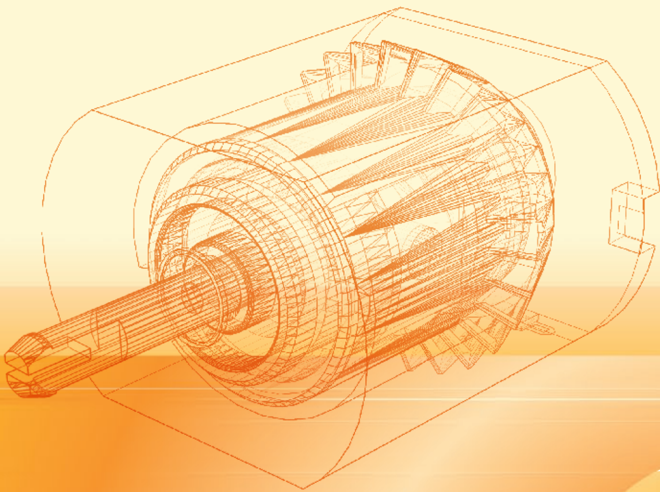
KIN YAT HOLDINGS LIMITED
建溢集團有限公司

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)



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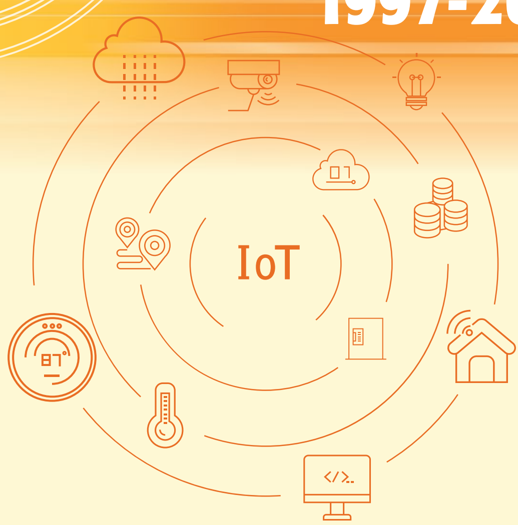
LISTING ANNIVERSARY

1997-2017



ANNUAL REPORT

for the year ended
31 March 2017

CONTENTS

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. Cheng Tsz To
Mr. Cheng Tsz Hang
Mr. Chin Wee Hon
Mr. Hui Ka Po, Alex*

Independent non-executive Directors

Mr. Wong Chi Wai
Dr. Sun Kwai Yu, Vivian
Mr. Cheng Kwok Kin, Paul
Mr. Cheung Wang Ip

COMPANY SECRETARY

Mr. Chan Ho Man

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

* *Appointed as an executive Director on 1 December 2016*

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

CORPORATE WEBSITE

www.kinyat.com.hk

It gives me great pleasure to present the annual results of Kin Yat Holdings Limited (the "Company") and, together with its subsidiaries (collectively the "Group"), for the financial year ended 31 March 2017 ("FY2017"). During the year, our proven management capabilities have guided our businesses well to deliver a set of strong results:

- Consolidated turnover grew 6.7% year on year to HK$2,472,193,000 (year ended 31 March 2016 ("FY2016"): HK$2,317,504,000);
- Profit attributable to equity holders of the Company was HK$196,375,000 (FY2016: loss of HK$69,843,000);
- Inclusive of a write-back of impairment of properties under development of HK$66,950,000 made in previous years (FY2016: Nil);
- Impairment/write-off losses and other expenses were significantly reduced to HK$2,006,000 (FY2016: HK$141,766,000);
- Profit for the year before write-back of impairment of properties under development and impairment/write-off losses and other expenses and non-controlling interests was HK$131,297,000 (FY2016: HK$70,089,000); and
- Basic earnings per share for the year were HK46.53 cents (FY2016: basic loss per share of HK16.67 cents).

Resilience of our principal manufacturing businesses underpinned our financial performance in FY2017, while the Group continued to build new paths to growth by investing in a selected range of non-manufacturing businesses leveraging on our financial and management strength.

STRATEGIES AND OUTLOOK

There are hopeful signs of an improvement in the global economic environment despite a number of uncertainties. Stronger manufacturing activities and receding risk of trade protectionism are upside developments going forward.

The Belt and Road Initiative of China will also likely expand the domestic market for Mainland-based manufacturers. As this state-backed strategy and related investments boost the trade flow between China and countries along the modern Silk Road, the country is on track to develop into an importer and an important consumer market. The Board believes that the Group is well positioned to benefit from this macroeconomic development.

The year 2017 marks the twentieth anniversary of the Group's listing on the Main Board of the Stock Exchange of Hong Kong Limited. In this landmark year, the Group is on course to enter a new phase of growth by building on our solid foundation.

In the course of our past decades of development, the Group has invested financial and management resources to build 'star' business lines while generating steady income streams from established 'cash cow' businesses. This continuous effort has resulted in a dynamic product portfolio matrix in support of our sound business foundation that ensures growth momentum and healthy income generation. We look forward to witnessing our new 'star' businesses materialise and contribute to our further growth in the financial year ending 31 March 2018 ("FY2018").

