

Mr. Wong Chi Wai *ACA, HKICPA (Practising), Barrister-at-law (non-practising)*, aged 47, 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. Mr. Wong 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 25 years of experience in the accountancy professional and is the owner of a certified public accountants firm and an adviser of a law firm. Currently, Mr. Wong is an independent non-executive director and audit committee chairperson of Bonjour Holdings Limited (Stock Code: 653) and Arts Optical International Holdings Limited (Stock Code: 1120), both companies whose shares are listed on the Main Board of the Stock Exchange. On 23 November 2012, he was appointed as an independent non-executive director and the chairman of the audit committee of South West Eco Development Limited (Stock Code: 8291) whose shares are listed on the GEM Board of the Stock Exchange.

Ms. Sun Kwai Yu, Vivian *FCPA (Aust.), FCPA*, aged 51, has been an independent non-executive director of the Company since September 2004. She is also the chairperson of the Company's audit committee and a member of the Company's remuneration committee and nomination committee. Ms. Sun is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She has 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, UNDERLYING SHARES AND DEBENTURE

As at 31 March 2013, 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 shares options held
Mr. Cheng Chor Kit	Through a controlled corporation, beneficial owner and interests held by spouse	279,212,000 *(Note 1, 2 and 4)*	66.68	–
Hallgain Management Limited ("Hallgain")	Through its controlled corporations	29,384,000 *(Note 3)*	7.02	–

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 shares in which Cheng Chor Kit is deemed or taken to be interested for the purpose of the SFO.

Note 3: Kingboard Investments Limited ("KIL") and Kingboard Chemical Holdings Limited ("KCHL") are beneficially interested in 25,128,000 shares and 4,256,000 shares in the Company respectively. Jamplan (BVI) Limited ("Jamplan") is the beneficial owner of all the issued share capital of KIL while Jamplan is wholly-owned by KCHL, which is owned as to approximately 34.28% of the entire issued share capital of KCHL by Hallgain.

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

Save as disclosed above, as at 31 March 2013, 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, underlying shares and debenture" above, had registered an interest or short position in the shares, underlying shares and debenture 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

In May 2011, the Company, as a borrower, entered into two different term loan facility agreements of HK$100 million each with two different banks (the "Lenders") for a term of 60 months and a term of 42 months, respectively.

Each of the term loan facility agreements imposes, inter alia, a condition that Mr. Cheng Chor Kit, a 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 loans shall become immediately due and repayable on demand.

MATERIAL ACQUISITION AND DISPOSAL

Disposal of subsidiaries

On 26 April 2012, Kin Yat (HK) Holdings Limited ("KYHK"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") in respect of the disposal of the entire equity interests in Newway Electrical Industries Limited (the "Disposal"), an indirectly wholly-owned subsidiary of the Company, whose principal assets were the investment in a wholly-foreign-owned enterprise established in the PRC which in turn owns investment properties, to the Purchaser for a consideration of HK$55,000,000 in cash (the "Consideration"). Pursuant to the Agreement, the Purchaser paid a partial payment of the Consideration of HK$10,000,000 and the outstanding amount of the Consideration of HK$45,000,000 should be made on or before 31 December 2012.

At around the end of December 2012, the Purchaser requested for, inter alia, an extension of payment date of the outstanding Consideration (the "Outstanding Consideration") due on 31 December 2012.

During the negotiation, KYHK issued, through its legal advisers, a letter to the Purchaser stating that the acceptance of late payment shall not affect the validity and enforceability of the Agreement and reconfirming KYHK's legal entitlement on the Outstanding Consideration due on 31 December 2012.

After a careful deliberation from the Board, KYHK and the Purchaser made verbal agreement in principal on 7 February 2013 to extend the payment date of the outstanding balance of HK$45,000,000, without interest, to 30 April 2013 provided only that the Purchaser shall, in due course, present a post-dated cheque in the sum of HK$45,000,000 due on 30 April 2013.

At around the end of April 2013, KYHK started to negotiate with the Purchaser and reached a written agreement subsequently on 21 May 2013 between the two parties that the Outstanding Consideration would be reduced by an amount of RMB1,620,000 (equivalent to HK$2,044,000) for the Purchaser to accept partial vacant possession of the investment properties so far as the Disposal is concerned. The adjusted Outstanding Consideration of HK$42,956,000 was paid by the Purchaser in cash to KYHK on 3 June 2013.

Detailed information of the Disposal, the extension of the payment date and final settlement from the Purchaser were announced in the Company's announcements dated 7 May 2012, 8 February 2013 and 3 June 2013, respectively.

MATERIAL ACQUISITION AND DISPOSAL *(continued)*

Acquisition of land use right

On 4 May 2012, the Group had entered into an agreement with the People's Government of Dushan, Guizhou Province, the PRC, an independent third party to acquire a 50 years' land use right of a piece of land located in Guizhou Province for industrial use at a consideration of RMB16,620,000 (equivalent to HK$20,024,000), and RMB14,332,000 (equivalent to HK$17,268,000) was paid during the year and recorded as "Deposits" under non-current assets as at 31 March 2013.

PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 40 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 2013

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.

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 Corporate Governance Code (effective from 1 April 2012) (the "CG Code") (formerly the "Code on Corporate Governance Practice") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2013 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 "CG Report"). The Board has also reviewed the CG Report and is satisfied that it has been in full compliance with all the requirements stipulated in the CG Report in Appendix 14 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

The members of the Board have contributed sufficient time and efforts to the affair of the Company and the Group. Furthermore, all directors disclosed the number and nature of offices held in other public companies or organisations and other significant committees annually. The Board confident the balance between executive and independent non-executive directors have been reasonably and adequately established in order to protect the interests of the shareholders and the Group.

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 2013 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, Vivian

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.

The Board is responsible for the leadership and control of the Company. 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 has delegated the authorities and responsibilities to the management and requires management to the implementation of the objectives and strategies established by the Board. Management is accountable to the Board and obligates to report a timely and accurately information to the Board and the Board Committees in order to enable the Board and Board Committees to make informed decision. Furthermore, the management is responsible to implement effective internal control system and risk management procedures, and ensure the compliance of statutory or relevant rules and regulation requirements.

The Board met 5 times during the year ended 31 March 2013 and meeting attendance records are set out on page 39 of this annual report. For a regular Board meeting, the agenda and relevant document and information will send to the members of the Board and/or Board Committees in a timely manner to ensure all the participants have adequate time to review the agenda of the meeting.

Chairman and Chief Executive Officer

Pursuant 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, with a high independent element in the Board, who meet regularly to discuss issue affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

BOARD OF DIRECTORS *(continued)*

Independent non-executive directors

The independent non-executive directors of the Company bring a wide range of skills and business experience to the Group. They also bring independent judgement 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.

Excluding the Chairman of the Board, the three independent non-executive directors in the Board, it represents half of the Board is independent. Its proportion of which is higher than the requirement by the Rule 3.10A of the Listing Rules whereby the independent non-executive directors of a listed issuer must represent at least one-third of the Board. The Board believes a strong independent element on the Board can provide a higher level of "check and balance" mechanism as well as monitor the Company's affairs effectively.

The independent non-executive directors are identified as such in all corporate communications containing the names of the directors.

Directors' Appointment, Re-election and Removal

Each of the executive directors has entered into a service contract with the Company for different terms 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 (both of the executive 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.

For further enhance accountability to shareholders, any further re-appointment of an independent non-executive director who has served the Company's Board for more than nine years will be subject to separate resolution to be approved by shareholders in the annual general meeting.

BOARD OF DIRECTORS *(continued)*

Directors' training

Every director keeps abreast or responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Each newly appointed director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

The current directors (both of the executive and independent non-executive directors) are encouraged to accept an ongoing development and refreshment of their knowledge and skills, to ensure their contribution to the Board remains informed and relevant.

A briefing session was organised for directors at the board meeting on 29 November 2012 to update the directors on the new amendments to the CG Code and the associated Listing Rules and all directors attended the session.

