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 2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Prof. CHUNG Chi Ping, Roy *BBS JP*
Mr. WONG Chi Wai
Ms. SUN Kwai Yu, Vivian
Mr. CHENG Kwok Kin, Paul *

COMPANY SECRETARY

Mr. CHAN Ho Man

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

Resigned on 3 January 2014
* *Appointed on 23 June 2014*

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

CORPORATE WEBSITE

www.kinyat.com.hk

In presenting the annual report of Kin Yat Holdings Limited (the "Company" and, together with its subsidiaries, collectively the "Group") for the financial year ended 31 March 2014 ("FY2014"), I am pleased to report solid business progress and a relatively resilient performance amidst challenges in the markets and operating environment.

I wish to highlight that the Group has achieved a 5.0% turnover growth in the FY2014, driven mainly by our core manufacturing businesses. These results represent successful business development efforts of the electrical and electronic products business segment through building on our research-and-development and high-value-adding manufacturing strengths.

Manufacturers based in the People's Republic of China (the "PRC") continue to face complicated operating conditions as the country transitions from a strong supply base to a consumption-based economy. Confronted by rising factory costs, heightened macroeconomic volatility and demand fluctuations, we are geared to moving up the value chain by boosting productivity and developing research-and-development pipelines while tightly managing costs.

We also have a very clear strategy for driving long-term balanced growth of our overall business portfolio. The non-manufacturing businesses, whilst still in their investment phase, are being developed aiming to secure long-term shareholder value. Our real estate development business segment has been established with an aim to be one of the key contributors to the growth of the Group. The steering of this portfolio of business initiatives has been planned with prudent allocation of resources.

PERFORMANCE HIGHLIGHTS AND DIVIDEND

The Group's financial performance in the FY2014 is summarised below:

- Consolidated turnover increased 5.0% year on year to HK$1,852,238,000 (year ended 31 March 2013 ("FY2013"): HK$1,763,427,000);
- Profit attributable to owners of the Company was HK$19,818,000 (FY2013: HK$39,076,000);
- Before inclusion of one-off provisions/expenses of HK$25,504,000, profit attributable to owners of the Company was HK$45,322,000 (FY2013: HK$27,373,000 (before inclusion of one-off provisions/expenses of HK$7,013,000 and also before one-off gain on disposal of subsidiaries of HK$18,716,000)); and
- Basic earnings per share for the year were HK4.73 cents (FY2013: HK9.33 cents).

The board of directors of the Company (the "Board") is pleased to recommend the payment of a final dividend of HK3.0 cents (FY2013: HK3.0 cents) per share for the FY2014, expected to be paid on Monday, 15 September 2014 to those shareholders whose names appear on the Company's register of members on Tuesday, 2 September 2014, subject to approval in the annual general meeting of the Company to be held on Monday, 25 August 2014. Based on the aforesaid recommended final dividend, the total yearly dividend distributed by the Company was HK3.0 cents (FY2013: HK3.0 cents).

STRATEGIES AND OUTLOOK

It remains the management's priority to build a sustainable business that delivers long-term returns to the shareholders. To achieve this, it is imperative that we create an enduring competitive edge to stay relevant to new economic realities.

On the other hand, to balance the long-term need for risk diversification and impact of new business development on short-term performance, the Group has laid out clear guidelines on capital outlays for the projects under development.

Dedicated to achieving these corporate goals, the Group has developed a set of strategies to guide its activities.

Manufacturing Businesses

We operate a range of niche electrical and mechanical manufacturing businesses, producing toys, artificial intelligence (AI) robotic cleaners, smart-home-appliances and motors on our strong research-and-development and production platform in Shenzhen, Shixing and Shaoguan, the PRC, as well as in other Southeast Asian locations.

Based on our competitive strengths built on years of development, the AI line has grown further, both in terms of business scale and the level of production sophistication. Consistent product development efforts and refinement of production have resulted in the creation of a steady stream of high-end AI products.

In the pipeline for delivery within 2014 is a new generation of robotic vacuum cleaners which is equipped with by far the most sophisticated features. We are confident that this new product series will meet rising customer expectations and deliver high value to the Group.

With an optimistic order book for the toys division, which has engaged in new product manufacturing for a major industry player, the segment has plans to upgrade the new production facilities extension in Shenzhen, the PRC, by equipping it with more highly automated production facilities.

While we continue to move up the ladder of high-technology manufacturing, we are keenly aware of the importance of efficiency and cost control in sustaining competitiveness. The practice of LEAN production helps the segment minimise the input of labour, materials and time. We are also constantly fine-tuning the production flow to improve quality and deliver better value to customers. Automated processes are incorporated where appropriate to help put a check on rising labour costs.

The segment's performance is particularly commendable for having been achieved in the face of difficult market conditions. The year ending 31 March 2015 ("FY2015") is expected to see manufacturing conditions less volatile as the trends of commodity prices surge and Renminbi appreciation ease off to more stabilised levels. The prospects of our key export markets have also improved. Our outlook for the core manufacturing businesses therefore remains positive, but we will stay alert to potential threats to our operations.

STRATEGIES AND OUTLOOK *(continued)*

Non-Manufacturing Businesses

The non-manufacturing businesses include real estate development business segment and resources development segment operations.

Underpinning the development of our non-manufacturing businesses is our long-term goal to achieve balanced growth on a more diversified business portfolio. The pursuit of new business opportunities in the non-manufacturing sector will help the Group balance away from the cyclical economic and industry fluctuations of our production operations.

A strict financial management policy is in place to guide our activities in this arena. Investment outlay in this business category has been cautiously controlled vis-à-vis risk exposure. As such, the scale of operation of the natural resources development business has been controlled, while the real estate project will be developed and pre-sold in stages so that cash flow can be generated to fund the development of further phases.

Having inaugurated its first real estate development project in Dushan County, the PRC, the Group intends to establish credentials and a foundation for our plan of developing the real estate development business in the PRC as well as achieving the long-range objective of unlocking the hidden value of the Group’s industrial land resources by redeveloping industrial land into property development project.

During the course of development of certain projects in the natural resources development business segment that have yet to generate income, we have sought different ways to reduce their capital outlay and to build interim sources of revenue. These include the engagement of geological teams for exploration work on a cost-and-risk sharing basis and the leasing out of certain processing facilities that are currently underutilised. We also stand prepared to terminate the development of certain projects where no clear timetable for generating revenue and returns is apparent. The overall strategy is to limit additional investment in the natural resources development business while projects with potential to achieve value continue to explore various avenues to generate resources and to help their operations.

With dedicated management efforts and prudent financial control, we have been able to narrow the loss incurred in the natural resources development business segment, which are still in the investment phase.

Financial Management

Faced with the constant threat of cost inflation, we are disciplined and proactive in our approach in cost and cash flow management. We maintain a conservative financial policy to limit the Group’s exposure to investment risks. On the corporate level, we continue to practice prudent financial management, with total interest-bearing bank borrowings at HK$248,380,000 as at 31 March 2014 (FY2013: HK$268,168,000), representing a gearing ratio (total interest-bearing bank borrowings divided by total equity) of approximately 22.3% (FY2013: 25.6%).

As a result, we have a strong financial position and liquidity to support our future development in prospective areas.

ACKNOWLEDGEMENTS

The Group's resilient results, delivered in a challenging business environment, are testament to our staff team's dedication and hard work. I am also thankful to the Board, our shareholders, customers and other stakeholders for their support. We look forward to sharing our long-term success with them.

CHENG Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 27 June 2014

The Group's operations are organised into five business segments. Under the manufacturing business category, there are three research-and-development-based production disciplines of electrical and electronic products, motors, and other manufacturing activities. The non-manufacturing category comprises the new real estate development business and the resources development operations. This multi-pillar business platform supports the Group's steady and progressive development.

Amidst a sluggish global economic environment and competitive market, the Group achieved growth in turnover in our manufacturing businesses in the FY2014 with profit margins impacted by various operational challenges.

The dual challenge of slowing growth in major consumer markets and cost inflation in our production base has imposed continued pressure on the profit margin of our manufacturing businesses. In view of this, the Group has made consistent efforts in furthering its research and development, level of automation and production capabilities, resulting in a relatively satisfactory performance for our manufacturing businesses amidst the challenges, especially the loss in our motors business has shown signs of narrowing.

The loss from the resources development business segment also narrowed during the year as a whole. In an effort to achieve growth momentum, the Group has continued to proceed prudently with the development and operation of its new real estate development business.

CONSOLIDATED RESULTS

The Group reported a consolidated turnover of HK$1,852,238,000, a 5.0% increase over the HK$1,763,427,000 recorded for the FY2013 on the back of record sales achieved by the electrical and electronic products segment. 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$1,289,886,000 from the electrical and electronic products business, representing 69.6% of the consolidated turnover of the Group for the year (FY2013: HK$1,199,515,000, 68.0%);
- HK$524,248,000 from the motors business, contributing 28.3% of the total (FY2013: HK$463,346,000, 26.3%);
- HK$19,354,000 from other manufacturing activities, or 1.1% of the total (FY2013: HK$60,801,000, 3.4%);
- HK$18,750,000 from the resources development business, accounting for 1.0% of the total (FY2013: HK$39,765,000, 2.3%); and
- the new real estate development business has not yet commenced properties sale and hence no turnover was generated during the year (FY2013: nil, 0%).

CONSOLIDATED RESULTS *(continued)*

During the FY2014, the Group reported a profit attributable to owners of the Company of HK$19,818,000 (FY2013: HK$39,076,000), representing a decline of 49.3% year on year, which included one-off provisions/expenses of HK$25,504,000 (FY2013: HK$7,013,000). Apart from an increase in the one-off provisions/expenses made, the decline in profit was also attributable to the absence of one-off gain on disposal of subsidiaries of HK$18,716,000 as recorded in the FY2013.

Basic earnings per share for the year were HK4.73 cents (FY2013: HK9.33 cents).

Before inclusion of one-off provisions/expenses of HK$25,504,000, profit attributable to owners of the Company was HK$45,322,000 (FY2013: HK$27,373,000 (before inclusion of one-off provisions/expenses of HK$7,013,000 and also before one-off gain on disposal of subsidiaries of HK$18,716,000)).

While the electrical and electronic products segment reported a drop in segment profit, losses incurred by the motors and resources development segments narrowed during the year. The real estate development business recorded a loss on operating expenses incurred during the start-up phase.

The table below sets out the results of the Group by business segment for the FY2014, together with the comparative figures of the previous year:

Results by business segment

	FY2014	FY2013	Year-on-year change
	HK$'000	*HK$'000*	*%*
Electrical and electronic products *(Note 1)*	**151,660**	164,527	-7.8
Motors *(Note 2)*	**(50,156)**	(53,064)	NA
Other manufacturing activities	**2,915**	2,266	+28.6
Resources development *(Note 3)*	**(37,926)**	(57,384)	NA
Real estate development	**(6,923)**	–	NA
Total segment results	**59,570**	56,345	+5.7

Note 1: including one-off provisions/expenses of HK$3,661,000 for FY2014 (FY2013: nil)

Note 2: including one-off provisions/expenses of HK$8,447,000 for FY2014 (FY2013: HK$7,013,000)

Note 3: including one-off provisions/expenses of HK$13,396,000 for FY2014 (FY2013: nil)

OPERATIONAL REVIEW

Manufacturing Businesses

The Group's manufacturing businesses continue to be the core contributor of income and earnings. Despite a difficult operating environment, we focus on the basics of production, maintaining our strength in high-value-adding manufacturing.

OPERATIONAL REVIEW *(continued)*

Manufacturing Businesses *(continued)*

Electrical and Electronic Products Business Segment

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

The fundamentals of this core manufacturing business remained strong. Segment external turnover in the FY2014 increased by 7.5% to a record high of HK$1,289,886,000 (FY2013: HK$1,199,515,000), driven mainly by sales of our AI robotic cleaners. Segment profit declined by 7.8% to HK$151,660,000 (FY2013: HK$164,527,000), including one-off provisions/expenses of HK$3,661,000 (FY2013: nil).

The segment's margin was pressured by rising labour costs in the PRC, albeit partly eased by relatively stable material prices and the levelling off of the appreciation trend of the Renminbi during the year. In an effort to mitigate the profit margin squeeze, the segment has engaged in active negotiations with its major customers to seek to factor in part of the cost increases in product pricing.

Order growth for the robotic vacuum cleaner business line was sustained well into the second half of the year, contributing a record level of sales for the FY2014. To accommodate the increase in orders for AI products and the subsequent shift in product mix within the segment, the new factory building in our Shenzhen plant went into operation during the year. The new production facilities have helped ease the capacity shortfall, but higher operating costs were incurred at their initial stage of operation.