Manufacturing Businesses

The Group now operates three major production bases, two of which are in Shenzhen City ("Shenzhen") and Shixing County ("Shixing"), Guangdong Province, the People's Republic of China (the "PRC"), together with newly established facilities in Dushan County, Guizhou Province, the PRC ("Dushan"). The Shenzhen centre is dedicated to high-value-added processes for robotics and Internet of Things (IoT) manufacturing, while the Shixing base provides manufacturing support for both toys and other electrical and electronic products, and is a major production base of the motor business. Facilities in Dushan are currently designated for motors production.

Long-term Capacity Planning

Our long-term capacity expansion plan had in the past taken the Group from the traditional high-tech production base in Shenzhen to the lower-cost hub in Shixing. Taking a long-term view of the development of its manufacturing business, the Group has moved further to establish a new production base in Dushan. The Board considers that all three production bases are key components of the Group's core manufacturing strength. Together, they form a production platform that enables the Group to accommodate advanced technological requirements while maintaining stable assembling capacities.

The decision to establish facilities in Dushan in Guizhou Province was based on considerations of its cost advantage and labour supply, as well as the policy support of the local government. In line with China's directive to modernise Guizhou Province, Dushan also enjoys a set of targeted policy support measures from the Central People's Government of the PRC. Such measures include incentives for business startups in Dushan in an effort to increase employment and boost the local economy.

Go Smart and Lean

We believe that new growth will come from the furtherance of our capabilities and know-how.

Having established a strong footing in robotics manufacturing, the Group is seeking to enhance its competence level further. On the basis of technology-driven production, the Group will gradually introduce Internet connectivity to the work processes, with the long-term goal of implementing smart manufacturing.

The current manufacturing setup is customised for the product, such as the vacuum cleaning robot. In the next level, the Group will transition its business model from product customisation to process customisation, in order to cope with increasingly diverse customer needs in an efficient manner.

Lean transformation will also continue in all Group facilities to allow us to remain competitive in today's industrial sector. Through the implementation of lean practices, the Group has achieved higher efficiencies, quality performance and stock turnover, thereby maximising value from the stream of productive activities. Most importantly, we are able to swiftly respond to the pull of customers and provide real value to them.

A New Phase of Development for the Motors Segment

With the proven history of the existing facilities in Shixing, supplemented by the successful expansion of a new production platform in Dushan, the motors segment is able to generate higher profitability from efficiency improvement and the lower costs of Dushan. The segment has also put in efforts to expand its client and product range.

We hold an optimistic view of the ongoing sales and earnings growth of the motors segment. In order to take this operation to a new level of competence, the Group will commit investments to implement automated production processes at its facilities. This will be crucial to escalating the competitive position and thus sustainable growth of the segment.

We are confident that the motors segment will contribute more significantly to the Group's revenue and profitability in the coming years.

Real Estate Development Business

The management notes increased government investments to spur economic development in Dushan, with a focus on infrastructure building. We are confident that these developments, together with the economic impact of the high-speed rail connection, will provide further upside for the Group's property investments in the county. Our strategy remains to capture the best potential value of the acquired land by undertaking developments in phases, and to reinvest sales proceeds to finance new projects.

We are taking prudent steps to address the challenges and opportunities that this business segment represents, and we remain on course to make this segment an additional earnings driver for the Company.

Financial Management

With total interest-bearing bank borrowings at HK$339,310,000 as at 31 March 2017 (31 March 2016: HK$188,507,000), the Group has maintained a gearing ratio (total interest-bearing bank borrowings divided by total equity) of approximately 37.4% (31 March 2016: 22.0%).

Going forward, the Group will allocate funding from internal resources and bank borrowings to provide adequate support for our necessary capital expenditures for the development of our core businesses in an effort to maintain a strong financial position.

ACKNOWLEDGEMENTS

In the course of FY2017, the Group successfully delivered a strong performance and achieved solid business progress. On behalf of the Board, I wish to convey my appreciation to all our shareholders, customers, suppliers and business partners for being a part of our success. I would also like to extend my gratitude to the Board members, senior management and staff members for their commitment and contributions to the Group.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 28 June 2017

The Group operates two main business streams. In the manufacturing arena, it is engaged in the research-and-development-based production of electrical and electronic products and motors. The non-manufacturing category currently comprises mainly real estate development business activities.

CONSOLIDATED RESULTS

The Group's consolidated turnover increased by 6.7% year-on-year to HK$2,472,193,000 (FY2016: HK$2,317,504,000), led by strong performance in both of its manufacturing segments. Total turnover of the Group comprised the following segmental external turnover:

- HK$1,734,190,000 from the electrical and electronic products business, representing 70.1% of the consolidated turnover of the Group for the year (FY2016: HK$1,622,773,000, 70.0%);

- HK$737,992,000 from the motors business, contributing 29.9% of the total (FY2016: HK$693,855,000, 29.9%);

- HK$11,000 from the resources development business, accounting for 0.0% of the total (FY2016: HK$876,000, 0.1%); and

- No turnover was booked from property pre-sales of the real estate development business segment during the year (FY2016: Nil, 0.0%).