Name of director	Types of training
Executive directors	
Mr. Cheng Chor Kit	A/B
Mr. Fung Wah Cheong, Vincent	A/B
Mr. Liu Tat Luen	A/B
Mr. Chui Pak Shing	A/B
Independent non-executive directors	
Prof. Chung Chi Ping, Roy *BBS JP*	A/B
Mr. Wong Chi Wai	A/B
Ms. Sun Kwai Yu, Vivian	A/B

A – Attending briefings/seminars/conference/forums
B – Reading/studying training or other materials

Directors' and Officers' Liability Insurance

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEE

The Board has established the following committees, all chaired by independent non-executive directors, with clearly defined by the terms of reference, which are on no less exacting terms than those set out in the CG Code of the Listing Rules:

– Remuneration Committee;

– Nomination Committee; and

– Audit Committee

Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. Minutes of all committee meetings are circulated to all Board members. To further reinforce independence and effectiveness, all audit committee members are independent non-executive directors, and the nomination and remuneration committees have been structured with a majority of independent non-executive directors as members. Details composition and work done by the each committee are set out below.

Remuneration Committee

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, Vivian and two executive directors namely Mr. Cheng Chor Kit and Mr. Fung Wah Cheong, Vincent.

The main roles and responsibilities of the remuneration committee are set out by the Board with clearly defined written terms of reference and assist the Board to develop and administer a fair and transparent procedure for setting policy on the remuneration of Company's directors and senior management and for determining and approving to each director and senior management emolument package. The written terms of reference of the remuneration committee are available on the website of the Stock Exchange and the Company's website.

The remuneration committee reviews and determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management with reference to the Board's corporate goals and objectives, responsibilities and employment conditions elsewhere within the Group and in the market. The remuneration committee also independently reviews and approves the compensation and related arrangements for executive directors and senior management in respect of any loss or termination of office or appointment, and to ensure no Company's individual director or any of his associates can determine his or her own remuneration.

The remuneration committee of the Board held one meeting during the year ended 31 March 2013 to review and approve the directors' remuneration packages. Meeting attendance records of the remuneration committee are set out on page 39 of this annual report.

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

BOARD COMMITTEE *(continued)*

Nomination Committee

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, Vivian and two executive directors namely Mr. Cheng Chor Kit and Mr. Fung Wah Cheong, Vincent.

The main roles and responsibilities of the nomination committee are set out by the Board with clearly defined written terms of reference and aimed to give advice to the Board on the candidates, conditions, selection standards and procedures of the proposed appointment of directors and senior management of the Company. The written terms of reference of the nomination committee are available on the website of the Stock Exchange and the Company's website.

The nomination committee, on an annual basis, reviews the structure, size and composition (including the skills, knowledge, experience and length of services) of the members of the Board and also assess the independence of the independent non-executive directors, to ensure 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. In addition, the nomination committee also requires to identifying individuals suitably qualified to become directors and make recommendations to the Board on the selection of individuals nominated for directorship to cope the Company's current and emerging operating and strategic challenges and opportunities.

The nomination committee 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 considers the past performance and qualification of the candidates for directors, reviews 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 2013, the nomination committee 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 39 of this annual report.

Audit Committee

The audit committee of the Board currently comprises three independent non-executive directors, namely Ms. Sun Kwai Yu, Vivian (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 main roles and responsibilities of the audit committee are set out by the Board with clearly defined written terms of reference and aimed to assist the Board in (1) ensuring that an effective system of internal control and compliance with the Company's obligations (including external financial reporting obligations) under the Listing Rules as modified from time to time and applicable laws and regulations is in place; (2) overseeing the integrity of the financial statements of the Company; and (3) responsible on behalf of the Board for (i) selection, oversight and remuneration of the Company's external auditors, (ii) the assessment of the independence and qualifications of the external auditors, and (iii) to oversight of the performance of the Company's internal audit function. The written terms of reference of the audit committee are available on the website of the Stock Exchange and the Company's website.

BOARD COMMITTEE *(continued)*

Audit Committee *(continued)*

During the year ended 31 March 2013, the audit committee 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 2012 as well as the interim report for the six months ended 30 September 2012. 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 2013. In addition, the audit committee has met with the external auditors of the Company, Messrs. Ernst & Young and reviewed the financial results of the Group for the year ended 31 March 2013, including the accounting principles and practices adopted by the Group.

The audit committee of the Board held 3 meetings during the year ended 31 March 2013. Meeting attendance records of the audit committee of the Board are set out on page 39 of this annual report.

Corporate Governance Function

The Company has not deliberately established a corporate governance committee and the Board delegated its responsibilities to the audit committee with clearly defined written terms of reference, for performing the corporate governance functions:

1. to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the directors and employees; and

5. to review the compliance by the Company with the CG Code and the disclosure requirements for the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Financial Reporting Responsibility

The management has timely and frequently provided a balanced and understandable assessment of the Company's performance to the Board. The Board has an utlimate 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.

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 40 and 41 of this annual report has set out the reporting responsibilities of Ernst & Young, the external auditors of the Company.

Auditors' remuneration:

Nature of services	**2012/2013** ***HK$'000***	2011/2012 *HK$'000*
Audit services	**2,700**	2,770
Non-audit services		
Tax services	**573**	1,210
Total	**3,273**	3,980

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 material controls, including financial, operational and compliance controls and risk management functions and it did not reveal any significant defects.

INTERNAL CONTROLS *(continued)*

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 2013, 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 2013 and considered them to be adequate.

COMPANY SECRETARY

Mr. Chan Ho Man ("Mr. Chan") is appointed as the company secretary of the Company since 1996 and is responsible for overseeing all the company secretarial matter of the Group. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institutes of Certified Public Accountants.

For the year under review, Mr. Chan has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Shareholders' rights

1. *Rights to convene Special General Meeting*

Pursuant to the Company's bye-laws, any one or more registered shareholders holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company carrying the right of voting at the general meetings of the Company shall at all times have the right, by a written requisition, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purpose of the meeting, signed by the requisitionist(s) and deposit the requisition to the Board or the company secretary of the Company at the Company's principal place of business at 7th Floor, Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves or any of them represented more than one half of the total voting rights of all of them, may convene a meeting in accordance with the provisions of Section 74(3) of the Companies Act.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS *(continued)*

Shareholders' rights *(continued)*

2. Procedures for putting forward proposals at shareholders' meetings

Any one or more registered shareholders, at the date of submission of written requisition, represents either (a) not less than 5% of the total voting rights of all shareholders; or (b) not less than one hundred shareholders, entitled to submit a written requisition for putting forward proposals at the general meeting.

The written requisition duly signed by the registered shareholders, must state the purpose of the written requisition, together with a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution must be deposited at the principle place of business in Hong Kong, not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution; or not less than one week in case of other requisition.

3. Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing through the company secretary of the Company whose contact details are as follows:

7th Floor, Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong
Fax: (852)-2351-1867
Email: webmaster@kinyat.com.hk

Investor relations

1. Shareholders' communication

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.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS *(continued)*

Investor relations *(continued)*

1. ***Shareholders' communication*** *(continued)*

The 2012 Annual General Meeting (the "2012 AGM") was held on 20 August 2012 and all the members of the Board presented in the 2012 AGM. Pursuant to the Listing Rules 13.39(4), any vote of shareholders on all resolutions at general meetings must be taken by poll. The poll results in respect of the resolutions proposed at the 2012 AGM were published on the websites of the Stock Exchange and the Company on 20 August 2012.

The 2013 Annual General Meeting will be held on 26 August 2013, detailed information please refer to this Annual Report and its accompanying Explanatory Statement.

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. In order to strengthen the bi-directional communications between the Company, shareholders and investors, an email contact (webmaster@kinyat.com.hk) responded by senior management of the Company are available to shareholders and investors.

2. ***Significant Constitutional documents***

During the year, there is no change in the Company's constitutional documents.

DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(B)(1) OF THE LISTING RULES

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors and supervisor of the Company subsequent to the date of the 2012 Annual Report of the Company are set out below:

As disclosed in our 2012 interim report, on 22 September 2012, Prof. Chung Chi Ping, Roy *BBS JP*, the independent non-executive director of the Company, was appointed as an independent non-executive director of KFM Kingdom Holdings Limited (Stock Code: 3816), whose shares are listed on the Main Board of the Stock Exchange on 15 October 2012.

On 23 November 2012, Mr. Wong Chi Wai, the independent non-executive director of the Company, was appointed as an independent non-executive director and the chairman of audit committee of South West Eco Development Limited (Stock Code: 8291), whose shares are listed on the GEM Board of the Stock Exchange on 3 December 2012.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

THE ATTENDANCE RECORD OF EACH MEMBER OF THE BOARD IN 2012/2013

The number of Annual General Meeting, Board and Board Committee meetings attended by each director for the year ended 31 March 2013.

	No. of meeting attended/held				
Name of director	**Annual General Meeting**	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive directors					
Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*	1/1	5/5	N/A	1/1	1/1
Mr. Fung Wah Cheong, Vincent *(Deputy Chairman)*	1/1	5/5	N/A	1/1	1/1
Mr. Liu Tat Luen	1/1	5/5	N/A	N/A	N/A
Mr. Chui Pak Shing	1/1	5/5	N/A	N/A	N/A
Independent non-executive directors					
Prof. Chung Chi Ping, Roy *BBS JP* *(Chairman of the remuneration committee)*	1/1	5/5	3/3	1/1	1/1
Mr. Wong Chi Wai *(Chairman of the nomination committee)*	1/1	5/5	3/3	1/1	1/1
Ms. Sun Kwai Yu, Vivian *(Chairperson of the audit committee)*	1/1	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 42 to 118, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

27 June 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**1,763,427**	1,620,460
Cost of sales		**(1,537,608)**	(1,460,434)
Gross profit		**225,819**	160,026
Other income and gains, net	5	**41,094**	31,178
Selling and distribution expenses		**(42,210)**	(41,258)
Administrative expenses		**(165,647)**	(163,453)
Finance costs	6	**(5,472)**	(5,637)
Share of profits and losses of associates	18	**8,268**	–
PROFIT/(LOSS) BEFORE TAX	7	**61,852**	(19,144)
Income tax expense	9	**(33,429)**	(15,519)
PROFIT/(LOSS) FOR THE YEAR		**28,423**	(34,663)
ATTRIBUTABLE TO:			
Owners of the Company	10	**39,076**	(28,351)
Non-controlling interests		**(10,653)**	(6,312)
		28,423	(34,663)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK9.33 cents**	(HK6.77) cents
Diluted		**HK9.33 cents**	(HK6.77) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	Notes	2013 *HK$'000*	2012 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR		**28,423**	(34,663)
OTHER COMPREHENSIVE INCOME:			
Revaluation surplus, net	*13*	**46,942**	21,653
Deferred tax debited to asset revaluation reserve	*28*	**(8,368)**	(3,537)
Deferred tax credited to asset revaluation reserve upon disposal of items of property, plant and equipment	*28*	**320**	–
Release of exchange fluctuation reserve upon disposal of subsidiaries	*33*	**(10,611)**	–
Exchange differences on translation of foreign operations		**(1,807)**	11
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**54,899**	(16,536)
ATTRIBUTABLE TO:			
Owners of the Company		**65,617**	(10,009)
Non-controlling interests		**(10,718)**	(6,527)
		54,899	(16,536)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**734,030**	703,032
Prepaid land lease payments	*15*	**28,063**	22,852
Goodwill	*16*	**4,650**	4,650
Interests in associates	*18*	**–**	(7,833)
Intangible assets	*19*	**29,204**	26,366
Deposits	*23*	**61,911**	19,596
Total non-current assets		**857,858**	768,663
CURRENT ASSETS			
Assets classified as held for sale	*20*	**–**	50,482
Inventories	*21*	**261,554**	338,180
Accounts receivable	*22*	**164,616**	217,137
Prepayments, deposits and other receivables	*23*	**137,609**	77,977
Financial assets at fair value through profit or loss	*24*	**9,706**	11,800
Time deposits	*25*	**89,197**	79,775
Cash and bank balances	*25*	**210,039**	159,589
Total current assets		**872,721**	934,940
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	*26*	**310,208**	335,764
Interest-bearing bank borrowings	*27*	**158,649**	153,478
Due to non-controlling shareholders	*32(b)*	**37,808**	17,450
Tax payable		**43,118**	22,095
Total current liabilities		**549,783**	528,787
NET CURRENT ASSETS		**322,938**	406,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,180,796**	1,174,816
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*27*	**109,519**	154,038
Deferred tax liabilities	*28*	**22,004**	19,535
Total non-current liabilities		**131,523**	173,573
NET ASSETS		**1,049,273**	1,001,243

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	29	**41,875**	41,875
Reserves	31(a)	**1,033,274**	974,526
		1,075,149	1,016,401
Non-controlling interests		**(25,876)**	(15,158)
TOTAL EQUITY		**1,049,273**	1,001,243

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Attributable to owners of the Company										
		Reserves									
	Issued share capital	Share premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Contributed surplus	Other reserve	Retained profits	Total reserves	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	–	–	–	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
At 1 April 2012	41,875	124,530	6,038	60,653	83,237	6,150	(8,940)	702,858	974,526	(15,158)	1,001,243
Revaluation surplus, net *(note 13)*	–	–	–	46,942	–	–	–	–	46,942	–	46,942
Release of revaluation surplus upon disposal of items of property, plant and equipment	–	–	–	(1,939)	–	–	–	1,939	–	–	–
Release of revaluation surplus upon disposal of subsidiaries	–	–	–	(8,237)	–	–	–	8,237	–	–	–
Deferred tax debited to asset revaluation reserve *(note 28)*	–	–	–	(8,368)	–	–	–	–	(8,368)	–	(8,368)
Deferred tax credited to asset revaluation reserve upon disposal of items of property, plant and equipment *(note 28)*	–	–	–	320	–	–	–	–	320	–	320
Release of exchange fluctuation reserve upon disposal of subsidiaries *(note 33)*	–	–	–	–	(10,611)	–	–	–	(10,611)	–	(10,611)
Exchange differences on translation of foreign operations	–	–	–	–	(1,742)	–	–	–	(1,742)	(65)	(1,807)
Profit/(loss) for the year	–	–	–	–	–	–	–	39,076	39,076	(10,653)	28,423
Total comprehensive income/(expense) for the year	–	–	–	28,718	(12,353)	–	–	49,252	65,617	(10,718)	54,899
Final 2012 dividend paid *(note 11)*	–	–	–	–	–	–	–	(8,375)	(8,375)	–	(8,375)
Equity-settled share option expense *(note 30)*	–	–	1,506	–	–	–	–	–	1,506	–	1,506
At 31 March 2013	**41,875**	**124,530**	**7,544**	**89,371**	**70,884**	**6,150**	**(8,940)**	**743,735**	**1,033,274**	**(25,876)**	**1,049,273**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**61,852**	(19,144)
Adjustments for:			
Finance costs	*6*	**5,472**	5,637
Share of profits and losses of associates	*18*	**(8,268)**	–
Bank interest income	*7*	**(1,903)**	(1,857)
Dividend income from listed investments	*7*	**(480)**	(811)
Depreciation	*7*	**78,100**	79,280
Amortisation of prepaid land lease payments	*7*	**587**	507
Amortisation of deferred development costs	*7*	**7,570**	6,583
Loss/(gain) on disposal of items of property, plant and equipment, net	*7*	**(3,386)**	1,788
Write-off of items of property, plant and equipment	*7*	**409**	5,283
Impairment of items of property, plant and equipment	*7*	**6,604**	–
Equity-settled share option expense	*7*	**1,506**	844
Impairment/(write-back of impairment) of accounts receivable	*7*	**(22)**	24
Surplus on revaluation of investment properties	*7*	**–**	(8,313)
Gain on disposal of subsidiaries	*7*	**(18,716)**	–
		129,325	69,821
Decrease in inventories		**76,626**	19,397
Decrease/(increase) in accounts receivable		**52,543**	(31,419)
Decrease/(increase) in prepayments, deposits and other receivables		**(58,968)**	26,227
Decrease in amounts due from associates		**435**	394
Decrease in financial assets at fair value through profit or loss		**2,094**	5,393
Increase/(decrease) in accounts and bills payable, accrued liabilities and other payables		**(25,556)**	3,359
Cash generated from operations		**176,499**	93,172
Interest received		**1,903**	1,857
Dividend income from listed investments		**480**	811
Interest paid		**(5,472)**	(5,637)
Hong Kong profits tax paid		**(7,997)**	(12,212)
Overseas income taxes paid		**(4,357)**	(2,842)
Dividend paid	*11*	**(8,375)**	(18,844)
Net cash flows from operating activities		**152,681**	56,305