A new generation of robotic vacuum cleaners is currently under development and will be put into production towards the end of 2014. This new product series will help the segment extend its product line further into the high end, and will command the highest price point within the current portfolio. We are confident that the launch of this new product series will have the potential to move the market in the next couple of years.

In anticipation of further sales order growth in the coming year, the segment is planning to boost the production capacity in the new factory building in our Shenzhen plant by installing highly automated production lines.

During the year, the segment obtained admission as a manufacturer under Apple's MFi program, enabling it to develop electronic accessories for iDevices using licensed technology. The licensing validates the capability of our staff team and the technical competence of our production facilities. The management believes that this program can advance our production technology into more high-end devices and will signify and mark our progress in achieving new levels of capability.

Despite a slackened market, the toys unit remained a core business line and revenue generator for the Group. Building on our high-value-adding manufacturing and research-and-development strengths, the segment has successfully engaged into new product development work with one of the giant players in the United States. It is expected that this new product line will deliver steady order growth in the coming year.

We are furthering the deployment of the LEAN production process and increasing the level of automation in order to improve on the segment's margin.

OPERATIONAL REVIEW *(continued)*

Manufacturing Businesses *(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) to brushless motors and motor encoder systems.

Benefitting from increased market demand, segment external turnover rose by 13.1% year on year to HK$524,248,000 (FY2013: HK$463,346,000) during the FY2014. As the negative factors including rising wage rates and other operating costs were partly offset by a relatively stabilised Renminbi and commodity prices, the segment loss reduced to HK$50,156,000 (FY2013: HK$53,064,000) including one-off provisions/expenses of HK$8,447,000 (FY2013: HK$7,013,000).

The results of the segment reflected efforts put into automation to bring labour content down and organisational streamlining to achieve higher efficiency and hence lower operating costs. The efforts are expected to continue to result in efficiency enhancement and reduction in operating costs in the coming years.

As we see a gradual strengthening of market demand, the segment will expand its capacity. Following the integration of production lines within the facility bases in Shaoguan and Shixing, Guangdong Province, the PRC, our cost reduction plan includes the establishment of a new plant in Guizhou Province, the PRC. The construction work of the new plant was substantially completed during the year with pilot production commenced at the first half of the FY2014. It is expected that the additional capacity will become operational from the new plant during the second half of the 2014.

The segment currently primarily serves the Japanese market, which is demonstrating signs of recovery. It is also exploring the opportunity of launching new house-owned products in South Korea. The Eurozone and the PRC domestic markets are the two other areas with good business potential where the segment has been strengthening its presence therein. To broaden its product portfolio, the segment is exploring new business opportunities in the automobile and printer sectors.

We remain committed to turning around the segment's performance and are disciplined in our approach to cost management. Faced with challenges on operations and cost control, the segment has yet to return to profitability.

Other Manufacturing Activities

This segment mainly comprises the encoder film products and other miscellaneous products manufacturing. Following the classification of certain products in this segment to the electrical and electronic products business segment as reported last year, the segment's turnover decreased by 68.2% year on year to HK$19,354,000 (FY2013: HK$60,801,000). Segment profit rose to HK$2,915,000 (FY2013: HK$2,266,000).

OPERATIONAL REVIEW *(continued)*

Non-manufacturing Businesses

With the newly added property development activities in the FY2014, this business category currently comprises a real estate development business segment and resources development business segment.

Real Estate Development Business Segment

Following the award of the land use rights of three land parcels (with a total site area of 136,502 square metres) located in Dushan County, Guizhou Province, the PRC in June 2013, the Group has completed preliminary preparatory work (primarily the overall conceptual design and planning) of the site and the setting up of the relevant foreign capital corporations to undertake the development project therein (the "Project").

After taking into account the advice received from professional consultancy firms and market research on the area covering major cities around Dushan County, the Company decided to position the residential development part of the Project as a low-density residential project. The first stage development of the Project, a top-end low-density residential property development ("*The Royale Cambridge Residence*"), will be rolled out in five phases with an expected aggregate saleable floor area of approximately 63,900 square metres, together with auxiliary commercial property of approximately 15,377 square metres. Depending on, amongst other things, the market conditions for the sale of property, progress of the Project is planned in a manner that the Company expects to control the allocation of its own capital at around HK$100 million (excluding land premium) initially to kick-start the Project with a view to achieving self-funding thereafter. In order to meet the requirements, project cash flow and progress will be carefully managed whereby proceeds generated from the sale of property will be ploughed back into the next phase or stage of development and payment of the outstanding consideration of the acquisition of the relevant land has been delayed with an expected date of full payment before August 2014.

The positioning of *The Royale Cambridge Residence* will differentiate it from other residential property projects in Dushan County and surrounding areas, which are mostly low to medium-end mass market properties. The Company believes that this could help establish a scarcity value and make our first stage development less vulnerable to the reportedly pressure currently experienced by the mass market in general.

During the FY2014, progress was on schedule for the first phase of *The Royale Cambridge Residence*, comprising 36 units with a saleable floor area of approximately 10,500 square metres in total. Detailed architectural and construction design for the first phase of work has been approved and construction of the foundation and certain superstructure has been completed.

According to the relevant rules and regulations, one of the pre-requisites for pre-sale is the completion of the foundation of the residential units. With the foundation construction of the first phase of the project completed during the year, we are confident that the pre-sale of the first-phase units can be launched around the latter part of 2014 with a targeted average unit selling price of around RMB4,700 per square metre.

Despite the segment loss of HK$6,923,000 (FY2013: not applicable) which primarily reflected the administrative expenses of the operations during the year, the Project marks a pilot step for the Company's initiatives to form a foundation and to build a brand for its real estate development business segment. These would support our long-term plan of redeveloping certain land for industrial use owned by the Group in the PRC into property development projects at some appropriate time.

OPERATIONAL REVIEW *(continued)*

Non-manufacturing Businesses *(continued)*

Resources Development Business Segment

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

Owing to various kinds of difficulties in the natural resources development business, the time span for developing a project in this business is expected to be longer for it to reap the potential value and yield investment return. To this end, we continuously assess the potential of the projects and devise optimal strategies in terms of the costs and benefits. For particularly our exploration projects in Xian and Shaoguan, the Company strategises to control its investments in exploration activities and the operating expenses while endeavouring to obtain the relevant exploitation licences.

Despite an improved turnover from the ITO business with operating loss narrowed on a year-on-year basis in the FY2014, the price pressure and slow business pace resulted in a provision for an impairment loss on property, plant and equipment of HK$11,869,000.

Segment turnover decreased 52.8% to HK$18,750,000 (FY2013: HK$39,765,000) with segment loss also reduced to HK$37,926,000 (FY2013: HK$57,384,000). The decrease in turnover was mainly attributable to the reduction in the operating scale of the antimony trading activities in the natural resources development business which more than offset the increase in turnover of our ITO business. Segment loss narrowed before the inclusion of the non-cash expenses of HK$13,396,000 (FY2013: nil) for the impairment of property, plant and equipment in relation to the materials development business.

Natural Resources Development Business

Defined terms shall have the same meanings as defined in the annual report of the Company for FY2013.

Exploration and Exploitation

(i) Xian Polymetallic Mine

Renewal of the relevant exploration licence is at the documentation stage, and the licence will be extended to April 2016, with the exploration area expected to be reduced to 18 square kilometres from 24 square kilometres as required by the relevant rules and regulations.

The Bureau of Land and Resources of Xian City has informed us of a newly set policy that all existing exploration projects in Xian City have to complete exploration work by the end of 2017, and qualified exploration projects (such as having, inter alia, the minimum level of proven reserves and the environmental protection requirements fulfilled) will be granted exploitation licences accordingly.

After consulting the relevant government authorities and discussion with our local partner, we are of the view that the new policy imposes time pressure on us to develop the Jinshi Exploration Area on the one hand, but on the other hand also reveals a clearer picture for the designated Jinshi Exploitation Area to obtain the exploitation licence.

OPERATIONAL REVIEW *(continued)*

Non-manufacturing Businesses *(continued)*

Resources Development Business Segment *(continued)*

Natural Resources Development Business (continued)

(i) Xian Polymetallic Mine *(continued)*

With the allocation of a suitable amount of investment and through the retaining of an engineering team on a cost-and-risk sharing basis, we are aiming at carrying out appropriate exploration work in the area with smaller own capital investment outlay.

Following the new development pursuant to the policy mentioned above, the Company is proactively liaising with the relevant government authorities with a view to obtaining the required approval from the relevant Environmental Protection Bureau, which is the major factor affecting the progress of obtaining the relevant exploitation licence for the designated Jinshi Exploitation Area. The Company will update the shareholders with any major developments in this matter as and when appropriate.

(ii) Wengyuan Polymetallic Mine

The only remaining information required for the application of the exploitation licence, being the environmental protection assessment report, was submitted for expert review in early 2014. After receiving suggested amendments, we have revised the submission a number of times and expect to fulfil the requirements for submission before the end of 2014.

Renewal of the relevant exploration licence is at the documentation stage, and the licence is expected to be extended for two years to June 2016, with area to be reduced to 14 square kilometres from 18 square kilometres as required by the relevant rules and regulations.

An independent geological engineering team has been retained since November 2013 to carry out the exploration work on a cost-and-risk sharing basis so as to reduce our own capital outlay in this project. The associated processing plant was also leased out for a short period of time during the year under review with an effort to generate resources to help finance the operations of this project as a whole.

Going forward, we will continuously assess the difficulties in obtaining the relevant exploitation licence for the designated Wengyuan Exploitation Area and devise the appropriate strategies in developing the project.

(iii) The Saiyabouly Exploration Area

The licence for the reconnaissance survey work on the area expired in November 2013 and we could apply for an extension or advance into the exploration stage. This licence is a division of the overall prospecting and exploration licence which is valid for six years from November 2011.

The initial prospecting work within an area of 194 square kilometres for copper and 130 square kilometres for iron in the Saiyabouly Exploration Area was concluded, suggesting a potential small-scale gold mine in the copper tenement area. As the results of such findings are less than satisfactory based on cost-benefit analysis, the Company decided to close down the project in an orderly fashion should there be no positive response from potential investors to join the project or to take up the project around the beginning of the second half of the FY2015.

OPERATIONAL REVIEW *(continued)*

Non-manufacturing Businesses *(continued)*

Resources Development Business Segment *(continued)*

Natural Resources Development Business (continued)

Ore Processing

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 our processing plant. However, the supply of appropriately priced antimony mineral ores from the general market has not been stable during the year. Given that the availability of antimony ores is limited, part of the associated ore processing plant was leased out to an independent third party for a term of one year commencing November 2013.

Refining and Downstream Processing

The legal process for the Group to acquire a 60% interest in the smelting plant is expected to be completed in the second half of the FY2015.

Moving ahead, we will continue to control additional investments in the natural resources development business. For projects with potential to achieve value, we will be exploring various avenues to sustain their operations during the course of achieving their potential value in order to reduce the Group's financial exposure to this business.

Materials Development Business

During the FY2014, the business was principally engaged in the development, manufacture and sale of ITO Targets.

Since the inauguration of the operations in August 2012, 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 into promoting awareness of our "Sigma" brand. During the year, the business started to gain new customers and sales of large-size targets were achieved, albeit slowly, hence the operating loss during the year was reduced year-on-year.

However, the market landscape has not been favourable during the year, with the price of indium ingots (the major raw material) having increased by over 40%. Such an increase could not be passed on to customers, as overseas price leaders in this industry set the market price at a very competitive level.

As a result of the slow recovery of its investment in this business, the Company has made an impairment of property, plant and equipment of HK$11,869,000.

Going forward, at the start of the FY2015, we see more new customers placing orders for large-size targets and we will widen the product range to include ITO powder and rotary ITO targets to broaden the revenue base. Efforts have also been made to recycle used ITO targets for products so as to reduce the reliance on Indium ingots. We are cautiously confident of further improving the performance of this business in the coming year.

PROPOSED DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK3.0 cents (FY2013: HK3.0 cents) per share for the FY2014, representing HK$12,562,000 (FY2013: HK$12,562,000). The final dividend is expected to be paid on Monday, 15 September 2014 to those shareholders whose names appear on the Company's register of members on Tuesday, 2 September 2014, subject to the approval in the annual general meeting of the Company to be held on Monday, 25 August 2014. Based on the aforesaid recommended final dividend, the yearly dividend distributed by the Company during the FY2014 was HK3.0 cents (FY2013: HK3.0 cents).