The Group achieved a turnaround and posted a profit attributable to equity holders of the Company of HK$196,375,000 during FY2017 (FY2016: loss of HK$69,843,000). Before inclusion of the write-back of impairment of properties under development of HK$66,950,000 (FY2016: Nil) and impairments and other expenses of HK$2,006,000 (FY2016: HK$141,766,000), a profit (before non-controlling interests) of HK$131,297,000 (FY2016: HK$70,089,000) was recorded.

Basic earnings per share for the year were HK46.53 cents (FY2016: basic loss per share of HK16.67 cents).

The electrical and electronic products and motors segments both demonstrated robust operating results in FY2017 on the back of an expanded order book and continuous efficiency enhancement. The real estate development segment recorded a loss on operating expenses incurred as pre-sales revenue has yet to be booked, while the resources development business was in the process of being wound down.

The table below sets out the results of the Group by business segment in FY2017, together with the comparative figures of the previous year:

Results by business segment	**FY2017**	**FY2016**	**Year-on-year change**
	HK$'000	*HK$'000*	*%*
Electrical and electronic products *(Note 1)*	168,292	87,838	+91.6
Motors *(Note 2)*	43,677	(22,056)	NA
Real estate development *(Note 3)*	61,673	(65,573)	NA
Resources development *(Note 4)*	(7,823)	(5,390)	NA
Total segment results	265,819	(5,181)	NA

Note 1: including impairment/write-off losses of HK$1,017,000 for FY2017 (FY2016: HK$50,761,000)

Note 2: including one-off impairment/write-off losses of HK$122,000 for FY2017 (FY2016: HK$26,472,000)

Note 3: including write-back of impairment of properties under development of HK$66,950,000 (FY2016: Nil) and no one-off impairment losses and loss from changes in fair value for FY2017 (FY2016: HK$59,770,000)

Note 4: including one-off impairment/write-off losses of HK$505,000 for FY2017 (FY2016: HK$4,763,000)

OPERATIONAL REVIEW

Manufacturing Businesses

Our multi-year investments and experience in robotics manufacturing have helped build a niche expertise and highly automated factory setup, getting the Group ready to expand into other technology-driven production arenas, and setting the stage for further growth.

Electrical and Electronic Products Business Segment

The electrical and electronic products segment is engaged in the development, design and manufacture of four main product categories: (i) robotics with artificial intelligence (AI) features, (ii) Internet of Things (IoT) applications, (iii) high-tech toys, and (iv) other products including small home appliances. The segment's research-and-development ("R&D") and production platforms are principally based in Shenzhen, supplemented by a small-scale production facility in Shixing.

This business segment remained a strong revenue and earnings contributor for the Group. Segment external turnover in FY2017 went up by 6.9% to HK$1,734,190,000 (FY2016: HK$1,622,773,000), contributed mainly by sales of AI robotic products.

Consolidation and reallocation of resources within the facilities have delivered efficiency gains and cost advantages for the segment, leading its operating profit rose by 22.2% to HK$169,309,000 (FY2016: HK$138,599,000). After taking into account of impairment/write-off losses of HK$1,017,000 (FY2016: HK$50,761,000), the segment recorded a profit of HK$168,292,000 (FY2016: HK$87,838,000).

Robotics

Robotics manufacturing continued to drive growth from the vacuum cleaning robot product series, as it penetrates further into a number of export and Mainland domestic markets. In addition to the continuous upgrading of this product line, the segment has also moved to expand its portfolio by applying the acquired robotics capabilities to a range of products with different functionalities for other clients.

The management is confident that the robotics line is on track to extend from household to other end-user segments, with newly developed items starting to contribute to the segment's revenue in FY2017.

Over the course of our development in the robotics industry, the segment has introduced collaborative robots to different workshops in order to automate and customise production. This process of facilities revamp has enabled the segment to accommodate manufacturing requirements with high technology content, and has paved the way for its future leap forward to robotics-based manufacturing catering to higher sophistication, and shorter lead-time and product cycles.

Internet of Things

The segment's skill sets in robotics are the building blocks for its development in the IoT sphere. Substantial effort and resources will be directed towards developing business in this area in the coming years. Despite the relatively short time span of projects initiation, the segment has already established a diverse portfolio of products under development. Its current scope falls into four product categories, namely wearable, home, education and gaming.

Among the various projects, a robot construction kit for educational use has been delivered during the year to a positive market reception. The management has confidence in the prospects of this product and has engaged further business development efforts for it. Another product with promising potential is a gaming robot employing mixed reality ("MR") technology. Development works have also been ongoing for a range of app-controlled products, wearable tracking devices, smart home appliances, and learning and communication robots.

Apart from the development of connected devices, machine learning capabilities are believed to be the driving engine of IoT. To this end, the management will closely follow the growing trend of IoT-driven analytics by leveraging deep learning to provide predictive insights from data collected from wearables and sensors.

OPERATIONAL REVIEW *(continued)*

Manufacturing Businesses *(continued)*

Electrical and Electronic Products Business Segment *(continued)*

Internet of Things (continued)

With a view to tapping further into the potential of the global growth of IoT, the Group is considering various options including investing in start-ups that offer a promising outlook and synergies with the segment.