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows from operating activities		**152,681**	56,305
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*13*	**(75,920)**	(150,077)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(18,922)**	(11,020)
Additions to prepaid land lease payments	*15*	**(5,821)**	(9,439)
Additions to intangible assets	*19*	**(10,408)**	(26,479)
Proceeds from disposal of items of property, plant and equipment		**10,137**	957
Proceeds from disposal of subsidiaries	*33*	**10,000**	–
Net cash flows used in investing activities		**(90,934)**	(196,058)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by non-controlling shareholders		**–**	12
Increase in amounts due to non-controlling shareholders		**20,358**	17,450
New bank loans		**66,413**	417,756
Repayment of bank loans		**(105,761)**	(281,659)
Net cash flows from/(used in) financing activities		**(18,990)**	153,559
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,757**	13,806
Cash and cash equivalents at beginning of year		**180,151**	166,334
Effect of foreign exchange rate changes, net		**(1,807)**	11
CASH AND CASH EQUIVALENTS AT END OF YEAR		**221,101**	180,151
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**210,039**	159,589
Non-pledged time deposits	*25*	**89,197**	79,775
Cash and cash equivalents as stated in the consolidated statement of financial position		**299,236**	239,364
Non-pledged time deposits with original maturity of more than three months when acquired	*25*	**(78,135)**	(59,213)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**221,101**	180,151

STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*17*	**550,392**	552,710
CURRENT ASSETS			
Prepayment	*23*	**–**	9
Cash and bank balances	*25*	**176**	247
Total current assets		**176**	256
CURRENT LIABILITIES			
Other payables	*26*	**2,713**	2,938
Interest-bearing bank borrowings	*27*	**67,990**	43,478
Total current liabilities		**70,703**	46,416
NET CURRENT LIABILITIES		**(70,527)**	(46,160)
TOTAL ASSETS LESS CURRENT LIABILITIES		**479,865**	506,550
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*27*	**109,519**	154,038
NET ASSETS		**370,346**	352,512
EQUITY			
Issued share capital	*29*	**41,875**	41,875
Reserves	*31(b)*	**328,471**	310,637
TOTAL EQUITY		**370,346**	352,512

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 principal activities of the subsidiaries have no significant changes during the year and consisted of the design, manufacture and sale of electrical and electronic products, motors, mining products and 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, 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 2013. 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 it 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 revised HKFRSs for the first time for the current year's 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

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 – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
HK(IFRIC)-Int 21	*Levies*[3]
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

[1] *Effective for annual periods beginning on or after 1 July 2012*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 January 2014*
[4] *Effective for annual periods beginning on or after 1 January 2015*

The Group is in the process of making an assessment of the 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 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 or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

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

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

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

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 to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

An assessment is made at the end of each reporting period as to whether there is an 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 and financial assets 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 including 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

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

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

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 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 were 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, 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.

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned 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 them. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

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 other income and gains 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.

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 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 through the use of an allowance account and 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 and all collateral has been realised or has been transferred to the Group.

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 write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

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 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 the income statement 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 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 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 prevailing 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 payments

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

Government grants

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

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 rate method by applying the rate that exactly discounts the estimated future cash receipts over 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 or leased out separately under a finance lease, 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 mining products and materials primarily for use in panel display, mine exploration and 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 2013 and 2012.

Group	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue												
Revenue from external customers	**1,199,515**	981,037	**463,346**	537,863	**39,765**	7,438	**60,801**	94,122	**–**	–	**1,763,427**	1,620,460
Intersegment sales	**1,451**	1,777	**10,932**	13,647	**–**	–	**11,425**	1,741	**(23,808)**	(17,165)	**–**	–
Other income and gains, net	**4,397**	7,402	**10,326**	18,316	**900**	3,164	**1,326**	599	**–**	–	**16,949**	29,481
Total	**1,205,363**	990,216	**484,604**	569,826	**40,665**	10,602	**73,552**	96,462	**(23,808)**	(17,165)	**1,780,376**	1,649,941
Segment results	**164,527**	104,230	**(53,064)**	(59,398)	**(57,384)**	(46,038)	**2,266**	1,225	**–**	–	**56,345**	19
Interest and unallocated gains											**24,145**	1,697
Unallocated expenses											**(21,434)**	(15,223)
Finance costs											**(5,472)**	(5,637)
Share of profits and losses of associates											**8,268**	–
Profit/(loss) before tax											**61,852**	(19,144)
Income tax expense											**(33,429)**	(15,519)
Profit/(loss) for the year											**28,423**	(34,663)
Segment assets	**1,368,351**	1,364,184	**396,649**	425,238	**252,721**	232,132	**60,765**	67,390	**(728,858)**	(697,986)	**1,349,628**	1,390,958
Unallocated assets											**380,951**	312,645
Total assets											**1,730,579**	1,703,603
Segment liabilities	**214,997**	274,864	**383,953**	361,164	**436,965**	377,792	**35,785**	32,921	**(728,858)**	(697,986)	**342,842**	348,755
Unallocated liabilities											**338,464**	353,605
Total liabilities											**681,306**	702,360
Other segment information:												
Depreciation and amortisation	**51,209**	49,934	**24,474**	30,176	**7,343**	2,627	**2,623**	2,935	**–**	–	**85,649**	85,672
Unallocated amounts											**608**	698
											86,257	86,370
Write-off of items of property, plant and equipment	**–**	4	**409**	5,279	**–**	–	**–**	–	**–**	–	**409**	5,283
Impairment of items of property, plant and equipment	**–**	–	**6,604**	–	**–**	–	**–**	–	**–**	–	**6,604**	–
Impairment/(write-back of impairment) of accounts receivable	**–**	–	**–**	2	**(22)**	22	**–**	–	**–**	–	**(22)**	24
Capital expenditure	**39,718**	61,654	**30,957**	32,971	**17,503**	90,939	**3,971**	431	**–**	–	**92,149**	185,995

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Group	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information: *(continued)*												
Surplus on revaluation of investment properties	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated amounts											**–**	(8,313)
											–	(8,313)
Surplus on revaluation of land and buildings recognised directly in equity	**(27,233)**	(13,695)	**(2,270)**	(1,129)	**(1,585)**	(631)	**(606)**	(4,691)	**–**	–	**(31,694)**	(20,146)
Unallocated amounts											**(15,248)**	(1,507)
											(46,942)	(21,653)
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated amounts											**(18,716)**	–
											(18,716)	–

(b) Geographical information

Group	United States of America		Europe		Asia		Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**490,531**	399,470	**399,877**	352,495	**701,440**	745,596	**171,579**	122,899	**1,763,427**	1,620,460

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

Group	Hong Kong		PRC		Malaysia		Lao PDR		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**60,951**	46,651	**761,679**	692,321	**33,492**	35,982	**1,736**	1,542	**857,858**	776,496