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 2014, the Group had time deposits of HK$84,615,000 (FY2013: HK$89,197,000), cash and bank balances of HK$173,797,000 (FY2013: HK$210,039,000), and net current assets of HK$173,968,000 (FY2013: HK$322,938,000). As at 31 March 2014, shareholders' equity was HK$1,114,663,000 (FY2013: HK$1,049,273,000). Total consolidated banking facilities of the Group from all banks as at 31 March 2014 amounted to approximately HK$440,350,000 (FY2013: HK$371,349,000), of which HK$248,380,000 (FY2013: HK$268,168,000) was utilised.

As at 31 March 2014, the interest-bearing bank borrowings of the Group were in the sum of HK$248,380,000 (FY2013: HK$268,168,000) of which HK$188,380,000 (FY2013: HK$158,649,000) was repayable within one year and the remaining balance was repayable within the second to fifth years.

As at 31 March 2014, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.2 times (FY2013: 1.6 times) and the gearing ratio of the Group (Total interest-bearing bank borrowings divided by total equity) was 22.3% (FY2013: 25.6%). 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 2014, the Group employed over 11,700 full-time employees, of which less than 90 of them were stationed in Hong Kong headquarters with the remaining working in the PRC, Malaysia and the Lao People's Democratic Republic (the "Lao PDR").

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 the PRC, Malaysia and the Lao PDR, the Group provides its employee's staff welfare and allowances in accordance with the prevailing labour laws. 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, 22 August 2014 to Monday, 25 August 2014, 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 of the Company to be held on Monday, 25 August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday 21 August 2014.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the annual general meeting of the Company to be held on Monday, 25 August 2014. The record date for entitlement to the proposed final dividend is Tuesday, 2 September 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 29 August 2014 to Tuesday, 2 September 2014, 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 registrar in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Thursday, 28 August 2014. The payment of final dividend is expected to be made on Monday, 15 September 2014.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 27 June 2014

The directors of the Company (the "Director(s)") present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 17. The principal activities of the subsidiaries consist of the design, manufacture and sale of electrical and electronic products, motors and materials primarily for use in panel display, the exploration, processing and sale of mineral products and real estate development.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2014 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 126.

The Directors recommend the payment of a final dividend of HK3.0 cents per ordinary share of the Company in respect of the year to shareholders of the Company on the register of members on 2 September 2014. 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	**2014**	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,852,238**	1,763,427	1,620,460	1,722,788	1,445,904
PROFIT/(LOSS) BEFORE TAX	**43,640**	61,852	(19,144)	138,529	188,127
Income tax expense	**(28,519)**	(33,429)	(15,519)	(28,072)	(30,655)
PROFIT/(LOSS) FOR THE YEAR	**15,121**	28,423	(34,663)	110,457	157,472
ATTRIBUTABLE TO:					
Owners of the Company	**19,818**	39,076	(28,351)	114,381	158,567
Non-controlling interests	**(4,697)**	(10,653)	(6,312)	(3,924)	(1,095)
	15,121	28,423	(34,663)	110,457	157,472

SUMMARY FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES			31 March		
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**1,072,336**	857,858	768,663	717,342	572,442
CURRENT ASSETS	**885,399**	872,721	934,940	859,877	684,271
TOTAL ASSETS	**1,957,735**	1,730,579	1,703,603	1,577,219	1,256,713
CURRENT LIABILITIES	**(711,431)**	(549,783)	(528,787)	(527,118)	(315,440)
NON-CURRENT LIABILITIES	**(131,641)**	(131,523)	(173,573)	(14,334)	(13,692)
TOTAL LIABILITIES	**(843,072)**	(681,306)	(702,360)	(541,452)	(329,132)
NET ASSETS	**1,114,663**	1,049,273	1,001,243	1,035,767	927,581

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the 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 the 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 the 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 (the "Bye-Laws") or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and the retained profits, amounted to HK$185,240,000 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 67% of the total sales for the year and sales to the largest customer included therein amounted to 47%.

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 five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*
Mr. Fung Wah Cheong, Vincent
Mr. Liu Tat Luen
Mr. Chui Pak Shing #
Mr. Cheng Tsz To *

Independent non-executive Directors

Prof. Chung Chi Ping, Roy *BBS JP*
Mr. Wong Chi Wai
Ms. Sun Kwai Yu, Vivian
Mr. Cheng Kwok Kin, Paul *

Resigned on 3 January 2014

* *Appointed on 23 June 2014*

In accordance with the Bye-laws, Mr. Liu Tat Luen and Prof. Chung Chi Ping, Roy *BBS JP*, being Directors who should retire by rotation, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves, with the exception of Prof. Chung Chi Ping, Roy *BBS JP*, for re-election at the annual general meeting.

In accordance with the Bye-laws, Mr. Cheng Tsz To and Mr. Cheng Kwok Kin, Paul, being the Directors appointed on 23 June 2014 who shall hold office only until the first general meeting of the Company after their appointments, will retire at the forthcoming annual general meeting of the Company and, being eligible, 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. Cheng Tsz To entered into a service contract with the Company for a term of three years commencing from 1 August 2011, 28 December 2012 and 23 June 2014, respectively, subject to retirement by rotation and re-election at the annual general meeting of the Company 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 of the Company 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

At 31 March 2014, 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	282,920,000 *(Note 1)*	67.56
		Beneficial owner	5,606,000	1.33
		Interests held by spouse	1,200,000	0.29
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	6,900,000	1.65
Mr. Cheng Tsz To *(Note 2)*	Long position	Beneficial owner	1,000,000	0.24

Note:

1. 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.

2. Mr. Cheng Tsz To was appointed as an executive Director on 23 June 2014.

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
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, at 31 March 2014, 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 there any 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, nor were there any such rights exercised by them; nor 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 62, is the chairman and chief executive officer of the Company. He is the founder of the Group and is responsible for the Group's overall operation and strategic planning. He is also a member of the Board's remuneration committee and nomination committee. Mr. Cheng 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 58, is an executive Director of the Company and is responsible for the corporate and business management of the Group. He is also a member of the Board'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 worked as an engineering director in a sizeable toys manufacturing and distribution company.

Mr. Liu Tat Luen, aged 49, is an executive Director of the Company. He joined the Company in December 2009. 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. Cheng Tsz To, aged 27, is an executive Director of the Company since 23 June 2014. After graduating with a Master's Degree of Engineering in Mechatronics with honors from the University of Sheffield, the United Kingdom, Mr. Cheng joined the Group in 2010. Mr. Cheng is a son of Mr. Cheng Chor Kit, the executive Director and the controlling shareholder (as defined under the Listing Rules) of the Company and is the younger brother of the chief executive officer of the motors business segment of the Company.

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

Independent non-executive directors

Prof. Chung Chi Ping Roy *BBS JP*, aged 61, has been an independent non-executive Director of the Company since January 1997. He is also the chairman of the Board's remuneration committee and a member of the Board's audit committee and nomination committee. Prof. Chung holds a Doctor of Engineering Degree from the University of Warwick, the United Kingdom and a Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, the United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and 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 a prominent industrialist and entrepreneur with over 40 years of experience in the electronic and electrical appliances industry. Prof. Chung is highly dedicated to the advancement of the industry and was the Chairman of the Federation of Hong Kong Industries from July 2011 to July 2013. In addition, Prof. Chung holds positions in a number of Hong Kong SAR Government advisory committees and is also an active member of many social committees and associations. Prof. Chung is a non-executive director and a co-founder of Techtronic Industries Company Limited (stock code: 0669) and also an independent non-executive director of KFM Kingdom Holdings Ltd (stock code: 3816). Prof. Chung was appointed as an independent non-executive director of TK Group (Holdings) Limited (stock code: 2283) and Fujikon industrial Holdings Limited (stock code: 0927) on 27 November 2013 and 1 April 2014, respectively.

Mr. Wong Chi Wai *ACA, CPA (Practising), Barrister-at-law (non-practising)*, aged 48, has been an independent non-executive Director of the Company since September 2004. He is also the chairman of the Board's nomination committee and a member of the Board'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 ("ICAEW"). 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. Currently, Mr. Wong is an independent non-executive director and audit committee chairperson of Bonjour Holdings Limited (stock code: 0653), Arts Optical International Holdings Limited (stock code: 1120), and South West Eco Development Limited (stock code: 1908), the shares of all of these companies are listed on the Main Board of the Stock Exchange (South West Eco Development Limited has transferred its listing from the GEM Board to the Main Board on 16 May 2014). On 16 September 2013, he was appointed as an independent non-executive director and the chairman of the audit committee and remuneration committee of China Ludao Technology Company Limited (stock code: 2023) whose shares are listed on the Main Board of the Stock Exchange on 11 October 2013.

Ms. Sun Kwai Yu, Vivian *FCPA (Aust.), FCPA*, aged 52, has been an independent non-executive Director of the Company since September 2004. She is the chairperson of the Board's audit committee and a member of the Board's remuneration committee and nomination committee. Ms. Sun is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

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

Independent non-executive directors *(continued)*

Mr. Cheng Kwok Kin, Paul *FCA, FCPA*, aged 62, has been an independent non-executive Director of the Company since 23 June 2014. He is also the member of the Board's audit committee, remuneration committee and nomination committee. Mr. Cheng qualified as a Chartered Accountant in 1976 and he is a fellow member of the ICAEW and of the HKICPA since 1982 and 1990 respectively. He was a member of the Council of HKICPA in 2006 and 2007 and a member of the Corporate Finance Committee of HKICPA from 2006 to 2012. Currently, Mr. Cheng is a member of the Audit Profession Reform Working Group of HKICPA and a member of the Membership Committee of the Hong Kong Securities and Investment Institute. On 24 September 2013, Mr. Cheng was appointed as an independent non-executive director of RM Group Holdings Limited (stock code: 8185), whose shares are listed on the GEM Board of the Stock Exchange. He was appointed as an independent non-executive director of Forterra Real Estate Pte. Ltd., a trustee-manager of Forterra Trust (a business trust registered in the Republic of Singapore). On 19 November 2013, he was also appointed as an independent non-executive director of Xinyi Solar Holdings Limited (stock code: 0968), whose shares are listed on the Main Board of the Stock Exchange.

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

At 31 March 2014, 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 and nature of interest	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	289,726,000 *(Notes 1, 2 and 4)*	69.18	–
Hallgain Management Limited ("Hallgain")	Through a controlled corporation	29,384,000 *(Note 3)*	7.02	–

Note 1: Among these shares, 282,920,000 shares were held through Resplendent and 1,200,000 shares were held by the spouse of Mr. Cheng Chor Kit.

Note 2: The spouse of Mr. Cheng Chor Kit is deemed to be interested in these shares in which Mr. 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") is 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 35.64% of the entire issued share capital of KCHL by Hallgain.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURE *(continued)*

Save as disclosed above, at 31 March 2014, no person, other than Mr. Cheng Chor Kit, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, 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 2 different banks (the "Lenders") for a term of 60 months and a term of 42 months, respectively.

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

MATERIAL ACQUISITION

Acquisition of land use rights

On 7 June 2013, the Company, through its indirect wholly-owned subsidiaries, succeeded in bidding for the land use rights of the land offered for sale by Dushan County Land and Resources Bureau ("Dushan Land Bureau"), a governmental authority of the PRC and the seller of the land, 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 (the "PAA") 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 consideration for the Acquisition in excess of RMB75,000,000 (equivalent to approximately HK$94,725,000) and the Company entrusted the Dushan County Government to transfer such monetary reward to satisfy the consideration for the Acquisition on the Company's behalf. In this connection, 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.

MATERIAL ACQUISITION *(continued)*

Acquisition of land use rights *(continued)*

In addition, as a reward to the Group's support in the form of continuing investment, the Dushan County Government agreed under the PAA to unconditionally pay RMB58,620,000 (equivalent to approximately HK$77,037,000) to the Group within 7 working days upon the Group's payment of the remaining balance of RMB75,000,000 (equivalent to approximately HK$94,725,000) of the consideration to the Dushan Land Bureau.

On 23 July 2013, the Group entered into the relevant land use rights grant contracts (dated 8 July 2013) and at 31 March 2014, the Company has paid a total sum of RMB64,800,000 (equivalent to approximately HK$82,025,000) as partial payment of the consideration of the Acquisition.

The detailed information of the Acquisition is set out in the announcement and the circular of the Company dated 7 June 2013 and 21 August 2013 respectively.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

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

Hong Kong
27 June 2014

The Company 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 the guidelines and latest development in corporate governance. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2014 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' AND RELEVANT EMPLOYEES' 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 Directors, all the 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

The Composition of the Board shall comprise of a balanced mix of Directors and shall have a sufficient number of Directors to provide a breadth of knowledge as well as the ability to make insightful discussions on key issues.