Toys

The toys line remains an important component of the electrical and electronic products segment. As it moves forward in the direction of high-value and technology-driven production, the segment is working with existing and new clients to explore new avenues in toy and game development.

Product development work in collaboration with a major toys vendor is actively ongoing to create new and innovative play experiences. The management is confident about the launch of this new project, the results of which will be reflected in the coming financial years.

As the toys line scales up its technical competence, the segment is gradually phasing out or outsourcing the production of parts/items that are of relatively lower added value or profit margin.

Motors Business Segment

The motors segment is engaged in the development, design, manufacture and sale of micro-electric motors and related products, with a focus on direct-current ("DC") motors. The segment's major facilities are located in Shixing and Dushan, with a small-scale production facility in Malaysia.

Segment external turnover increased slightly by 6.4% year-on-year to HK$737,992,000 (FY2016: HK$693,855,000) while the product mix continued to shift to the higher-margin DC motors line.

The management is much encouraged by the segment's further improvement in profitability. Benefitting from the consolidation and relocation of facilities to the lower-cost production base in Dushan, and as a result of tight operating cost control, relatively stable material costs and the devaluation of the Renminbi ("RMB"), the segment's operating profit improved further to HK$43,799,000 (FY2016: HK$4,416,000). One-off impairment/write-off losses were significantly reduced to HK$122,000 during FY2017 (FY2016: HK$26,472,000), while the subsidy income (being government grants recognised to the income statement on a systematic basis) was amounted to HK$5,966,000 (FY2016: HK$3,880,000). Taking into account these items, the segment achieved a turnaround and produced a profit of HK$43,677,000 (FY2016: loss of HK$22,056,000).

During the previous financial year, the segment went through a restructuring exercise to consolidate its manufacturing activities and to scale down the alternating-current ("AC") motors business, which has recorded shrinking profit margins. Facilities in Shixing and Dushan have been ramped up smoothly to replace the production lines in our industrial park located in Shaoguan City, Guangdong Province, the PRC. The beneficial effects of the facilities relocation programme are beginning to be reflected.

OPERATIONAL REVIEW *(continued)*

Manufacturing Businesses *(continued)*

Motors Business Segment *(continued)*

The segment has moved forward a number of plans to actively develop its motors business. As a step to expand its customer portfolio, a representative office was opened in Incheon, South Korea during the year. An R&D office was also set up in Shenzhen to elevate the segment's technical know-how so as to improve the quality of and expand the product range.

In view of the positive market response to our product and business development efforts, it is anticipated that segment sales will continue to grow in the years to come. The segment will thus continue to expand its production plants in Dushan and Shixing. A new extension of the Dushan facilities is currently under construction, and is expected to be commissioned in FY2018.

In light of rising labour costs, expanding production requirements and the complexity of the products, the segment has undertaken works to automate production. Implementation of automated production processes is progressing at full speed while substantial investments have been budgeted to facilitate the growth of sales. The automation exercise is expected to help the segment reduce labour costs, shorten production cycles and improve product quality.

The management is confident of the segment's sales and earnings growth in the coming year.

Non-manufacturing Businesses

Real Estate Development Business Segment

The Group is currently engaged in the development of a residential and commercial property project located at 貴州獨山經濟開發區 (English translation: Dushan Economic Development Zone) (the "Dushan EDZ"), Dushan, Guizhou Province, the PRC.

During the period under review, all pre-sale permits for the entire 116 low-density residential units of the phase I of our residential development, *The Royale Cambridge Residences*, were obtained and the final acceptance of construction with respect to this residential development project has been underway. Following the continuing development of both the macro infrastructure surrounding Dushan such as the opening of the high-speed train station at Duyun City and also the local infrastructure around the site area of *The Royale Cambridge Residences*, we see continuously healthy momentum in the contracted sales of our property units. Up to the date of this report, a considerable portion of the phase I residential units of this residential development project were pre-sold with an average achieved selling price of more than RMB5,300 per square metre. Besides the progress of the Guiyang-Nanning High-speed Railway which is planned to have a station approximately one kilometre from our current site area, other local infrastructure developments include the commencement of the construction of a public hospital nearby and the opening of main roads surrounding our site.

The boosting of both the transaction volume and price of both the residential and commercial property market in Dushan is mainly attributable to government efforts in rebuilding the city into a tourist-centric destination. Furthermore, Dushan was admitted in December 2016 as part of 第三批國家新型城鎮化綜合試點地區 (English translation: Third Batch of National Urbanisation Comprehensive Pilot Areas) by the National Development and Reform Commission, and is therefore expected to enjoy various preferential policies in its urbanisation programme.

Given that the final acceptance certificates for *The Royale Cambridge Residences* have not yet been obtained, no revenue was recognised in FY2017. Based on the recently transacted prices and projected costs to complete, a total of HK$66,950,000 in impairment loss has been written back. As a result, the segment records a profit of HK$61,673,000 (FY2016: loss of HK$65,573,000) which primarily reflected the administrative expenses of the operations and the aforesaid write-back of the impairment provision.