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

(c) Information about major customers

Revenue of HK$963,309,000 (2012: HK$857,881,000) 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$298,441,000 (2012: HK$326,143,000) 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$664,868,000 (2012: HK$531,738,000) 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:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**1,199,515**	981,037
Motors	**463,346**	537,863
Materials and products from resources development	**39,765**	7,438
Products from other manufacturing activities	**60,801**	94,122
	1,763,427	1,620,460
Other income and gains, net		
Bank interest income	**1,903**	1,857
Dividend income from listed investments	**480**	811
Gross rental income	**705**	3,620
Sale of scrap materials	**12,585**	26,016
Gain/(loss) on disposal of items of property, plant and equipment, net	**3,386**	(1,788)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**231**	(3,981)
Gain on disposal of subsidiaries *(note 33)*	**18,716**	–
Subsidy income*	**241**	–
Others	**2,847**	4,643
	41,094	31,178

* *There are no unfulfilled conditions or contingencies relating to this income.*

6. FINANCE COSTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**5,472**	5,637

7. PROFIT/(LOSS) BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold*	**1,537,608**	1,460,434
Auditors' remuneration	**2,700**	2,770
Depreciation	**78,100**	79,280
Amortisation of prepaid land lease payments	**587**	507
Amortisation of deferred development costs	**7,570**	6,583
Minimum lease payments under operating leases in respect of land and buildings	**1,351**	4,803
Loss/(gain) on disposal of items of property, plant and equipment, net	**(3,386)**	1,788
Write-off of items of property, plant and equipment**	**409**	5,283
Impairment of items of property, plant and equipment**	**6,604**	–
Impairment/(write-back of impairment) of accounts receivable *(note 22)*	**(22)**	24
Employee benefit expense (including directors' and chief executive's remuneration – *note 8*):		
Wages and salaries	**360,967**	355,835
Equity-settled share option expense *(note 30)*	**1,506**	844
Pension scheme contributions	**2,158**	1,933
	364,631	358,612
Surplus on revaluation of investment properties**	**–**	(8,313)
Gain on disposal of subsidiaries *(note 33)*	**(18,716)**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**(231)**	3,981
Foreign exchange differences, net	**20,349**	7,858
Bank interest income	**(1,903)**	(1,857)
Dividend income from listed investments	**(480)**	(811)
Net rental income	**(490)**	(3,285)

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 cost of inventories sold for the year included HK$385,310,000 (2012: HK$369,964,000), relating to staff costs, depreciation of manufacturing facilities, amortisation of prepaid land lease payments, minimum lease payments under operating leases in respect of land and buildings, amortisation of deferred development costs and foreign exchange differences, net, which are also included in the respective total amounts disclosed above for each types of expenses.*

** *The surplus on revaluation of investment properties, write-off and impairment of items of property, plant and equipment are included in "Administrative expenses" on the face of the consolidated income statement.*

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND HIGHEST PAID EMPLOYEES

Directors' and chief executive's 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	
	2013	2012
	HK$'000	*HK$'000*
Fees	**600**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**11,892**	11,280
Performance related bonuses*	**2,200**	1,806
Equity-settled share option expense	**1,186**	742
Pension scheme contributions	**405**	396
	15,683	14,224
	16,283	14,824

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

During the year ended 31 March 2013, certain directors were granted share options, in respect of their services to the Group, under the share option schemes 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' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

	2013		
	Fees	**Equity-settled share option expense**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***
Chung Chi Ping, Roy *BBS JP*	**200**	**265**	**465**
Wong Chi Wai	**200**	**139**	**339**
Sun Kwai Yu, Vivian	**200**	**139**	**339**
	600	**543**	**1,143**

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

(a) Independent non-executive directors *(continued)*

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

(b) Executive directors and the chief executive

	2013				
	Salaries, allowances and benefits in kind ***HK$'000***	**Performance related bonuses** ***HK$'000***	**Equity-settled share option expense** ***HK$'000***	**Pension scheme contributions** ***HK$'000***	**Total remuneration** ***HK$'000***
Cheng Chor Kit ^	**4,800**	**–**	**–**	**360**	**5,160**
Fung Wah Cheong, Vincent	**3,600**	**2,200**	**–**	**15**	**5,815**
Liu Tat Luen	**1,992**	**–**	**325**	**15**	**2,332**
Chui Pak Shing	**1,500**	**–**	**318**	**15**	**1,833**
	11,892	**2,200**	**643**	**405**	**15,140**

	2012				
	Salaries, allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Equity-settled share option expense *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Cheng Chor Kit ^	4,800	–	–	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

^ *Mr. Cheng Chor Kit, a director of the Company, is also the chief executive of the Company.*

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

The five highest paid employees during the year included four (2012: four) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining one (2012: one) non-director, highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,320**	900
Performance related bonuses	**280**	300
Pension scheme contributions	**15**	12
	1,615	1,212

The remuneration of the non-director and non-chief executive, highest paid employee fell within the following bands:

	Number of employee	
	2013	2012
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	1	1

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

9. INCOME TAX *(continued)*

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 five 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.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**13,911**	8,059
Underprovision/(overprovision) in prior years	**315**	(211)
Current – Elsewhere		
Charge for the year	**19,151**	6,007
Deferred tax	**52**	1,664
Total tax charge for the year	**33,429**	15,519

A reconciliation of the tax expense/(credit) 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:

	2013	2012
	HK$'000	*HK$'000*
Group:		
Profit/(loss) before tax	**61,852**	(19,144)
Tax at the statutory tax rate	**4,053**	(6,654)
Lower tax rates for specific provinces or enacted by local authority	**(716)**	(3,967)
Adjustments in respect of current tax of previous periods	**315**	(211)
Income not subject to tax	**(2,689)**	(2,839)
Expenses not deductible for tax	**19,777**	14,111
Tax losses from previous periods utilised	**(41)**	(77)
Tax losses not recognised	**12,730**	15,156
Tax charge at the Group's effective rate	**33,429**	15,519

No share of tax attributable to associates (2012: 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 profit attributable to owners of the Company for the year ended 31 March 2013 includes a loss of HK$297,000 (2012: profit of HK$103,000) which has been dealt with in the financial statements of the Company *(note 31(b))*.

11. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividend paid during the year		
Final in respect of the financial year ended 31 March 2012 – HK2.0 cents per ordinary share (2012: final dividend of HK4.5 cents per ordinary share, in respect of the financial year ended 31 March 2011)	**8,375**	18,844
Proposed final dividend		
Final – HK3.0 cents (2012: HK2.0 cents) per ordinary share	**12,562**	8,375

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 profit for the year attributable to equity holders of the Company of HK$39,076,000 (2012: loss of HK$28,351,000) and 418,748,000 (2012: 418,748,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2013.

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

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2013

	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 2012	238,500	29,605	64,199	697,934	246,344	1,276,582
Additions	316	–	24,838	30,204	20,562	75,920
Disposals	(4,500)	(1,891)	–	(23,816)	(1,567)	(31,774)
Write-off	–	–	–	(687)	(146)	(833)
Surplus on revaluation	36,928	399	–	–	–	37,327
Transfers	1,814	–	(12,939)	–	11,125	–
At 31 March 2013	273,058	28,113	76,098	703,635	276,318	1,357,222
Accumulated depreciation and impairment:						
At 1 April 2012	–	–	–	444,074	129,476	573,550
Provided during the year	9,467	247	–	48,853	19,533	78,100
Disposals	(60)	(39)	–	(23,642)	(1,282)	(25,023)
Impairment	–	–	–	6,604	–	6,604
Write-off	–	–	–	(376)	(48)	(424)
Write-back on revaluation	(9,407)	(208)	–	–	–	(9,615)
At 31 March 2013	–	–	–	475,513	147,679	623,192
Net book value:						
At 31 March 2013	273,058	28,113	76,098	228,122	128,639	734,030
An analysis of cost or valuation:						
At cost	–	–	76,098	703,635	276,318	1,056,051
At 2013 valuation	273,058	28,113	–	–	–	301,171
	273,058	28,113	76,098	703,635	276,318	1,357,222

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

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)*

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

	2013	2012
	HK$'000	*HK$'000*
Land and buildings held on medium term leases in Hong Kong	**57,540**	32,500
Buildings held on medium term leases outside Hong Kong	**215,518**	206,000
Freehold land and buildings outside Hong Kong	**28,113**	29,605
Total valuation	**301,171**	268,105

As at 31 March 2013, 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$57,540,000, Ringgit Malaysia 11,245,000 (equivalent to HK$28,113,000) and RMB178,880,000 (equivalent to HK$215,518,000), respectively. Revaluation surpluses of HK$46,942,000 resulting from the above revaluation, were credited to the asset revaluation reserve. The effect of the total revaluation surplus of HK$46,942,000 was reflected as an increase of valuation of property, plant and equipment of HK$37,327,000 and write-back of accumulated depreciation of HK$9,615,000.