As of the date of this report, the Board comprises eight members, the Board is confident that the balance between the number of executive and independent non-executive Directors has been reasonably and adequately established in order to protect the interests of the shareholders and the Company as a whole.

During the financial year ended 31 March 2014 and up to the date of this report, the Directors were:

Executive Directors

Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*
Mr. Fung Wah Cheong, Vincent
Mr. Liu Tat Luen
Mr. Chui Pak Shing #
Mr. Cheng Tsz To *

Resigned on 3 January 2014

* *Appointed on 23 June 2014*

BOARD OF DIRECTORS *(continued)*

Independent non-executive Directors

Prof. Chung Chi Ping, Roy *BBS JP*
Mr. Wong Chi Wai
Ms. Sun Kwai Yu, Vivian
Mr. Cheng Kwok Kin, Paul *

* *Appointed on 23 June 2014*

All Directors come from diverse businesses and professional backgrounds and expertise as shown in detailed biographies on pages 22 to 24 in this annual report.

Mr. Cheng Tsz To is a son of Mr. Cheng Chor Kit, the executive Director and the controlling shareholder (as defined under the Listing Rules) of the Company and the younger brother of the chief executive officer of our motor business segment. Saved as disclosed above, none of the Directors has any financial, business, family or other material or relevant relationships among the members.

All Directors disclosed to the Company the number and natures of offices held in other public companies or organisations and other significant committees annually which ensure that all Board members are capable and willing to input enough time and devote enough attention to the Company's affairs.

Functions of the Board

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's role is to provide entrepreneurial leadership, set the Company's strategic aims and the Company's values and standards and to ensure that its obligations to its stakeholders and others are understood and met. To facilitate the operations, the Board has established a schedule of matters reserved for its approval. The specific responsibilities reserved for the Board include (1) setting the Group's strategies and dividend policy, (2) approving budgets, reviewing operational and financial performance, (3) approving major investments and divestments, (4) reviewing internal control system and risk management procedures of the Group, (5) ensuring appropriate management development and succession plans in place, (6) approving appointments of Directors and other senior executives, (7) approving corporate social responsibility policies, (8) ensuring effective communication with shareholders and (9) other significant operational and financial matters.

The Board has delegated the authorities and day-to-day responsibilities to the management and requires the management to execute the objectives and strategies established by the Board. The Board also exercises a separate and independent assessment regularly to the performance of the management.

The management is accountable to the Board and responsible for running the Company's business and for proposing the development of the Group's strategies and overall commercial objectives in consultation with the Board. The management is also responsible for implementing decisions of the Board and the Board committees, developing main policies and reviewing the business organisational structure and operational performance. Furthermore, the management is obligated to supply relevant, adequate, clear and timely information and report to the Board and the Board committees in a consistent format. The Board, where necessary, can make further enquiries to the management on any matters they are concerned.

BOARD OF DIRECTORS *(continued)*

Board Meeting

The Board met 4 times during the year ended 31 March 2014 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 be sent to the members of the Board and the Board committees in a timely manner to ensure that all the participants are given the opportunity to review and be prepared for the matters stated in the agenda.

The minutes of the Board meetings are prepared by the company secretary or any relevant staff who are delegated by the Board. The draft minutes are circulated to all members of the Board for their commentary. The final minutes are open for inspection by all members of the Board at the Company's registered office and the principal place of business in Hong Kong.

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 are 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, where the Board members meet regularly to discuss issue affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Independent non-executive Directors

The corporate governance stresses the importance of independent non-executive directors. The independent non-executive Directors bring in a wide range of skills and business experience to the Company, and also bring in independent and sound judgement on issues relating to strategy, performance and risk through their contribution to Board meetings and to the Board committee meetings.

In compliance with Rule 3.10 of the Listing Rules, there are no less than three independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. Excluding the chairman of the Board, the four independent non-executive Directors in the Board exceeds half of the total members of Board. The percentage is higher than that required under 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 members of the board. The Board believes that a strong independent element on the Board can provide a higher level of "checks and balances" on the Company's key decision-making mechanism as well as monitor the Company's affairs effectively.

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 independence of the independent non-executive Directors have been adequately maintained.

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

BOARD OF DIRECTORS *(continued)*

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 the independent non-executive Directors 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 are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws.

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

Directors' training

Every Director should keep himself or herself abreast of the responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Each new incoming Director receives an induction package covering the introduction of Group's businesses and real-life overview of the Company, induction of their roles and responsibilities, the practical procedure duties and the compliance of laws and regulations.

All Directors are encouraged to pursue an ongoing development and refreshment of their knowledge and skills, to ensure that their contribution to the Board remains relevant and productive.

On 28 November 2013, a tailor-made seminar was organised by external legal advisers to update the Directors on the new amendments to the CG Code and the new rules of the SFO and all Directors participated in this seminar.

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
Mr. Cheng Tsz To *	N/A
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
Mr. Cheng Kwok Kin, Paul *	N/A

*A	Attending briefings/seminars/conference/forums*
*B	Reading/studying training or other materials*
*#	Resigned on 3 January 2014*
**	Appointed on 23 June 2014*

BOARD OF DIRECTORS *(continued)*

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 the Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

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

– Remuneration Committee (the "Remuneration Committee");

– Nomination Committee (the "Nomination Committee"); and

– Audit Committee (the "Audit Committee")

The roles and responsibilities of the each Committee is set out by the Board with clearly defined written terms of reference and this document is available on the website of the Stock Exchange and the Company's website.

Pursuant to the written terms of reference, each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee's responsibilities. Minutes of all Committees meetings are circulated to all Board members. To further reinforce independence and effectiveness, all Audit Committee members being appointed are independent non-executive Directors, and the Remuneration Committee and Nomination Committee have been structured with a majority of independent non-executive Directors being the Committees' members.

Remuneration Committee

During the financial year ended 31 March 2014 and up to the date of this report, the members of the Remuneration Committee of the Board were:

Mr. Cheng Chor Kit	Executive Director	Member
Mr. Fung Wah Cheong, Vincent	Executive Director	Member
Prof. Chung Chi Ping, Roy *BBS JP*	Independent non-executive Director	Chairman
Mr. Wong Chi Wai	Independent non-executive Director	Member
Ms. Sun Kwai Yu, Vivian	Independent non-executive Director	Member
Mr. Cheng Kwok Kin, Paul *	Independent non-executive Director	Member

* *Appointed on 23 June 2014*

The remuneration packages offered to the Directors and senior management will need to attract, retain and motivate the Directors and senior management of sufficient quality, whilst at the same time taking into account the shareholders' interests as well. The main roles and responsibilities of the Remuneration Committee is aimed to 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.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

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 held one meeting during the year ended 31 March 2014 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.

Nomination Committee

During the financial year ended 31 March 2014 and up to the date of this report, the members of the Nomination Committee of the Board were:

Mr. Cheng Chor Kit	Executive Director	Member
Mr. Fung Wah Cheong, Vincent	Executive Director	Member
Prof. Chung Chi Ping, Roy *BBS JP*	Independent non-executive Director	Member
Mr. Wong Chi Wai	Independent non-executive Director	Chairman
Ms. Sun Kwai Yu, Vivian	Independent non-executive Director	Member
Mr. Cheng Kwok Kin, Paul *	Independent non-executive Director	Member

* *Appointed on 23 June 2014*

The primarily responsibility of the Nomination Committee includes giving 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 Nomination Committee is also responsible for recommending to the Board all new appointments of Directors and senior management identify by referral or intermediary agencies. The Nomination Committee considers the past performance and qualification of the candidates for Directors and senior management, reviews general market conditions and the Bye-laws in selecting and recommending candidates for directorship and management during the year under review.

The Nomination Committee, on an annual basis, reviews and considers the structure, size, composition, and diversity of the members of the Board, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, to attain optimum composition of the Board. The Nomination Committee 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 senior management and makes recommendations to the Board on the selection of individuals nominated for directorship and management to cope the Company's current and emerging operating and strategic challenges and opportunities.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

During the year ended 31 March 2014, 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. Furthermore, the Nomination Committee also made recommendation to the Board for the appointment of senior management staff of the Group. Meeting attendance records of the Nomination Committee of the Board are set out on page 39 of this annual report.

Audit Committee

During the financial year ended 31 March 2014 and up to the date of this report, the members of the Audit Committee of the Board were:

Prof. Chung Chi Ping, Roy *BBS JP*	Independent non-executive Director	Member
Mr. Wong Chi Wai	Independent non-executive Director	Member
Ms. Sun Kwai Yu, Vivian	Independent non-executive Director	Chairperson
Mr. Cheng Kwok Kin, Paul *	Independent non-executive Director	Member

* *Appointed on 23 June 2014*

The main roles and responsibilities of the Audit Committee are to assist the Board in (1) maintaining 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), on behalf of the Board, (i) the selecting and overseeing the remuneration of the Company's external auditors, (ii) assessing the independence and qualifications of the external auditors, and (iii) the overseeing the performance of the Company's internal audit function.

During the year ended 31 March 2014, the Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2013 as well as the interim report for the six months ended 30 September 2013. 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 2014. In addition, the Audit Committee has met with the external auditors of the Company and reviewed the financial results of the Group for the year ended 31 March 2014, including the accounting principles and practices adopted by the Group.

The Audit Committee of the Board held 4 meetings during the year ended 31 March 2014. Meeting attendance records of the Audit Committee of the Board are set out on page 39 of this annual report.

BOARD COMMITTEES *(continued)*

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 the 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 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 CG Report.

ACCOUNTABILITY AND AUDIT

Directors' and External 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 ultimate responsibility for preparing the financial statements which give a true and fair view of the Group's state of affairs and the results together with cash flows situation 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 the external auditors of the Company.

ACCOUNTABILITY AND AUDIT *(continued)*

Directors' and External Auditors' Financial Reporting Responsibility *(continued)*

The auditors' remuneration and the fee for non-audit services for the year ended 31 March 2014 is as below:

Auditors' remuneration:

Nature of services	**2013/2014**	2012/2013
	HK$'000	*HK$'000*
Audit services	**2,870**	2,700
Non-audit services		
Tax services	**552**	573
Total	**3,422**	3,273

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.

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, where appropriate and practicable, would be implemented by the Group to further enhance its internal control policies, procedures and practices.

In respect of the year ended 31 March 2014, 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 2014 and considered them to be adequate and comprehensive.

COMPANY SECRETARY

Mr. Chan Ho Man ("Mr. Chan") has been appointed as the company secretary of the Company since 1996 and is responsible for overseeing all the company secretarial matters 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.

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Shareholders' rights

1. Rights to convene Special General Meeting

Pursuant to the 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 be delivered to the Board or the company secretary of the Company at the Company's principal place of business at 7/F., 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 of Bermuda.

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 principal 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.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS *(continued)*

Shareholders' rights *(continued)*

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:

7/F., 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 practises 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 is 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 in accordance to the requirements of applicable Listing Rules.

The 2013 Annual General Meeting (the "2013 AGM") was held on 26 August 2013 and all the members of the Board together with the external auditors presented in the 2013 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 2013 AGM were published on the websites of the Stock Exchange and the Company on 26 August 2013.

The 2014 Annual General Meeting will be held on 25 August 2014, for details of the information on the 2014 Annual General Meeting, 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.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS *(continued)*

Investor relations *(continued)*

2. ***Sufficient and timely information***

The Board recognises the significance of providing information to shareholders to enable each shareholder to make an informed assessment for the purposes of voting on each of the matter put before shareholders at the general meeting. Copies of the annual report, financial statements and related papers are despatched to shareholders in accordance with the statutory requirements.

3. ***Significant Constitutional documents***

At the 2013 AGM, the shareholders of the Company approved the proposed amendment to the Bye-Laws due to (i) the change of the CG Code and the Companies Act of Bermuda; and (ii) the adoption of a set of new Bye-Laws, incorporating all previous amendments to the Bye-Laws and the proposed amendments being tabled at the 2013 AGM.

On 28 August 2013, the approved Bye-Laws had been posted on the website of the Stock Exchange and the Company.

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 the Directors and supervisor of the Company subsequent to the date of the 2013 Annual Report of the Company are set out below:

As disclosed in the 2013 interim report, Mr. Fung Wah Cheong, Vincent, formerly the Deputy Chairman and executive Director has been re-designated to an executive Director at his request so as to enable him to concentrate his efforts in managing our core business.