OPERATIONAL REVIEW *(continued)*

Non-manufacturing Businesses *(continued)*

Real Estate Development Business Segment (continued)

Stemming from the experience of our current low-density residential property, and the prevailing economic development initiatives in Dushan, and further to the announcement in 2016 concerning the strategic partner relationship for closer cooperation between the Company and 貴州獨山經濟開發區管理委員會 (English translation: Guizhou Dushan Economic Development Zone Management Committee), we have positioned ourselves to step up our property development efforts in the Dushan EDZ once any of the announced initiatives bear fruit or materialise into specific projects.

In particular, the segment is in the final stage of evaluating the Shanty-Town Reformation Project which is intended to offer more than 600,000 square metres as resettlement property for those residential units that are demolished or affected by the urbanisation and economic development.

In view of the prevailing strengthened market conditions in Dushan, the segment is considering to accelerate the development of the commercial property on the existing site.

As an initial measure, following our business expansion into the property development sector which has enhanced our capability, we have begun to study the dynamics of redeveloping the existing industrial use properties of our Group. In particular, the manufacturing hub in Shaoguan City, Guangdong Province, has been scaled down and that presents us with an opportunity.

Going forward, appropriate resources will be allocated to this segment to boost the earnings drivers of the Group.

Resources Development Business Segment

During the year, the operations of the segment were suspended. Efforts have been made to devise measures to close down this segment in an orderly fashion, by means including but not limited to consolidation and disposal.

Segment turnover dropped to HK$11,000 (FY2016: HK$876,000). Segment loss was maintained at minimal level of HK$7,823,000 (FY2016: HK$5,390,000) including an expense of HK$505,000 (FY2016: HK$4,763,000) for the impairment/write-off losses relating to the materials development business and the administrative expenses of segment activities at a basic level.

DIVIDENDS

Interim and special dividends of HK5.0 cents and HK15.0 cents per ordinary share respectively, totalling HK$85,672,000 were paid to the shareholders of the Company on 5 January 2017.

The Board is pleased to recommend the payment of a final dividend of HK5.0 cents (FY2016: HK5.0 cents) per share for the FY2017, representing HK$21,418,000 (FY2016: HK$20,958,000). The final dividend is expected to be paid on Tuesday, 19 September 2017 to those shareholders whose names appear on the Company's register of members (the "Register of Members") on Thursday, 7 September 2017, subject to the approval in the Company's annual general meeting to be held on Thursday, 31 August 2017. Based on the interim and special dividends and recommended final dividend, the yearly dividend distributed by the Company during the FY2017 was HK25.0 cents (FY2016: HK5.0 cents).

FINANCIAL CONDITIONS, LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily used its internally generated cash flows 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 2017, the Group had time deposits of HK$6,430,000 (31 March 2016: HK$6,565,000), cash and bank balances of HK$282,588,000 (31 March 2016: HK$204,948,000), and net current assets of HK$214,565,000 (31 March 2016: HK$180,967,000). As at 31 March 2017, shareholders' equity was HK$955,137,000 (31 March 2016: HK$916,096,000). Total consolidated banking facilities (including trade finance facilities) of the Group from all banks as at 31 March 2017 amounted to approximately HK$695,086,000 (31 March 2016: HK$663,185,000), of which HK$341,807,000 (31 March 2016: HK$195,664,000) was utilised including interest-bearing bank borrowings of HK$339,310,000 (31 March 2016: HK$188,507,000) and irrecoverable letter of credit of HK$2,497,000 (31 March 2016: HK$7,157,000).

As at 31 March 2017, the interest-bearing bank borrowings of the Group were in the sum of HK$339,310,000 (31 March 2016: HK$188,507,000) of which HK$274,310,000 (31 March 2016: HK$188,507,000) was repayable within one year and the remaining balance of HK$65,000,000 was repayable within the second to fifth years (31 March 2016: Nil).

As at 31 March 2017, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.2 times (31 March 2016: 1.2 times) and the gearing ratio of the Group (total interest-bearing bank borrowings divided by total equity) was 37.4% (31 March 2016: 22.0%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

CAPITAL STRUCTURE

As at 31 March 2017, the total issued share capital of the Company was HK$42,836,000 (31 March 2016: HK$41,916,000), comprising 428,360,000 (31 March 2016: 419,160,000) ordinary shares of HK$0.10 each.

During the reporting period, the Company issued 9,200,000 ordinary shares (31 March 2016: Nil) upon exercise of share options granted to the directors and employees of the Company under the share option scheme of the Company.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 31 March 2017 (31 March 2016: Nil).

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and Renminbi or United States dollars. The Group does not have a foreign currency hedging policy on it. In order to manage and minimise the foreign exchange risk, the management shall from time to time review and monitor the foreign exchange exposure and will consider hedging the significant foreign currency exposure when appropriate and necessary.