At 31 March 2013, the buildings in Mainland China included certain buildings with a net book value of approximately HK$62,663,000 (2012: HK$63,691,000) 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$174,989,000 (2012: HK$186,673,000).

14. INVESTMENT PROPERTIES

	Group 2013 HK$'000	2012 HK$'000
Carrying amount at 1 April	**–**	42,169
Net profit from a fair value adjustment	**–**	8,313
Transfer to assets classified as held for sale *(note 20)*	**–**	(50,482)
Carrying amount at 31 March	**–**	–

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.

15. PREPAID LAND LEASE PAYMENTS

	Group 2013 HK$'000	2012 HK$'000
Cost:		
At 1 April	**27,960**	18,521
Additions	**5,821**	9,439
At 31 March	**33,781**	27,960
Amortisation:		
At 1 April	**4,522**	4,015
Recognised during the year	**587**	507
At 31 March	**5,109**	4,522
Carrying amount at 31 March	**28,672**	23,438
Current portion included in prepayments, deposits and other receivables *(note 23)*	**(609)**	(586)
Non-current portion	**28,063**	22,852

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

At 31 March 2013, the Group is in the process of obtaining the land use right certificate in respect of prepaid land lease payments for the land located in Shenzhen, the PRC, of net carrying amount of HK$7,744,000 (2012: HK$7,909,000).

16. GOODWILL

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

	Group	
	2013	2012
	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 the 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 2013, 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 five-year period approved by senior management. The key assumption for the cash flow projections is the budgeted gross margin which is the average gross margin achieved in the years before the budgeted year and the discount rate applied to the cash flow projections was 5.30%. The financial budgets are prepared reflecting actual and prior year performance and development expectations.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**104,950**	104,950
Due from subsidiaries	**445,442**	447,760
	550,392	552,710

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, except for an amount due from an indirect wholly-owned subsidiary of HK$127,029,000 which bears interest at 2.09%-2.24% per annum. The carrying amounts of the balances due from 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 and trading of mining products
Jinjianyuan Mining Company Limited #	PRC	RMB100,000	100%	Mine exploration
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 (HK) Limited	Hong Kong	Ordinary HK$10,000	100%	Trading of electrical household appliances

17. INTERESTS IN SUBSIDIARIES *(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)*				
Ordovician Mining (HK) Limited	Hong Kong	Ordinary HK$15,000,000	70%	Investment holding
Ordovician Mining (Lao) Company Limited	Lao PDR	US$1,210,000	70%	Mine exploration
Penta Blesses Enterprises Limited	Hong Kong	Ordinary HK$1,000,000	100%	Investment holding and trading of toys, electrical appliances and materials
Renhua Talent Wood Co., Ltd. #	PRC	HK$26,500,000	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	RMB110,000,000	100%	Development and distribution of materials

17. INTERESTS IN SUBSIDIARIES *(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)*				
Shenzhen Kin Yat Power Electronic Co., Ltd. #	PRC	US$5,000,000	100%	Manufacture and trading of toys and electronic products
Shixing Standard Motor Co., Ltd. #	PRC	US$21,000,000	100%	Property holding, manufacture and trading of motors
Shaoguan Turbo Electronic Technology Co., Ltd. #	PRC	US$8,000,000	100%	Manufacture and trading of toys and electrical appliances
Sigma Technology Holdings Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Smart Electric Motor Co. Limited	Hong Kong	Ordinary HK$1	100%	Trading of motors and materials
Smart Electric Motor Singapore Pte. Ltd.	Singapore	Ordinary SG$100	100%	Trading of motors
Standard Encoder (Malaysia) Sdn Bhd	Malaysia	Ordinary RM500,000	100%	Manufacture and trading of encoder film
Standard Land (Malaysia) Sdn Bhd	Malaysia	Ordinary RM500,000	100%	Property holding
Standard Motor Company Limited	Hong Kong	Ordinary HK$40,000,000	100%	Manufacture and trading of motors and sourcing of materials

17. INTERESTS IN SUBSIDIARIES *(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)*				
Unicon Investments Limited	Hong Kong	Ordinary HK$10,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong	Ordinary HK$1,000,000	100%	Trading of toys
Xian Jinshi Mining Co., Ltd. ("Xian Jinshi") *	PRC	RMB10,000,000	70%	Mine exploration

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

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

During the year, the Group disposed of its entire equity interests in Newway Electrical Industries Limited, an indirectly wholly-owned subsidiary of the Company, at a final consideration of HK$52,956,000. The disposal was completed in May 2012 and a gain of HK$18,716,000 was resulted. Further details of this disposal are disclosed in note 33 to the financial statements.

18. INTERESTS IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Share of net deficits	**(7,206)**	(15,474)
Due from associates	**7,206**	7,641
	–	(7,833)

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.

18. INTERESTS IN ASSOCIATES *(continued)*

In view of the release of an obligation given by the Group to certain of its associates, the excess losses of HK$8,268,000 (2012: Nil) shared from these associates in prior years were reversed during the year.

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 and operations**	**Nominal value of issued and paid-up share**	**Equity interest attributable to the Group**	**Principal activities**
Concord Modern International Technology Limited	Hong Kong	Ordinary HK$10,000	50%	Distribution of recordable compact discs
Full Summit Development Limited	Hong Kong	Ordinary HK$36,455,000	50%	Investment holding

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

	2013	2012
	HK$'000	*HK$'000*
Assets	**–**	1,116
Liabilities	**(14,069)**	(63,432)
Revenue	**–**	(931)
Loss/(profit)	**(56,713)**	2,434

19. INTANGIBLE ASSETS

Group

	Exploration rights and assets *HK$'000*	Deferred development costs *HK$'000*	Total *HK$'000*
2013			
Cost:			
At 1 April 2012	**18,594**	**21,581**	**40,175**
Additions	**3,190**	**7,218**	**10,408**
Retirements	**–**	**(7,024)**	**(7,024)**
At 31 March 2013	**21,784**	**21,775**	**43,559**
Accumulated amortisation:			
At 1 April 2012	**–**	**13,809**	**13,809**
Provided during the year	**–**	**7,570**	**7,570**
Retirements	**–**	**(7,024)**	**(7,024)**
At 31 March 2013	**–**	**14,355**	**14,355**
Net book value:			
At 31 March 2013	**21,784**	**7,420**	**29,204**
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

20. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 April	**50,482**	–
Transfer from investment properties *(note 14)*	**–**	50,482
Disposal of subsidiaries *(note 33)*	**(50,482)**	–
At 31 March	**–**	50,482

21. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**155,813**	173,765
Work in progress	**31,191**	37,894
Finished goods	**74,550**	126,521
	261,554	338,180

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	
	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**116,872**	143,210
31 – 60 days	**27,344**	56,023
61 – 90 days	**12,016**	9,286
Over 90 days	**9,226**	9,490
	165,458	218,009
Less: Impairment allowance	**(842)**	(872)
	164,616	217,137