On 16 September 2013, Mr. Wong Chi Wai, the independent non-executive Director, was appointed as an independent non-executive director and the chairman of both the audit and the remuneration committee of China Ludao Technology Company Limited (stock code: 2023), whose shares have been listed on the Main Board of the Stock Exchange since 11 October 2013.

Prof. Chung Chi Ping, Roy *BBS JP*, the independent non-executive Director, was appointed as an independent non-executive director and the chairman of the remuneration committee of TK Group (Holdings) Limited (stock code: 2283) and Fujikon Industrial Holdings Limited (stock code: 0927) with effect from 27 November 2013 and 1 April 2014 respectively, where shares of these two companies are listed on the Main Board of the Stock Exchange.

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 2013/2014

The number of Annual General Meeting, Board and its Committees meetings attended by each Director for the year ended 31 March 2014.

	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 office)	1/1	4/4	N/A	1/1	1/1
Mr. Fung Wah Cheong, Vincent	1/1	4/4	N/A	1/1	1/1
Mr. Liu Tat Luen	1/1	4/4	N/A	N/A	N/A
Mr. Chui Pak Shing #	1/1	3/4	N/A	N/A	N/A
Mr. Cheng Tsz To *	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Prof. Chung Chi Ping, Roy *BBS JP*					
(Chairman of the remuneration committee)	1/1	4/4	4/4	1/1	1/1
Mr. Wong Chi Wai					
(Chairman of the nomination committee)	1/1	4/4	4/4	1/1	1/1
Ms. Sun Kwan Yi, Vivian					
(Chairperson of the audit committee)	1/1	4/4	4/4	1/1	1/1
Mr. Cheng Kwok Kin, Paul *	N/A	N/A	N/A	N/A	N/A

\# *Resigned on 3 January 2014*
* *Appointed on 23 June 2014*

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 126, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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 2014, 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 2014

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**1,852,238**	1,763,427
Cost of sales		**(1,618,651)**	(1,537,608)
Gross profit		**233,587**	225,819
Other income and gains, net	5	**28,904**	41,094
Selling and distribution expenses		**(41,319)**	(42,210)
Administrative expenses		**(172,607)**	(165,647)
Finance costs	6	**(4,925)**	(5,472)
Share of profits and losses of associates	18	**–**	8,268
PROFIT BEFORE TAX	7	**43,640**	61,852
Income tax expense	9	**(28,519)**	(33,429)
PROFIT FOR THE YEAR		**15,121**	28,423
ATTRIBUTABLE TO:			
Owners of the Company	10	**19,818**	39,076
Non-controlling interests		**(4,697)**	(10,653)
		15,121	28,423
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK4.73 cents**	HK9.33 cents
Diluted		**HK4.73 cents**	HK9.33 cents

Details of the dividends paid and proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	Notes	2014 *HK$'000*	2013 *HK$'000*
PROFIT FOR THE YEAR		**15,121**	28,423
OTHER COMPREHENSIVE INCOME/(EXPENSE):			
Other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods:			
Exchange differences on translation of foreign operations		**35,407**	(1,807)
Release of exchange fluctuation reserve upon disposal of subsidiaries	*33*	**–**	(10,611)
Net other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods		**35,407**	(12,418)
Other comprehensive income not to be reclassified to the income statement in subsequent periods:			
Revaluation surplus, net	*13*	**35,035**	46,942
Deferred tax debited to asset revaluation reserve	*28*	**(6,984)**	(8,368)
Deferred tax credited to asset revaluation reserve upon disposal of items of property, plant and equipment	*28*	**–**	320
Net other comprehensive income not to be reclassified to the income statement in subsequent periods		**28,051**	38,894
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**63,458**	26,476
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**78,579**	54,899
ATTRIBUTABLE TO:			
Owners of the Company		**83,614**	65,617
Non-controlling interests		**(5,035)**	(10,718)
		78,579	54,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**819,106**	734,030
Investment properties	14	**5,013**	–
Prepaid land lease payments	15	**29,070**	28,063
Goodwill	16	**4,650**	4,650
Intangible assets	19	**31,041**	29,204
Deferred tax assets	28	**11,184**	–
Deposits	23	**172,272**	61,911
Total non-current assets		**1,072,336**	857,858
CURRENT ASSETS			
Inventories	21	**356,773**	261,554
Accounts receivable	22	**170,794**	164,616
Prepayments, deposits and other receivables	23	**89,580**	137,609
Financial assets at fair value through profit or loss	24	**9,840**	9,706
Time deposits	25	**84,615**	89,197
Cash and bank balances	25	**173,797**	210,039
Total current assets		**885,399**	872,721
CURRENT LIABILITIES			
Accounts and bills payables, accrued liabilities and other payables	26	**420,482**	310,208
Interest-bearing bank borrowings	27	**188,380**	158,649
Due to non-controlling shareholders	32(b)	**38,838**	37,808
Tax payable		**63,731**	43,118
Total current liabilities		**711,431**	549,783
NET CURRENT ASSETS		**173,968**	322,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,246,304**	1,180,796
NON-CURRENT LIABILITIES			
Other payables	26	**44,304**	–
Interest-bearing bank borrowings	27	**60,000**	109,519
Deferred tax liabilities	28	**27,337**	22,004
Total non-current liabilities		**131,641**	131,523
NET ASSETS		**1,114,663**	1,049,273

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	29	**41,875**	41,875
Reserves	31(a)	**1,103,699**	1,033,274
		1,145,574	1,075,149
Non-controlling interests		**(30,911)**	(25,876)
TOTAL EQUITY		**1,114,663**	1,049,273

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2014

	Attributable to owners of the Company										
		Reserves									
	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 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	–	–	–	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
At 1 April 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**
Revaluation surplus, net *(note 13)*	**–**	**–**	**–**	**35,035**	**–**	**–**	**–**	**–**	**35,035**	**–**	**35,035**
Deferred tax debited to asset revaluation reserve *(note 28)*	**–**	**–**	**–**	**(6,984)**	**–**	**–**	**–**	**–**	**(6,984)**	**–**	**(6,984)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**35,745**	**–**	**–**	**–**	**35,745**	**(338)**	**35,407**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,818**	**19,818**	**(4,697)**	**15,121**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**28,051**	**35,745**	**–**	**–**	**19,818**	**83,614**	**(5,035)**	**78,579**
Final 2013 dividend paid *(note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,562)**	**(12,562)**	**–**	**(12,562)**
Release and transfer of share option reserve upon the forfeiture and lapse of share options *(note 30)*	**–**	**–**	**(983)**	**–**	**–**	**–**	**–**	**356**	**(627)**	**–**	**(627)**
At 31 March 2014	**41,875**	**124,530**	**6,561**	**117,422**	**106,629**	**6,150**	**(8,940)**	**751,347**	**1,103,699**	**(30,911)**	**1,114,663**

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**43,640**	61,852
Adjustments for:			
Finance costs	6	**4,925**	5,472
Share of profits and losses of associates	18	**–**	(8,268)
Subsidy income	26	**(6,329)**	–
Bank interest income	7	**(2,417)**	(1,903)
Dividend income from listed investments	7	**(298)**	(480)
Depreciation	7	**84,986**	78,100
Amortisation of prepaid land lease payments	7	**858**	587
Amortisation of deferred development costs	7	**7,730**	7,570
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**21**	(3,386)
Write-off of items of property, plant and equipment	7	**3,661**	409
Impairment of items of property, plant and equipment	7	**21,843**	6,604
Equity-settled share option expense	7	**(627)**	1,506
Write-back of impairment of accounts receivable	7	**–**	(22)
Changes in fair value of investment properties	7	**(1,939)**	–
Gain on disposal of subsidiaries	7	**–**	(18,716)
		156,054	129,325
Decrease/(increase) in inventories		**(95,219)**	76,626
Decrease/(increase) in accounts receivable		**(6,178)**	52,543
Increase in prepayments, deposits and other receivables		**(65,138)**	(58,968)
Decrease in amounts due from associates		**–**	435
Decrease/(increase) in financial assets at fair value through profit or loss		**(134)**	2,094
Increase/(decrease) in accounts and bills payables, accrued liabilities and other payables		**160,907**	(25,556)
Cash generated from operations		**150,292**	176,499
Interest received		**2,417**	1,903
Dividend income from listed investments		**298**	480
Interest paid		**(4,925)**	(5,472)
Hong Kong profits tax paid		**(18,727)**	(7,997)
Overseas income taxes paid		**(2,252)**	(4,357)
Dividends paid	11	**(12,562)**	(8,375)
Net cash flows from operating activities		**114,541**	152,681

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Net cash flows from operating activities		**114,541**	152,681
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*13*	**(136,694)**	(75,920)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(4,677)**	(18,922)
Additions to prepaid land lease payments	*15*	**(1,325)**	(5,821)
Additions to intangible assets	*19*	**(8,307)**	(10,408)
Proceeds from disposals of items of property, plant and equipment		**42**	10,137
Proceeds from disposal of subsidiaries	*33*	**–**	10,000
Net cash flows used in investing activities		**(150,961)**	(90,934)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due to non-controlling shareholders		**1,030**	20,358
New bank loans		**104,577**	66,413
Repayment of bank loans		**(126,724)**	(105,761)
Net cash flows used in financing activities		**(21,117)**	(18,990)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(57,537)**	42,757
Cash and cash equivalents at beginning of year		**221,101**	180,151
Effect of foreign exchange rate changes, net		**9,677**	(1,807)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**173,241**	221,101
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**173,797**	210,039
Non-pledged time deposits	*25*	**84,615**	89,197
Cash and cash equivalents as stated in the consolidated statement of financial position		**258,412**	299,236
Bank overdrafts	*27*	**(2,359)**	–
Non-pledged time deposits with original maturity of more than three months when acquired	*25*	**(82,812)**	(78,135)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**173,241**	221,101

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*17*	**494,280**	550,392
CURRENT ASSETS			
Prepayments	*23*	**3**	–
Cash and bank balances	*25*	**161**	176
Total current assets		**164**	176
CURRENT LIABILITIES			
Other payables	*26*	**2,748**	2,713
Interest-bearing bank borrowings	*27*	**72,990**	67,990
Tax payable		**500**	–
Total current liabilities		**76,238**	70,703
NET CURRENT LIABILITIES		**(76,074)**	(70,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		**418,206**	479,865
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*27*	**60,000**	109,519
NET ASSETS		**358,206**	370,346
EQUITY			
Issued share capital	*29*	**41,875**	41,875
Reserves	*31(b)*	**316,331**	328,471
TOTAL EQUITY		**358,206**	370,346

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 consisted of the design, manufacture and sale of electrical and electronic products, motors and materials primarily for use in panel display, the exploration, processing and sale of mineral products and real estate development.

The Company is a subsidiary of Resplendent Global Limited, a company incorporated in the British Virgin Islands. The directors of the Company 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 and financial assets at fair value through profit or loss, which have been measured at fair value. Assets classified as held for sale were stated at the lower of their carrying amount and fair value less cost to sell as further explained in note 2.4 below. 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 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 the consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13, HKAS 1 Amendments, HKAS 36 Amendments and HK(IFRIC)-Int 20, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of land and buildings and investment properties are included in notes 13 and 14 to the financial statements.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, exchange differences arising on translation of foreign operations) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

(d) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 13 to the financial statements.

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

(e) HK(IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 *Inventories*. To the extent that the benefit is improved access to one and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets.

As the Group had not yet commenced the exploitation activities during the year, the adoption of this interpretation has had no 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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 16 and 38 Amendments	*Clarification of acceptance methods of depreciation and amortisation*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 *Effective for annual periods beginning on or after 1 January 2014*
2 *Effective for annual periods beginning on or after 1 July 2014*
3 *Effective for annual periods beginning on or after 1 January 2016*
4 *No mandatory effective date yet determined but is available for adoption*

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 (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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.

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

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 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 of these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its land and buildings, investment properties and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets, investment properties, 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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at the end of each reporting period as to whether there is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Freehold land	Not depreciated
Medium term leasehold land and buildings in Hong Kong	Over the shorter of 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 a building 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

For a transfer from investment properties to owners occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. 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. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

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

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

Research and development costs

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Exploration rights and assets *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as 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 either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred assets to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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, or on a derivative asset that is limited to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 measured. 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the 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 in employee benefit expense. The cumulative expense recognised for Equity-Settled Transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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.

Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the government of the PRC. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

Termination benefits

Termination benefits are recognised at the earlier of when the Group no longer withdraw the offer of those benefits when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(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 same 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).

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.

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately 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.

Withholding taxes arising from the distribution of dividends

In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and level of capital and working capital required for the Group's operations in the foreseeable future.