INTEREST RATE RISK

The Group's financial facilities are denominated in Hong Kong dollars and Renminbi and interests on bank borrowings are chargeable based on certain interest margin over the Hong Kong Interbank Offered Rate and the People's Bank of China lending rate which are therefore of floating rate in nature. The Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risk during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed over 10,700 full-time employees, of which less than 130 of them were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The remuneration committee of the Board reviewed and determined the remuneration package of individual executive director and senior management of the Company with reference to the Board's corporate goals and objectives, responsibilities and employment conditions elsewhere within the Group and in the market. 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 and Malaysia, 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 will be closed from Monday, 28 August 2017 to Thursday, 31 August 2017, 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 Thursday, 31 August 2017, 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 Friday, 25 August 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the annual general meeting to be held on Thursday, 31 August 2017. The record date for entitlement to the proposed final dividend is Thursday, 7 September 2017. For determining the entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 6 September 2017 to Thursday, 7 September 2017, both days inclusive, during which period no transfer of shares 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 Tuesday, 5 September 2017. The final dividend is expected to be made on Tuesday, 19 September 2017.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 28 June 2017

The directors of the Company (the "Directors") present their report and the audited financial statements for the year ended 31 March 2017.

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 38 to the financial statements. The principal activities of the subsidiaries consisted of the design, manufacture and sale of electrical and electronic products, motors, encoder film and materials primarily for use in panel display, the exploration, processing and sale of mineral products and real estate development. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2017 and the Group's financial position at that date are set out in the financial statements on pages 43 to 123 of this annual report. During the year, interim and special dividends of HK5.0 cents and HK15.0 cents per ordinary share respectively, amounting to a total cash dividend of approximately HK$85,672,000 was paid to shareholders on 5 January 2017.

The Directors recommend the payment of a final dividend of HK5.0 cents per ordinary share in respect of the year to shareholders on the Register of Members on Thursday, 7 September 2017. Details are set out in note 10 to the financial statements.

DONATIONS

During the year, the Group made charitable donation of HK$17,000 during the year.

BUSINESS REVIEW

A review of the business and the performance of the Group for the year ended 31 March 2017 is provided in the sections of "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 3 to 5 and pages 6 to 12, respectively, of this annual report.

ENVIRONMENTAL POLICIES AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a responsible manufacturer and real estate developer, the Group is committed to reducing the impact on the environment in its operational activities, not only by advocating the concept of "green office", but also by improving the production process to reduce energy consumption and emission, so as to ensure that the operations does not pose risks to the environment and our neighbours.

Our first Environmental, Social and Governance Report (the "ESG Report") prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") will provide further explanation of our policies and work done. The ESG Report will be published within three months after the publication of the annual report of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's main operations are carried out both in Hong Kong and Mainland China and are regulated by their laws and regulations accordingly. During the year ended 31 March 2017 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have significant impact in Hong Kong and Mainland China.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces various risks and uncertainties in operations. To cope the risks, the Group's risk management and internal control systems are in place to ensure the principal risks are continuously identified, monitored and managed on an established basis.

Global economic development and individual market performance risks

The performance of global economic environment would influence the conditions on consumer confidence and their buying habits, and ultimately affects the Group's performance. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets to reduce its dependency on specific markets.

Policy and legal risks

The Group's principal operating activities is conducted in Mainland China and have a duty to abide the local laws and regulations. New launched laws and regulations, for example, domestic monetary and economic policy, labour and environmental protection, bring a long-term benefit to the country's development and to the well-bring of the citizens. On the contrary, the new enacted laws and regulations may produce a short-term negative impact on the results of the Group.

High customer concentration risks

Our large international customers provide valuable inputs to the Group, especially during the development phase of new products, for improving the quality of products and production processes. However, the said concentration may also carry substantial risks that can far outweigh any benefits in the long term. To avoid over-reliance on large customers, the Group continues to use the existing customers as a springboard to expand the Group's customer base.

People risks

The Group's future development is strongly relied on the Group to attract and retain well-equipped personnel. Without qualified personnel may delay or disrupt operations and ultimately hinder in achieving the Group's strategic goal. The risk of the loss of key personnel is mitigated by regular of training and remuneration packages reviews within the management team.

Details of the Group's foreign currency exposure and interest rate risk is provided in the sections of "Management Discussion and Analysis" set out on pages 11 to 12 of this annual report.

The above mentioned does not present an exhaustive picture of the risks and uncertainties faced by the Group, the Board must tailor its risk management to match the nature of risk threat.

KEY RELATIONSHIPS WITH STAFF, CUSTOMERS, SUPPLIERS AND SHAREHOLDERS

The Group's success also depends on the support from key stakeholders which comprise our staff, customers, suppliers as well as our shareholders.

The Group values our employees as the most significant and valuable assets to the Group, a comprehensive benefit package is offered to each employee for recognising their efforts. The Group also has a significant mission for providing a healthy and safety workplace to all employees. During the year, no significant accident occurred due to workplace accident.

The Group commits to provide quality services and products to each customer, any complaints from our customers are handled and investigated in a thorough and efficient manner.

The purchase of goods and contracting of services are based solely on need, quality and price. A fair and open competition in procurement with a high ethical standards promoted by the Group which help assure high products quality at all times to gain the confidence of customers.

The relationship with the shareholders can be found in the Corporate Governance Report set out on pages 25 to 37 of this annual report.