22. ACCOUNTS RECEIVABLE *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 April	**872**	853
Impairment losses recognised/(written back) *(note 7)*	**(22)**	24
Amount written off as uncollectible	**(8)**	(5)
At 31 March	**842**	872

At 31 March 2013, accounts receivable of HK$842,000 (2012: HK$872,000) 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	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**130,111**	170,215
Less than 1 month past due	**24,277**	37,001
Over 1 month past due	**10,228**	9,921
	164,616	217,137

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, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	**2013**	2012
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Deposits for mining projects		**25,301**	19,596	**–**	–
Deposit for land use right		**17,268**	–	**–**	–
Deposits for property, plant and equipment		**19,342**	–	**–**	–
Prepayments		**90,453**	76,050	**–**	9
Other deposits		**3,591**	1,341	**–**	–
Other receivables	*33*	**42,956**	–	**–**	–
Prepaid land lease payments	*15*	**609**	586	**–**	–
		199,520	97,573	**–**	9
Less: Current portion		**(137,609)**	(77,977)	**–**	(9)
Non-current portion		**61,911**	19,596	**–**	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Listed investments in Hong Kong, at market value	**9,706**	11,800

The above investments at 31 March 2013 were classified as held for trading and were, upon initial recognition, classified by the Group as financial assets at fair value through profit or loss.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits				
– original maturity of more than three months	**78,135**	59,213	**–**	–
– original maturity of less than three months	**11,062**	20,562	**–**	–
	89,197	79,775	**–**	–
Cash and bank balances	**210,039**	159,589	**176**	247
	299,236	239,364	**176**	247

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$144,393,000 (2012: HK$121,812,000). 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 balances of accrued liabilities and other payables are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**80,201**	94,125
31 – 60 days	**25,738**	59,718
61 – 90 days	**32,940**	18,511
Over 90 days	**12,162**	5,364
Accounts and bills payable	**151,041**	177,718
Accrued liabilities	**139,759**	133,518
Other payables*	**19,408**	24,528
	310,208	335,764

	Company	
	2013	2012
	HK$'000	*HK$'000*
Other payables	**2,713**	2,938

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 2013, included in other payables, an amount of RMB5,000,000 (2012: RMB5,200,000), approximately HK$6,024,000 (2012: HK$6,265,000), was 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	2013 HK$'000	2012 HK$'000
Current				
Bank loans – unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.75% to 1.88%	2014	**67,990**	38,271
Bank loans – unsecured	HIBOR+1% to 2%	2013	**–**	5,207
Bank loans – unsecured	HIBOR+1% to 2%	2014	**90,659**	110,000
			158,649	153,478
Non-current				
Bank loans – unsecured	HIBOR+1.88%	2015-2016	**109,519**	154,038
			268,168	307,516

Company

	Effective interest rate	Maturity	2013 HK$'000	2012 HK$'000
Current				
Bank loans – unsecured	HIBOR+1.75% to 1.88%	2014	**67,990**	38,271
Bank loans – unsecured	HIBOR+1% to 2%	2013	**–**	5,207
			67,990	43,478
Non-current				
Bank loans – unsecured	HIBOR+1.88%	2015-2016	**109,519**	154,038
			177,509	197,516

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 bank borrowings approximate to their fair values. All bank borrowings are in Hong Kong dollars.

28. DEFERRED TAX

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

Gross 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 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
At 31 March 2012 and 1 April 2012	4,000	15,643	19,643
Deferred tax debited to equity during the year	–	8,368	8,368
Deferred tax debited to the income statement during the year *(note 9)*	–	52	52
Disposal of subsidiaries *(note 33)*	–	(5,631)	(5,631)
Deferred tax credited to equity upon disposal of items of property, plant and equipment	–	(320)	(320)
At 31 March 2013	**4,000**	**18,112**	**22,112**

Gross deferred tax assets

Group

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	(108)

28. DEFERRED TAX *(continued)*

For the purpose of the presentation of the consolidated 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:

	2013	2012
	HK$'000	*HK$'000*
Gross deferred tax liabilities	**22,112**	19,643
Gross deferred tax assets	**(108)**	(108)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**22,004**	19,535

The Group has unrecognised tax losses of HK$168,526,000 (2012: HK$114,846,000) 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 since 1 January 2008.

At 31 March 2013, 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$15,077,000 (2012: HK$14,663,000) at 31 March 2013.

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

29. SHARE CAPITAL

	Company 2013 HK$'000	2012 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
418,748,000 (2012: 418,748,000) ordinary shares of HK$0.10 each	**41,875**	41,875

30. SHARE OPTION SCHEME

In the current year, the Company has terminated the share option scheme adopted by the Company on 20 August 2002 (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") pursuant to a resolution passed in the annual general meeting dated 20 August 2012 which became effective on the same date. The New Share Option Scheme will remain in force for ten years commencing from the effective date, after which period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

The Old Share Option Scheme

The Company operates the Old Share Option 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 Old Share Option 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 Old Share Option 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 Old Share Option 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 Old Share Option 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.

30. SHARE OPTION SCHEME *(continued)*

The Old Share Option Scheme *(continued)*

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.

Upon termination of the Old Share Option Scheme, no further options will be granted thereunder; however, the rules of the Old Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its termination or otherwise as may be required in accordance with the rules of the Old Share Option Scheme. As at the end of the reporting period, there were 7,002,000 options granted but not yet exercised under the Old Share Option Scheme.

The New Share Option Scheme

The Company operates the New Share Option 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 New Share Option 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 New Share Option Scheme became effective on 20 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

30. SHARE OPTION SCHEME *(continued)*

The New Share Option Scheme *(continued)*

The maximum number of unexercised share options currently permitted to be granted under the New Share Option 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 New Share Option 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 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 Old Share Option Scheme and New Share Option Scheme (the "Schemes") during the year:

2013

		Number of share options							
	Date of share options granted	At 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	At 31 March 2013	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
	19/3/2013	–	1,000,000	–	–	1,000,000	29/3/2014-18/3/2023	0.974	0.95
Chung Chi Ping, Roy *BBS JP*	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
	19/3/2013	–	950,000	–	–	950,000	19/3/2013-18/3/2023	0.974	0.95
Wong Chi Wai	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792	2.77
	19/3/2013	–	500,000	–	–	500,000	19/3/2013-18/3/2023	0.974	0.95
Sun Kwai Yu, Vivian	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792	2.77
	19/3/2013	–	500,000	–	–	500,000	19/3/2013-18/3/2023	0.974	0.95
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
	19/3/2013	–	950,000	–	–	950,000	19/3/2013-18/3/2023	0.974	0.95
		7,002,000	3,900,000	–	–	10,902,000			

* *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)*

2012

	Date of share options granted	Number of share options: 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, Vivian	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.*

During the year ended 31 March 2013, the Company recognised a total share option expense of HK$1,506,000 (2012: HK$844,000) for the share options granted in the current and prior years.

30. SHARE OPTION SCHEME *(continued)*

The fair value of the equity-settled share options under the New Share Option Scheme granted during the year ended 31 March 2013 was estimated at HK$1,108,000 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:

	2013
Dividend yield (%)	2.11
Volatility (%)	43.86
Employee exit rate post-vesting (%)	3.8
Risk-free interest rate (%)	1.198
Expected life of options (year)	0-1
Prevailing market price (HK$ per share)	0.95

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 Schemes during the year:

	2013		2012	
	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**	2.23	7,002,000
Granted during the year	**0.974**	**3,900,000**	–	–
At 31 March	**1.781**	**10,902,000**	2.23	7,002,000

At the end of the reporting period, the Company had 10,902,000 share options outstanding under the Schemes. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 10,902,000 additional ordinary shares of the Company and additional share capital of HK$1,090,000 and share premium of approximately HK$18,323,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 10,902,000 share options outstanding under the Schemes, which represented approximately 2.60% 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**	**Share option reserve**	**Contributed surplus**	**Retained profits**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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 and 1 April 2012		124,530	6,038	104,750	75,319	310,637
Profit for the year		–	–	–	24,703	24,703
Final 2012 dividend paid	*11*	–	–	–	(8,375)	(8,375)
Equity-settled share option expense	*30*	–	1,506	–	–	1,506
At 31 March 2013		**124,530**	**7,544**	**104,750**	**91,647**	**328,471**

The profit of HK$24,703,000 (2012: HK$103,000) for the year ended 31 March 2013 included a dividend income of HK$25,000,000 (2012: Nil) received from a subsidiary of the Company.