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:

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

Estimation uncertainty *(continued)*

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 a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amounts and further details, including the key assumptions used for fair value measurement and a sensitivity analysis, 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.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 13 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

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.

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 five reportable operating segments as follows:

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

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

(c) the resources development segment consists of the manufacture and sale of materials primarily for use in panel display, the exploration, processing and sale of mineral products;

(d) real estate development; and

(e) other manufacturing activities segment consists of the manufacturing and sale of encoder film and other miscellaneous products.

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 2014 and 2013.

Group	Electrical and electronic products		Motors		Resources development		Real estate development		Other manufacturing activities		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***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	**1,289,886**	1,199,515	**524,248**	463,346	**18,750**	39,765	**–**	–	**19,354**	60,801	**–**	–	**1,852,238**	1,763,427
Intersegment sales	**1,926**	1,451	**9,398**	10,932	**–**	–	**–**	–	**3,381**	11,425	**(14,705)**	(23,808)	**–**	–
Other income and gains, net	**3,549**	4,397	**13,723**	10,326	**7,895**	900	**–**	–	**10**	1,326	**–**	–	**25,177**	16,949
Total	**1,295,361**	1,205,363	**547,369**	484,604	**26,645**	40,665	**–**	–	**22,745**	73,552	**(14,705)**	(23,808)	**1,877,415**	1,780,376
Segment results	**151,660**	164,527	**(50,156)**	(53,064)	**(37,926)**	(57,384)	**(6,923)**	–	**2,915**	2,266	**–**	–	**59,570**	56,345
Interest and unallocated gains													**3,727**	24,145
Unallocated expenses													**(14,732)**	(21,434)
Finance costs													**(4,925)**	(5,472)
Share of profits and losses of associates													**–**	8,268
Profit before tax													**43,640**	61,852
Income tax expense													**(28,519)**	(33,429)
Profit for the year													**15,121**	28,423
Segment assets	**1,704,566**	1,368,351	**455,854**	396,649	**268,229**	252,721	**115,049**	–	**46,979**	60,765	**(934,568)**	(728,858)	**1,656,109**	1,349,628
Unallocated assets													**301,626**	380,951
Total assets													**1,957,735**	1,730,579
Segment liabilities	**263,753**	214,997	**498,539**	383,953	**472,802**	436,965	**167,124**	–	**44,199**	35,785	**(934,568)**	(728,858)	**511,849**	342,842
Unallocated liabilities													**331,223**	338,464
Total liabilities													**843,072**	681,306
Other segment information:														
Capital expenditure	**91,685**	39,718	**51,932**	30,957	**4,006**	17,503	**1,651**	–	**126**	3,971	**–**	–	**149,400**	92,149
Depreciation and amortisation	**56,838**	51,209	**24,537**	24,474	**9,410**	7,343	**270**	–	**1,384**	2,623	**–**	–	**92,439**	85,649
Unallocated amounts													**1,135**	608
													93,574	86,257
Loss/(gain) on disposal of items of property, plant and equipment	**–**	(4)	**21**	247	**–**	61	**–**	–	**–**	(1,050)	**–**	–	**21**	(746)
Unallocated amounts													**–**	(2,640)
													21	(3,386)
Write-off of items of property, plant and equipment	**3,661**	–	**–**	409	**–**	–	**–**	–	**–**	–	**–**	–	**3,661**	409
Impairment of items of property, plant and equipment	**–**	–	**8,447**	6,604	**13,396**	–	**–**	–	**–**	–	**–**	–	**21,843**	6,604
Surplus on revaluation of land and buildings recognised directly in equity	**(22,264)**	(27,233)	**(4,278)**	(2,270)	**(5,670)**	(1,585)	**–**	–	**(2,587)**	(606)	**–**	–	**(34,799)**	(31,694)
Unallocated amounts													**(236)**	(15,248)
													(35,035)	(46,942)

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Group	Electrical and electronic products		Motors		Resources development		Real estate development		Other manufacturing activities		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***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)*														
Changes in fair value of investment properties	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Unallocated amounts													**(1,939)**	-
Write-back of impairment of accounts receivable	**-**	-	**-**	-	**-**	(22)	**-**	-	**-**	-	**-**	-	**-**	(22)
Gain on disposal of subsidiaries	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Unallocated amounts													**-**	(18,716)

(b) Geographical information

Group	United States of America		Europe		Asia		Others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	**573,166**	490,531	**362,343**	399,877	**770,645**	701,440	**146,084**	171,579	**1,852,238**	1,763,427

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

Group	Hong Kong		PRC		Malaysia		Lao People's Democratic Republic ("Lao PDR")		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	**57,971**	60,951	**969,746**	761,679	**33,435**	33,492	**–**	1,736	**1,061,152**	857,858

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

(c) Information about major customers

2014

Revenue of HK$863,743,000 was derived from sales of electrical and electronic products to a major customer which individually accounted for over 10% of the Group's total revenue.

2013

Revenue of HK$963,309,000 was derived from sales to the following two major customers which individually accounted for over 10% of the Group's total revenue.

(i) Revenue of HK$298,441,000 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 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:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**1,289,886**	1,199,515
Motors	**524,248**	463,346
Materials and products from resources development	**18,750**	39,765
Products from other manufacturing activities	**19,354**	60,801
	1,852,238	1,763,427
Other income and gains, net		
Bank interest income	**2,417**	1,903
Dividend income from listed investments	**298**	480
Gross rental income	**665**	705
Sale of scrap materials	**14,298**	12,585
Gain/(loss) on disposal of items of property, plant and equipment, net	**(21)**	3,386
Fair value gain on financial assets at fair value through profit or loss, net	**134**	231
Gain on disposal of subsidiaries *(note 33)*	**–**	18,716
Subsidy income *	**6,329**	241
Others	**4,784**	2,847
	28,904	41,094

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

6. FINANCE COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**4,925**	5,472

7. PROFIT BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold *	**1,618,651**	1,537,608
Auditors' remuneration	**2,870**	2,700
Depreciation	**84,986**	78,100
Amortisation of prepaid land lease payments	**858**	587
Amortisation of deferred development costs	**7,730**	7,570
Minimum lease payments under operating leases in respect of land and buildings	**1,149**	1,351
Loss/(gain) on disposal of items of property, plant and equipment, net	**21**	(3,386)
Write-off of items of property, plant and equipment **	**3,661**	409
Impairment of items of property, plant and equipment **	**21,843**	6,604
Write-back of impairment of accounts receivable *(note 22)*	**–**	(22)
Employee benefit expense (including directors' and chief executive's remuneration – *note 8*):		
Wages and salaries	**436,081**	371,070
Equity-settled share option expense *(note 30)*	**(627)**	1,506
Pension scheme contributions	**1,880**	2,158
	437,334	374,734
Changes in fair value of investment properties **	**(1,939)**	–
Gain on disposal of subsidiaries *(note 33)*	**–**	(18,716)
Fair value gain on financial assets at fair value through profit or loss, net	**(134)**	(231)
Foreign exchange differences, net	**6,855**	20,349
Bank interest income	**(2,417)**	(1,903)
Dividend income from listed investments	**(298)**	(480)
Net rental income	**(413)**	(490)

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$450,078,000 (2013: HK$395,413,000) 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 changes in fair value 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	
	2014	2013
	HK$'000	*HK$'000*
Fees	**600**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**11,250**	11,892
Performance related bonuses *	**2,200**	2,200
Equity-settled share option expense	**–**	1,186
Pension scheme contributions	**402**	405
	13,852	15,683
	14,452	16,283

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

In prior years, 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 these 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 and highest paid employees" disclosures.

(a) Independent non-executive directors

	2014		
	Fees	**Equity-settled share option expense**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***
Chung Chi Ping, Roy *BBS JP*	**200**	**–**	**200**
Wong Chi Wai	**200**	**–**	**200**
Sun Kwai Yu, Vivian	**200**	**–**	**200**
	600	**–**	**600**

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

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

	2013		
	Fees *HK$'000*	Equity-settled share option expense *HK$'000*	Total remuneration *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

(b) Executive directors and the chief executive

	2014				
	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	**1,717**	**–**	**–**	**15**	**1,732**
Chui Pak Shing #	**1,133**	**–**	**–**	**12**	**1,145**
	11,250	**2,200**	**–**	**402**	**13,852**

	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

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

Mr. Chui Pak Shing ("Mr. Chui") resigned as a director of the Company on 3 January 2014 and accordingly, the respective share option expense of HK$627,000 for the share options granted to Mr. Chui in prior years but not yet vested had been reversed and credited to the income statement during the year ended 31 March 2014.

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 (2013: Nil).

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining one (2013: one) non-director, highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,560**	1,320
Performance related bonuses	**–**	280
Pension scheme contributions	**15**	15
	1,575	1,615

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

	Number of employee	
	2014	2013
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	1	1

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 had been increased from the preferential rate to 25% within five years after the effective date of the New PRC Tax Law on 1 January 2008.

	2014	2013
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**15,936**	13,911
Underprovision in prior years	**1,190**	315
Current – Elsewhere		
Charge for the year	**24,466**	19,151
Deferred tax *(note 28)*	**(13,073)**	52
Total tax charge for the year	**28,519**	33,429

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

	2014	2013
	HK$'000	*HK$'000*
Group:		
Profit before tax	**43,640**	61,852
Tax at the statutory tax rate	**3,446**	4,053
Lower tax rates for specific provinces or enacted by local authority	**–**	(716)
Adjustments in respect of current tax of previous years	**1,190**	315
Income not subject to tax	**(1,635)**	(2,689)
Expenses not deductible for tax	**17,135**	19,777
Tax losses from previous periods utilised	**(213)**	(41)
Tax losses not recognised	**8,596**	12,730
Tax charge at the Group's effective rate	**28,519**	33,429

No share of tax attributable to associates (2013: Nil) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2014 includes a profit of HK$1,049,000 (2013: loss of HK$297,000) which has been dealt with in the financial statements of the Company *(note 31(b))*.

11. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend paid during the year		
Final dividend in respect of the financial year ended 31 March 2013 – HK3.0 cents per ordinary share (2013: final dividend in respect of the financial year ended 31 March 2012 – HK2.0 cents per ordinary share)	**12,562**	8,375
Proposed final dividend		
Final – HK3.0 cents (2013: HK3.0 cents) per ordinary share	**12,562**	12,562

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

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

The calculations of the basic and diluted earnings per share are based on the following data:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**19,818**	39,076
	'000	*'000*
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**418,748**	418,748
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	**75**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**418,823**	418,748

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

13. PROPERTY, PLANT AND EQUIPMENT

Group
31 March 2014

	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 2013	273,058	28,113	76,098	703,635	276,318	1,357,222
Additions	1,295	–	46,344	64,914	24,141	136,694
Disposals	–	–	–	(1,513)	(153)	(1,666)
Write off	–	–	–	(18,717)	(1,493)	(20,210)
Transfers	44,746	–	(84,672)	–	39,926	–
Surplus on revaluation	19,569	2,400	–	–	–	21,969
Exchange realignment	5,121	(1,119)	3,853	22,190	9,954	39,999
At 31 March 2014	343,789	29,394	41,623	770,509	348,693	1,534,008
Accumulated depreciation and impairment:						
At 1 April 2013	–	–	–	475,513	147,679	623,192
Provided during the year	12,878	226	–	46,473	25,409	84,986
Disposals	–	–	–	(1,458)	(145)	(1,603)
Impairment	–	–	–	20,012	1,831	21,843
Write off	–	–	–	(15,121)	(1,428)	(16,549)
Write-back on revaluation	(12,878)	(188)	–	–	–	(13,066)
Exchange realignment	–	(38)	–	11,927	4,210	16,099
At 31 March 2014	–	–	–	537,346	177,556	714,902
Net book value:						
At 31 March 2014	343,789	29,394	41,623	233,163	171,137	819,106
An analysis of cost or valuation:						
At cost	–	–	41,623	770,509	348,693	1,160,825
At 2014 valuation	343,789	29,394	–	–	–	373,183
	343,789	29,394	41,623	770,509	348,693	1,534,008

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

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)
Transfers	1,814	–	(12,939)	–	11,125	–
Surplus on revaluation	36,928	399	–	–	–	37,327
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)*

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

	2014	2013
	HK$'000	*HK$'000*
Land and buildings held on medium term leases in Hong Kong	**55,700**	57,540
Buildings held on medium term leases outside Hong Kong	**288,089**	215,518
Freehold land and buildings outside Hong Kong	**29,394**	28,113
Total valuation	**373,183**	301,171

At 31 March 2014, the Group's land and buildings in Hong Kong, and buildings in Mainland China and Malaysia were revalued based on valuation performed by Asset Appraisal Limited, independent professionally qualified valuers, at HK$55,700,000, RMB227,590,000 (equivalent to HK$288,089,000) and Ringgit Malaysia 12,508,000 (equivalent to HK$29,394,000), respectively. Revaluation surpluses of HK$35,035,000 resulting from the above revaluation, were credited to the asset revaluation reserve. The effect of the total revaluation surplus of HK$35,035,000 was reflected as an increase of valuation of property, plant and equipment of HK$21,969,000 and write-back of accumulated depreciation of HK$13,066,000.

Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group discusses with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

There has been no change from the valuation technique used in prior years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair value hierarchy

The fair value of the Group's land and buildings at 31 March 2014 is estimated by using significant unobservable inputs and the fair value measurement is categorised under Level 3.

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.

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

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Buildings in Mainland China (Residential) *HK$'000*	Buildings in Mainland China (Industrial) *HK$'000*	Land and buildings in Hong Kong (Industrial) *HK$'000*	Buildings in Malaysia (Industrial) *HK$'000*	Total *HK$'000*
Carrying amount:					
At 1 April 2013	–	215,518	57,540	28,113	301,171
Additions	1,295	–	–	–	1,295
Transfers	–	44,746	–	–	44,746
Depreciation	(39)	(10,537)	(2,302)	(226)	(13,104)
Surplus on revaluation	364	31,621	462	2,588	35,035
Exchange realignment	–	5,121	–	(1,081)	4,040
At 31 March 2014	1,620	286,469	55,700	29,394	373,183

Below is a summary of the valuation techniques used and the key inputs to the valuation of properties:

Class of properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Mainland China – Buildings – Residential – Level 3	Market comparable method	Gross unit rate per square feet	HK$998
Mainland China – Buildings – Industrial – Level 3	Direct replacement cost method	Gross unit rate per square feet	HK$66 to HK$589
Hong Kong – Land and buildings – Industrial – Level 3	Market comparable method	Gross unit rate per square feet	HK$2,644 to HK$2,731
Malaysia – Buildings – Industrial – Level 3	Direct replacement cost method	Gross unit rate per square feet	HK$530

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

Fair value hierarchy *(continued)*

A significant increase/(decrease) in gross unit rate per square feet in isolation would result in a significant increase/(decrease) in the fair value of the properties.

At 31 March 2014, the buildings in Mainland China included certain buildings with a net book value of approximately HK$104,021,000 (2013: HK$62,663,000) for which the Group is still in the process of obtaining the building ownership certificates. These buildings are erected on parcels of land 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$213,328,000 (2013: HK$174,989,000).

Certain cash generating units (''CGUs") have been experiencing recurring losses or performing below budget. The management considered there were impairment indicators and hence conducted impairment assessments of the following CGUs during the year ended 31 March 2014:

(a) a subsidiary that manufactures and sells motors products (''Motor Subsidiary");

(b) a subsidiary that develops and distributes materials (''ITO Subsidiary"); and

(c) a subsidiary that has mining activities in Lao PDR (''Mining Subsidiary").

The recoverable amounts of these property, plant and equipment are determined based on a value in use calculation using cash flow projections according to financial budgets covering a five-year period approved by senior management.

The key assumptions for the cash flow projections is the budgeted gross margin, which is determined based on past performance and management's expectations for market development, and the discount rates applied to the cash flow projections for the Motor Subsidiary, the ITO Subsidiary and the Mining Subsidiary were 14%, 13% and 14%, respectively. The financial budgets are prepared reflecting actual and prior year performance and development expectations. The carrying amounts of these property, plant and equipment were considered in excess of values in use. Thus, impairment losses of HK$8,447,000, HK$11,869,000 and HK$1,527,000 had been recognised for the Motor Subsidiary, the ITO Subsidiary and the Mining Subsidiary, respectively, which had been allocated to the respective categories above.

At 31 March 2014, if the discount rate had been 50 basis points higher/lower, the impairment charges for the Motor Subsidiary, the ITO Subsidiary and the Mining Subsidiary for the year ended 31 March 2014 would have been increased/decreased by approximately HK$1,275,000, HK$1,694,000 and nil, respectively.

14. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount at 1 April	**–**	–
Additions	**3,074**	–
Net gain from a fair value adjustment	**1,939**	–
Carrying amount at 31 March	**5,013**	–

The Group's investment properties were held under medium term leases and are situated in Units 20803 and 20804, 8th Floor, Block 1 and Car Park Nos. 2F112 and 2F127 on Basement 1, Block 3, Huixin IBC, Zhangba Dong Road, Gaoxin District, Xian City, Shaanxi Province, the PRC, as residential units.

The directors have determined that the investment properties consist of residential properties in the PRC, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2014 based on valuations performed by Assets Appraisal Limited, independent professionally qualified valuers, at RMB3,960,000 (equivalent to HK$5,013,000).

During the year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group discusses with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

There has been no change from the valuation technique used in prior years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair value hierarchy

The fair value of the Group's investment properties at 31 March 2014 is estimated by using significant unobservable inputs and the fair value measurement is categorised under Level 3.

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.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Class of properties	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Residential properties in Mainland China	Market comparable method	Gross unit rate per square feet	HK$1,285

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

A significant increase/(decrease) in the gross unit rate per square feet in isolation would result in a significant increase/(decrease) in the fair value of the investment properties.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

At 31 March 2014, the Group is in the process of obtaining the building ownership certificates with a carrying amount of HK$5,013,000.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Cost:		
At 1 April	**33,781**	27,960
Additions	**1,325**	5,821
Exchange realignment	**964**	–
At 31 March	**36,070**	33,781
Amortisation:		
At 1 April	**5,109**	4,522
Recognised during the year	**858**	587
Exchange realignment	**156**	–
At 31 March	**6,123**	5,109
Carrying amount at 31 March	**29,947**	28,672
Current portion included in prepayments, deposits and other receivables *(note 23)*	**(877)**	(609)
Non-current portion	**29,070**	28,063

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

At 31 March 2014, the Group is in the process of obtaining the land use right certificates in respect of prepaid land lease payments for the land located in Shenzhen, the PRC and in Dushan County, Guizhou Province, the PRC of net carrying amount of HK$7,579,000 (2013: HK$7,744,000) and HK$2,187,000 (2013: HK$2,269,000), respectively.

16. GOODWILL

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

	Group	
	2014	2013
	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 2014, 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 14%. The financial budgets are prepared reflecting actual and prior year performance and development expectations.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**104,950**	104,950
Due from subsidiaries	**389,330**	445,442
	494,280	550,392

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 a subsidiary of HK$70,173,000 (2013: HK$127,029,000) which bears interest at 2.10%-2.25% (2013: 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 business	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)*

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

Name	Place of incorporation/ registration and business	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
Shenzhen Kin Yat Power Electronic Co., Ltd. #	PRC	US$5,000,000	100%	Manufacture and trading of toys and electronic products

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held *(continued)*				
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
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 and materials
Xian Jinshi Mining Co., Ltd. ("Xian Jinshi") *	PRC	RMB10,000,000	70%	Mine exploration

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Indirectly held *(continued)*				
Guizhou Kin Yat Commercial Development Company Limited #	PRC	RMB5,600,000	100%	Real estate development
Guizhou Kin Yat Property Company Limited ^	PRC	RMB60,000,000	100%	Real estate development
Guizhou Kin Yat Commercial Investment Company Limited #	PRC	RMB11,000,000	100%	Real estate development

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.*

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

During the year ended 31 March 2013, the Group disposed of its entire equity interest in Newway Electrical Industries Limited, a wholly-owned subsidiary of the Company, at a consideration of HK$55,000,000. 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	
	2014	2013
	HK$'000	*HK$'000*
Share of net deficits	–	(7,206)
Due from associates	–	7,206
	–	–

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 shared from these associates in prior years were reversed during the year ended 31 March 2013.

During the year ended 31 March 2014, all of the Group's associates were deregistered and accordingly, the gain on reversal of share of net deficits of HK$7,206,000 (2013: Nil) and the loss of write off on amounts due from associates of HK$7,206,000 (2013: Nil) were recognised in "Share of profits and losses of associates " on the face of the consolidated income statement.

18. INTERESTS IN ASSOCIATES *(continued)*

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

Deregistered during the year

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014	2013
	HK$'000	*HK$'000*
Share of the associates' profit and total comprehensive income for the year	**–**	8,268
Aggregate carrying amount of the Group's investments in associates	**–**	–

19. INTANGIBLE ASSETS

Group

	Exploration rights and assets HK$'000	Deferred development costs HK$'000	Total HK$'000
2014			
Cost:			
At 1 April 2013	**21,784**	**21,775**	**43,559**
Additions	**473**	**7,834**	**8,307**
Retirements	**–**	**(7,751)**	**(7,751)**
Exchange realignment	**1,103**	**873**	**1,976**
At 31 March 2014	**23,360**	**22,731**	**46,091**
Accumulated amortisation:			
At 1 April 2013	**–**	**14,355**	**14,355**
Provided during the year	**–**	**7,730**	**7,730**
Retirements	**–**	**(7,751)**	**(7,751)**
Exchange realignment	**–**	**716**	**716**
At 31 March 2014	**–**	**15,050**	**15,050**
Net book value:			
At 31 March 2014	**23,360**	**7,681**	**31,041**
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

20. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 April	**–**	50,482
Disposal of subsidiaries *(note 33)*	**–**	(50,482)
At 31 March	**–**	–

21. INVENTORIES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**192,642**	155,813
Work in progress	**49,510**	31,191
Finished goods	**114,621**	74,550
	356,773	261,554

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. Accounts receivable are non-interest-bearing.

22. ACCOUNTS RECEIVABLE *(continued)*

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**125,087**	116,872
31 – 60 days	**30,527**	27,344
61 – 90 days	**10,476**	12,016
Over 90 days	**5,546**	9,226
	171,636	165,458
Less: Impairment allowance	**(842)**	(842)
	170,794	164,616

During the year ended 31 March 2014, certain of the accounts receivable were factored to a bank in exchange for cash and the related bank loans. At 31 March 2014, no outstanding accounts receivable were factored to the bank and the Group does not hold any collateral or other credit enhancements over its accounts receivable balances.

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 April	**842**	872
Impairment losses written back *(note 7)*	**–**	(22)
Amount written off as uncollectible	**–**	(8)
At 31 March	**842**	842

At 31 March 2014, accounts receivable of HK$842,000 (2013: HK$842,000) 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.

22. ACCOUNTS RECEIVABLE *(continued)*

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**150,468**	130,111
Less than 1 month past due	**15,258**	24,277
Over 1 month past due	**5,910**	10,228
	171,636	164,616

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 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	
		2014	2013	**2014**	2013
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Deposits for mining projects		**26,582**	25,301	**–**	–
Deposits for land use rights		**94,936**	17,268	**–**	–
Deposits for property, plant and equipment		**50,754**	19,342	**–**	–
Prepayments		**85,141**	90,453	**3**	–
Other deposits		**3,562**	3,591	**–**	–
Other receivables	*33*	**–**	42,956	**–**	–
Prepaid land lease payments	*15*	**877**	609	**–**	–
		261,852	199,520	**3**	–
Less: Current portion		**(89,580)**	(137,609)	**(3)**	–
Non-current portion		**172,272**	61,911	**–**	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Listed investments in Hong Kong, at market value	**9,840**	9,706

The above investments at 31 March 2014 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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits				
– original maturity of more than three months	**82,812**	78,135	**–**	–
– original maturity of less than three months	**1,803**	11,062	**–**	–
	84,615	89,197	**–**	–
Cash and bank balances	**173,797**	210,039	**161**	176
	258,412	299,236	**161**	176

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$166,540,000 (2013: HK$144,393,000). 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 PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

An aged analysis of the Group's accounts and bills payables 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	
	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**102,788**	80,201
31 – 60 days	**51,524**	25,738
61 – 90 days	**35,413**	32,940
Over 90 days	**20,368**	12,162
Accounts and bills payables	**210,093**	151,041
Accrued liabilities	**182,853**	139,759
Other payables #	**71,840**	19,408
	464,786	310,208
Less: Current portion	**(420,482)**	(310,208)
Non-current portion *	**44,304**	–

	Company	
	2014	2013
	HK$'000	*HK$'000*
Other payables	**2,748**	2,713

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

* *At 31 March 2014, included in other payables, an amount of RMB35,000,000 (2013: Nil), approximately HK$44,304,000 (2013: Nil), was received during the year ended 31 March 2014 in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province, the PRC for the Group's real estate development project.*

At 31 March 2013, included in other payables, an amount of RMB5,000,000, approximately HK$6,024,000, 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 resource development project. During the year ended 31 March 2014, the subsidies of RMB5,000,000, approximately HK$6,329,000 was recognised in the income statement upon the fulfillment of conditions by the Group for the resource development project.