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	**2017**	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**2,472,193**	2,317,504	2,169,285	1,852,238	1,763,427
PROFIT/(LOSS) BEFORE TAX	**245,289**	(31,574)	(115,118)	43,640	61,852
Income tax expense	**(49,048)**	(40,103)	(33,848)	(28,519)	(33,429)
PROFIT/(LOSS) FOR THE YEAR	**196,241**	(71,677)	(148,966)	15,121	28,423
ATTRIBUTABLE TO:					
Equity holders of the Company	**196,375**	(69,843)	(121,583)	19,818	39,076
Non-controlling interests	**(134)**	(1,834)	(27,383)	(4,697)	(10,653)
	196,241	(71,677)	(148,966)	15,121	28,423

	As at 31 March				
ASSETS AND LIABILITIES	**2017**	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**927,839**	863,650	1,008,900	1,072,336	857,858
CURRENT ASSETS	**1,225,984**	977,103	833,658	885,399	872,721
TOTAL ASSETS	**2,153,823**	1,840,753	1,842,558	1,957,735	1,730,579
CURRENT LIABILITIES	**(1,011,419)**	(796,136)	(726,901)	(711,431)	(549,783)
NON-CURRENT LIABILITES	**(236,093)**	(187,241)	(159,896)	(131,641)	(131,523)
TOTAL LIABILITIES	**(1,247,512)**	(983,377)	(886,797)	(843,072)	(681,306)
NET ASSETS	**906,311**	857,376	955,761	1,114,663	1,049,273

BORROWINGS

Particulars of the Group's bank borrowings as at 31 March 2017 are set out in note 24 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 37 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 2017, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and the retained profits, amounted to HK$546,603,000 of which HK$21,418,000 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$139,642,000 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 74% of the total sales for the year and sales to the largest customer included therein amounted to 59%.

Purchases attributable to the Group's five largest suppliers accounted for 33% of the total purchases of the Group for the year and purchases from the largest supplier included therein amounted to 13%.

As far as the Directors are aware, neither the Directors, their associates (as defined in 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 annual report were:

Executive Directors

Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*
Mr. Fung Wah Cheong, Vincent
Mr. Liu Tat Luen
Mr. Cheng Tsz To
Mr. Cheng Tsz Hang
Mr. Chin Wee Hon
Mr. Hui Ka Po, Alex*

Independent non-executive Directors

Mr. Wong Chi Wai
Dr. Sun Kwai Yu, Vivian
Mr. Cheng Kwok Kin, Paul
Mr. Cheung Wang Ip

* *Appointed as an executive Director on 1 December 2016*

Biographical details in respect of the Directors at the date of this annual report are presented on pages 20 to 22 of this annual report.

DIRECTORS *(continued)*

In accordance with the Bye-Laws, Mr. Fung Wah Cheong, Vincent, Mr. Cheng Tsz To, Mr. Wong Chi Wai and Mr. Cheung Wang Ip being the Directors who should retire by rotation, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the annual general meeting.

In accordance with the Bye-Laws, Mr. Hui Ka Po, Alex, being the Director appointed on 1 December 2016, who shall hold office only until the first general meeting of the Company after his appointment, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself, 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Law 166 of Bye-Laws, subject to the applicable laws, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his/her office. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors.

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. Other than Mr. Cheng Chor Kit, all the Directors entered into a service contract with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws. Each of the executive and independent non-executive Directors, unless terminated by either party giving not less than six months' notice and three months' notice, respectively, 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 DEBENTURES

As at 31 March 2017, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Shares of the Company

Name of Director	Long position/ Short position	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued shares *(Note 1)*
Mr. Cheng Chor Kit	Long position	Founder of a trust	282,920,000 *(Note 2)*	66.05
		Beneficial owner	5,606,000	1.31
		Interests held by spouse	3,700,000	0.86
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	8,400,000	1.96
Mr. Liu Tat Luen	Long position	Beneficial owner	500,000	0.12
Mr. Cheng Tsz To	Long position	Beneficial owner	2,500,000	0.58
		Beneficiary of trust	282,920,000 *(Note 2)*	66.05
Mr. Cheng Tsz Hang	Long position	Beneficial owner	2,500,000	0.58
		Beneficiary of trust	282,920,000 *(Note 2)*	66.05
Dr. Sun Kwai Yu, Vivian	Long position	Beneficial owner	500,000	0.12

Notes:

(1) The percentage of shareholding is calculated based on 428,360,000 shares, being the total number of issued ordinary shares of the Company as at 31 March 2017.

(2) These shares are held by Resplendent Global Limited ("Resplendent"), a wholly-owned subsidiary of Padora Global Inc. of which is wholly-owned by Polo Asset Holdings Limited ("Polo Asset"). Polo Asset is in turn wholly-owned by a discretionary trust (the "Trust") established by Mr. Cheng Chor Kit for his family.