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

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

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) Compensation of key management personnel of the Group:

	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**13,212**	12,180
Performance related bonuses	**2,480**	2,106
Equity-settled share option expense	**643**	742
Pension scheme contributions	**420**	408
Total compensation paid to key management personnel	**16,755**	15,436

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

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

33. DISPOSAL OF SUBSIDIARIES

On 26 April 2012, Kin Yat (HK) Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") in respect of the disposal of the entire equity interests in Newway Electrical Industries Limited (the "Disposal"), an indirect wholly-owned subsidiary of the Company, whose principal assets were the investment in a wholly-foreign-owned enterprise established in the PRC which in turn owns investment properties, to the Purchaser for a consideration of HK$55,000,000 in cash. The final consideration was reduced by an amount of RMB1,620,000 (equivalent to HK$2,044,000) for the Purchaser to accept partial vacant possession of the investment properties so far as the Disposal is concerned. For the year ended 31 March 2012, the investment properties mentioned above were classified as assets held for sale as at 31 March 2012. Subsequent to the end of the reporting period, on 3 June 2013, the remaining consideration of HK$42,956,000 was fully received by the Group.

33. DISPOSAL OF SUBSIDIARIES *(continued)*

Detailed information of the Disposal was announced in the Company's announcements dated 7 May 2012, 8 February 2013 and 3 June 2013, respectively.

	Notes	2013 HK$'000
Net assets disposed of:		
Assets classified as held for sale	20	50,482
Deferred tax liabilities	28	(5,631)
		44,851
Release of exchange fluctuation reserve		(10,611)
		34,240
Gain on disposal of subsidiaries		18,716
		52,956
Satisfied by:		
Cash received during the year		10,000
Other receivables	23	42,956
Cash consideration		52,956

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 HK$'000
Cash consideration	10,000
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	10,000

34. OPERATING LEASE ARRANGEMENTS

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 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**582**	531
In the second to fifth years, inclusive	**1,663**	1,509
After five years	**377**	755
	2,622	2,795

The Company did not have any operating lease arrangements at the end of the reporting period (2012: Nil).

35. COMMITMENTS

(i) At the end of the reporting period, the Group had contracted for commitments in respect of subsidiaries in the PRC and Lao PDR amounting to HK$56,821,000 (2012: HK$47,083,000).

(ii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the property, plant and equipment and land use right of approximately HK$28,157,000 (2012: HK$36,748,000).

(iii) At the end of the reporting period, the Group had contracted for commitments in respect of the investment in mining projects of approximately HK$20,482,000 (2012: HK$26,187,000).

The Company did not have any other significant commitments at the end of the reporting period (2012: Nil).

36. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided guarantees of HK$320,140,000 (2012: HK$260,000,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK$90,659,000 (2012: HK$110,000,000) had been utilised as at the end of the reporting period.

37. 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:

Financial assets	Group 2013 Financial assets at fair value through profit or loss HK$'000	Group 2013 Loans and receivables HK$'000	Group 2012 Financial assets at fair value through profit or loss HK$'000	Group 2012 Loans and receivables HK$'000
Due from associates	**–**	**7,206**	–	7,641
Accounts receivable	**–**	**164,616**	–	217,137
Other receivables	**–**	**42,956**	–	–
Time deposits	**–**	**89,197**	–	79,775
Cash and bank balances	**–**	**210,039**	–	159,589
Financial assets at fair value through profit or loss	**9,706**	**–**	11,800	–
	9,706	**514,014**	11,800	464,142

Financial liabilities	Group 2013 HK$'000	Group 2012 HK$'000
Financial liabilities at amortised cost:		
Accounts and bills payables	**151,041**	177,718
Financial liabilities included in other payables and accrued liabilities	**27,742**	34,348
Due to non-controlling shareholders	**37,808**	17,450
Interest-bearing bank borrowings	**268,168**	307,516
	484,759	537,032

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Company	
Financial assets	**2013**	2012
	HK$'000	*HK$'000*
Loan and receivables:		
Due from subsidiaries	**445,442**	447,760
Cash and bank balances	**176**	247
	445,618	448,007

	Company	
Financial liabilities	**2013**	2012
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Other payables	**2,713**	2,938
Interest-bearing bank borrowings	**177,509**	197,516
	180,222	200,454

38. 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)

38. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2013:				
Financial assets at fair value through profit or loss	**9,706**	**–**	**–**	**9,706**
As at 31 March 2012:				
Financial assets at fair value through profit or loss	11,800	–	–	11,800

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 (2012: Nil).

39. 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 directors review and agree policies for managing each of these risks and they are summarised below.

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.

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

Interest rate risk *(continued)*

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 profit after tax**
	%	***HK$'000***
2013		
Hong Kong dollar	**1**	**(2,682)**
Hong Kong dollar	**(1)**	**2,682**
	Increase/ (decrease) in interest rate	Increase/ (decrease) in loss after tax
	%	*HK$'000*
2012		
Hong Kong dollar	1	3,075
Hong Kong dollar	(1)	(3,075)

Foreign currency risk

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

39. 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 profit after tax *HK$'000*
2013		
If Hong Kong dollar weakens against RMB	**5**	**3,868**
If Hong Kong dollar strengthens against RMB	**(5)**	**(3,868)**

	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.

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

Liquidity risk

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

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

Group

2013

	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	**178,783**	**–**	**178,783**
Due to non-controlling shareholders	**37,808**	**–**	**37,808**
Interest-bearing bank borrowings	**162,451**	**112,854**	**275,305**
	379,042	**112,854**	**491,896**

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
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

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

Liquidity risk *(continued)*

Company

2013

	On demand or less than one year *HK$'000*	One to five years *HK$'000*	Total *HK$'000*
Other payables	**2,713**	**–**	**2,713**
Interest-bearing bank borrowings	**71,463**	**112,854**	**184,317**
Guarantees given to banks in connection with facilities utilised by subsidiaries	**90,659**	**–**	**90,659**
	164,835	**112,854**	**277,689**

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

39. 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 2013.

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	
	2013	2012
	HK$'000	*HK$'000*
Listed investments in Hong Kong	**971**	1,180

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 2013 and 31 March 2012.

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	
	2013	2012
	HK$'000	*HK$'000*
Total interest-bearing bank borrowings	**268,168**	307,516
Total equity	**1,049,273**	1,001,243
Gearing ratio	**25.6%**	30.7%

40. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 7 June 2013, the Group succeeded in bidding for the land use rights of three parcels of land located at Dushan County, Guizhou Province, the PRC, offered for sale by the Dushan County Land and Resources Bureau ("Dushan Land Bureau") at the bid price of RMB122,020,000 (equivalent to approximately HK$154,111,000) and executed the auction confirmation with the Dushan Land Bureau (the "Acquisition").

Pursuant to the price arrangement agreement entered into between the Company and the People's Government of the Dushan County, Guizhou Province, the PRC ("Dushan County Government") on 7 June 2013, the Dushan County Government agreed to grant the Company a monetary reward equivalent to the part of the consideration for the Acquisition in excess of RMB75,000,000 (equivalent to approximately HK$94,725,000). Accordingly, the Company is not required to pay the portion of RMB47,020,000 (equivalent to approximately HK$59,386,000) of the consideration for the Acquisition. As such, the remaining balance of the consideration for the Acquisition to be satisfied by the Group shall amount to RMB75,000,000 (equivalent to approximately HK$94,725,000) which will be funded by internal resources of the Group.

Further details of the Acquisition were disclosed in the Company's announcement dated 7 June 2013.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2013.