27. INTEREST-BEARING BANK BORROWINGS

Group

	2014			2013		
	Effective interest rate	**Maturity**	***HK$'000***	Effective interest rate	Maturity	*HK$'000*
Current – unsecured						
Bank overdrafts	**Hong Kong dollar prime**	**On demand**	**2,359**	–	–	–
Bank loans	**Hong Kong Interbank Offered Rate ("HIBOR") +1.75% to 1.88%**	**2014-2015**	**72,990**	HIBOR +1.75% to 1.88%	2014	67,990
Bank loans	**HIBOR+1.75%**	**2014**	**8,031**	–	–	–
Bank loans	**HIBOR+1% to 2%**	**2014**	**105,000**	HIBOR+1% to 2%	2014	90,659
			186,021			158,649
			188,380			158,649
Non-current – unsecured						
Bank loans	**HIBOR+1.88%**	**2015-2016**	**60,000**	HIBOR+1.88%	2015-2016	109,519
			248,380			268,168

Company

	2014			2013		
	Effective interest rate	**Maturity**	***HK$'000***	Effective interest rate	Maturity	*HK$'000*
Current – unsecured						
Bank loans	**HIBOR +1.75% to 1.88%**	**2014-2015**	**72,990**	HIBOR +1.75% to 1.88%	2014	67,990
Non-current – unsecured						
Bank loans	**HIBOR +1.88%**	**2015-2016**	**60,000**	HIBOR +1.88%	2015-2016	109,519
			132,990			177,509

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**188,380**	158,649	**72,990**	67,990
In the second year	**27,500**	49,519	**27,500**	49,519
In the third to fifth years	**32,500**	60,000	**32,500**	60,000
	248,380	268,168	**132,990**	177,509

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values. All bank borrowings are in Hong Kong dollars.

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	**Revaluation of land and buildings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 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 and 1 April 2013	4,000	18,112	22,112
Deferred tax debited to equity during the year	–	6,984	6,984
Deferred tax credited to the income statement during the year *(note 9)*	(2,503)	506	(1,997)
Exchange realignment	–	238	238
At 31 March 2014	**1,497**	**25,840**	**27,337**

28. DEFERRED TAX *(continued)*

Gross deferred tax assets

Group

	Deferred subsidy income HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 April 2012, 31 March 2013 and 1 April 2013	–	108	108
Deferred tax credited to the income statement during the year *(note 9)*	11,076	–	11,076
At 31 March 2014	**11,076**	**108**	**11,184**

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2014 ***HK$'000***	2013 *HK$'000*
Deferred tax liabilities recognised in the consolidated statement of financial position	**27,337**	22,112
Deferred tax assets recognised in the consolidated statement of financial position	**(11,184)**	(108)
	16,153	22,004

The Group has unrecognised tax losses of HK$201,511,000 (2013: HK$168,526,000) 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.

28. DEFERRED TAX *(continued)*

At 31 March 2014, 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$17,706,000 (2013: HK$15,077,000) at 31 March 2014.

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

29. SHARE CAPITAL

	Company	
	2014	2013
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
418,748,000 ordinary shares of HK$0.10 each	**41,875**	41,875

30. SHARE OPTION SCHEME

During the year ended 31 March 2013, 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.

30. SHARE OPTION SCHEME *(continued)*

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 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.

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 5,592,000 options granted but not yet exercised under the Old Share Option Scheme.

30. SHARE OPTION SCHEME *(continued)*

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 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.

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:

2014

		Number of share options							
	Date of share options granted	At 1 April 2013	Granted during the year	Exercised during the year	Forfeited and lapsed during the year	At 31 March 2014	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	–	–	(28,000)	192,000	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
		10,902,000	–	–	(2,410,000)	8,492,000			

* *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.*

^ *Mr. Chui Pak Shing resigned as a director of the Company on 3 January 2014.*

30. SHARE OPTION SCHEME *(continued)*

2013

	Date of share options granted	Number of share options: At 1 April 2012	Granted during the year	Exercised during the year	Forfeited and lapsed 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.*

During the year ended 31 March 2014, 2,410,000 share options in total were forfeited and lapsed, and accordingly the respective share option expenses of HK$627,000 and HK$356,000 were released from share option reserve to the income statement and the equity, respectively.

During the year ended 31 March 2013, the Company recognised a total share option expense of HK$1,506,000 for the share options granted in the 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:

	2014		2013	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At 1 April	**1.781**	**10,902,000**	2.23	7,002,000
Granted during the year	**–**	**–**	0.974	3,900,000
Forfeited and expired during the year	**1.827**	**(2,410,000)**	–	–
At 31 March	**1.768**	**8,492,000**	1.781	10,902,000

No share options were exercised during the years ended 31 March 2014 and 2013.

At the end of the reporting period, the Company had 8,492,000 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 8,492,000 additional ordinary shares of the Company and additional share capital of HK$849,000 and share premium of approximately HK$14,164,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 8,492,000 share options outstanding under the Schemes, which represented approximately 2.03% of the Company's shares in issue as at that date.

31. RESERVES

(a) Group

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

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

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

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 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 and 1 April 2013		124,530	7,544	104,750	91,647	328,471
Profit for the year		–	–	–	1,049	1,049
Final 2013 dividend paid	11	–	–	–	(12,562)	(12,562)
Release and transfer of share option reserve upon the forfeiture and lapse of share options	30	–	(983)	–	356	(627)
At 31 March 2014		**124,530**	**6,561**	**104,750**	**80,490**	**316,331**

The profit of HK$1,049,000 (2013: HK$24,703,000) for the year ended 31 March 2014 included a dividend income of nil (2013: HK$25,000,000) received from a subsidiary of the Company.

31. RESERVES *(continued)*

(b) Company *(continued)*

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:

	2014	2013
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**12,810**	13,212
Performance related bonuses	**2,200**	2,480
Equity-settled share option expense	**–**	643
Pension scheme contributions	**417**	420
Total compensation paid to key management personnel	**15,427**	16,755

Further details of the 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 interest 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. 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	**2014** **HK$'000**	2013 HK$'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:

	2014 **HK$'000**	2013 HK$'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. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

(a) During the year ended 31 March 2014, prepayment for the acquisition of buildings of HK$3,074,000 (2013: Nil) was transferred to investment properties.

(b) During the year ended 31 March 2014, other payables of HK$6,329,000 (2013: Nil) in respect of subsidies were recognised as other income upon the fulfillment of conditions by the Group.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for a term of three years.

At 31 March 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**276**	–
In the second to fifth years, inclusive	**103**	–
	379	–

(b) As lessee

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

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**579**	582
In the second to fifth years, inclusive	**1,586**	1,663
After five years	**–**	377
	2,165	2,622

The Company did not have any operating lease arrangements at the end of the reporting period (2013: Nil).

36. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	2014 HK$'000	2013 HK$'000
Contracted for commitments in respect of the acquisition of land use rights	–	2,756
Contracted for commitments in respect of the acquisition of items of property, plant and equipment	**46,795**	25,401
Contracted for commitments in respect of the investment in mining projects	**21,519**	20,482

The Company did not have any other significant commitments at the end of the reporting period (2013: Nil).

37. CONTINGENT LIABILITIES

(a) At the end of the reporting period, the Company had provided guarantees of HK$432,460,000 (2013: HK$320,140,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK$115,390,000 (2013: HK$90,659,000) had been utilised as at the end of the reporting period.

(b) On 26 March 2014, the Hong Kong Inland Revenue Department ("IRD") issued estimated assessments ("EA") for the year of assessment 2007/08 (which was statutorily time-barred after 31 March 2014) with total tax demanded of around HK$16,242,000 to certain subsidiaries of the Group ("Subsidiaries"). The EA were issued as a consequence of the tax audit being carried out on the tax affairs of the Subsidiaries. The Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase tax reserve certificates ("TRC") in the amount of HK$7,875,000 and to holdover the balance on the condition that a 8% annual interest will be charged should the balance become payable upon settlement of the objection.

In the opinion of the directors, the formal negotiation has not yet been started and there is no specific basis for adjusting the Subsidiaries' tax position for the year of assessment 2007/08 specified in the EA. Therefore, the directors are of the view that no tax provision of Hong Kong Profits Tax is required at this stage. The Subsidiaries will discuss with the IRD and will continue to monitor the progress of the tax audit and to defend the Subsidiaries' tax position vigorously. Therefore, no tax provision was provided thereon at 31 March 2014.

38. 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			
	2014		2013	
	Financial assets at fair value through profit or loss	**Loans and receivables**	Financial assets at fair value through profit or loss	Loans and receivables
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Due from associates	**–**	**–**	–	7,206
Accounts receivable	**–**	**170,794**	–	164,616
Other receivables	**–**	**–**	–	42,956
Time deposits	**–**	**84,615**	–	89,197
Cash and bank balances	**–**	**173,797**	–	210,039
Financial assets at fair value through profit or loss	**9,840**	**–**	9,706	–
	9,840	**429,206**	9,706	514,014

Financial liabilities	Group	
	2014	2013
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Accounts and bills payables	**210,093**	151,041
Financial liabilities included in other payables and accrued liabilities	**68,300**	27,742
Due to non-controlling shareholders	**38,838**	37,808
Interest-bearing bank borrowings	**248,380**	268,168
	565,611	484,759

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Financial assets	**Company 2014** *HK$'000*	2013 *HK$'000*
Loan and receivables:		
Due from subsidiaries	**389,330**	445,442
Cash and bank balances	**161**	176
	389,491	445,618

Financial liabilities	**Company 2014** *HK$'000*	2013 *HK$'000*
Financial liabilities at amortised cost:		
Other payables	**2,748**	2,713
Interest-bearing bank borrowings	**132,990**	177,509
	135,738	180,222

39. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
At 31 March 2014:				
Financial assets at fair value through profit or loss	**9,840**	**–**	**–**	**9,840**
At 31 March 2013:				
Financial assets at fair value through profit or loss	9,706	–	–	9,706

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 (2013: Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. The board of directors reviews and agrees 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.

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 before tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in interest rate %	Increase/ (decrease) in profit before tax *HK$'000*
2014		
Hong Kong dollar	**1**	**(2,484)**
Hong Kong dollar	**(1)**	**2,484**
2013		
Hong Kong dollar	1	(2,682)
Hong Kong dollar	(1)	2,682

Foreign currency risk

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

40. 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 before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**
	%	***HK$'000***
2014		
If Hong Kong dollar weakens against RMB	**5**	**2,350**
If Hong Kong dollar strengthens against RMB	**(5)**	**(2,350)**
2013		
If Hong Kong dollar weakens against RMB	5	3,868
If Hong Kong dollar strengthens against RMB	(5)	(3,868)

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.

40. 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

2014

	Within one year *HK$'000*	**One to five years** *HK$'000*	**Total** *HK$'000*
Accounts and bills payables	**210,093**	**–**	**210,093**
Financial liabilities included in other payables and accrued liabilities	**23,996**	**44,304**	**68,300**
Due to non-controlling shareholders	**38,838**	**–**	**38,838**
Interest-bearing bank borrowings	**190,977**	**61,322**	**252,299**
	463,904	**105,626**	**569,530**

2013

	Within one year *HK$'000*	One to five years *HK$'000*	Total *HK$'000*
Accounts and bills payables	151,041	–	151,041
Financial liabilities included in other payables and accrued liabilities	27,742	–	27,742
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

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

Liquidity risk *(continued)*

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

Company

2014

	Within one year *HK$'000*	**One to five years** *HK$'000*	**Total** *HK$'000*
Other payables	**2,748**	**–**	**2,748**
Interest-bearing bank borrowings	**75,363**	**61,322**	**136,685**
Guarantees given to banks in connection with facilities utilised by subsidiaries	**115,390**	**–**	**115,390**
	193,501	**61,322**	**254,823**

2013

	Within 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

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 2014 and 2013.

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

Market risk *(continued)*

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	
	2014	2013
	HK$'000	*HK$'000*
Listed investments in Hong Kong	**984**	971

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 2014 and 2013.

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	
	2014	2013
	HK$'000	*HK$'000*
Total interest-bearing bank borrowings	**248,380**	268,168
Total equity	**1,114,663**	1,049,273
Gearing ratio	**22.3%**	25.6%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2014.