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

(b) Interests in the underlying shares of the Company

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. Cheng Chor Kit	Long position	Beneficial owner	4,000,000 (0.93%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.47%)	4/1/2010	4/1/2013 – 3/1/2020	2.102
			1,500,000 (0.35%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Cheng Tsz To	Long position	Beneficial owner	500,000 (0.12%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Cheng Tsz Hang	Long position	Beneficial owner	500,000 (0.12%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Chin Wee Hon	Long position	Beneficial owner	1,000,000 (0.23%)	10/3/2016	10/11/2017 – 9/3/2026	1.160
Mr. Hui Ka Po, Alex*	Long position	Beneficial owner	1,000,000 (0.23%)	10/3/2016	17/2/2019 – 9/3/2026	1.160
Mr. Wong Chi Wai	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
			500,000 (0.12%)	19/3/2013	19/3/2013 – 18/3/2023	0.974
Dr. Sun Kwai Yu, Vivian	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
Mr. Cheng Kwok Kin, Paul	Long position	Beneficial owner	200,000 (0.05%)	10/3/2016	23/6/2017 – 9/3/2026	1.160
Mr. Cheung Wang Ip	Long position	Beneficial owner	200,000 (0.05%)	10/3/2016	21/7/2017 – 9/3/2026	1.160

* *Appointed as an executive Director on 1 December 2016.*

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

Save as disclosed above, as at 31 March 2017, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and in the share option scheme disclosures in note 27 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, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors nor their respective associates had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF THE DIRECTORS

Executive Directors

Mr. Cheng Chor Kit, aged 65, 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 Conference and a member of the Shaoguan, Guangdong Provincial Committee of the Chinese People's Political Consultative Conference. He has over 40 years of experience in the toy industry.

Mr. Fung Wah Cheong, Vincent, aged 61, is an executive Director since August 2005 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 52, is an executive Director since 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 30, is an executive Director since 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. He 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 Mr. Cheng Tsz Hang, the executive Director of the Company.

Mr. Cheng Tsz Hang, aged 33, is an executive Director since March 2016. After studied Physics and Mathematics in the Loughborough University, the United Kingdom, Mr. Cheng joined the Group in May 2007. He is the chief executive officer of the motor business segment of the Group since July 2013. He 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 elder brother of Mr. Cheng Tsz To, the executive Director of the Company.

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

Executive Directors *(continued)*

Mr. Chin Wee Hon, aged 48, is an executive Director since March 2016. Mr. Chin joined the Group in November 2014 as group financial controller and is primarily responsible for the Group's overall financial management and reporting, internal control and day-to-day financial administration. Mr. Chin holds a Bachelor's Degree in Accounting from the University of Hong Kong and a Master Degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Chin is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Chin has over 20 years auditing and accounting experience gained from several auditing firms and listed companies.

Mr. Hui Ka Po, Alex, aged 50, is an executive Director appointed on 1 December 2016. Mr. Hui joined the Group in February 2016 as an executive director and the assistant to the chairman of the Company and is primarily responsible for the business development of the Group's manufacturing business particularly regarding electrical and electronic products business segment. Mr. Hui holds a Bachelor's Degree of Engineering in Manufacturing Engineering and Master's Degree of Business Administration (General Management) from the Hong Kong Polytechnic University. Mr. Hui has over 20 years of experience in the field of home electrical appliance industry and specialised in manufacturing, operating and sales areas. Prior to joining the Group, he was the chief executive officer in a renowned domestic and commercial electrical appliance company.

Independent non-executive Directors

Mr. Wong Chi Wai *ACA, CPA (Practising), Barrister-at-law (non-practising)*, aged 51, has been an independent non-executive Director 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. He currently also serves as an independent non-executive director for Bonjour Holdings Limited (stock code: 0653), C&D International Investment Group Limited (stock code: 1908, formerly known as South West Eco Development Limited) and Arts Optical International Holdings Limited (stock code: 1120), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of Bonjour Holdings Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of C&D International Investment Group Limited. Mr. Wong obtained a Bachelor's Degree in Social Science from and was awarded a post-graduate certificate in laws by the University of Hong Kong in 1988 and 1993, respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He has over 26 years of experience in the accountancy profession. Other than his private practice in accounting, he is currently a trainee solicitor in a law firm.

Dr. Sun Kwai Yu, Vivian *DBA Macq., FCPA (Aust.), FCPA*, aged 55, has been an independent non-executive Director since September 2004. She is also the chairperson of the Board's audit committee and a member of the Board's remuneration committee and nomination committee. Dr. Sun is a fellow member of the HKICPA and of the CPA Australia.

Mr. Cheng Kwok Kin, Paul *FCA, FCPA*, aged 65, has been an independent non-executive Director since June 2014. He is also the chairman of the Board's remuneration committee and a member of the Board's audit 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 and Professional Conduct Committee of HKICPA. Mr. Cheng is an independent non-executive director, the audit committee chairman, a member of the remuneration and nomination committees of Xinyi Solar Holdings Limited (stock code: 0968).

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

Independent non-executive Directors *(continued)*

Mr. Cheung Wang Ip, aged 56, has been an independent non-executive Director since July 2014. He is also a member of the Board's audit committee, remuneration committee and nomination committee. Mr. Cheung is a Chartered General Practice Surveyor by profession and has over 30 years of professional work experience in the property industry and related fields, including valuation and feasibility study. Mr. Cheung is a corporate member of both the Royal Institute of Chartered Surveyors and the Hong Kong Institute of Surveyors (General Practice) as well as a member of Associacao da Avaliacao da Propriedade de Macau. He is a member of the China Real Estate Chamber of Commerce Hong Kong Chapter and a member of China Real Estate Appraiser in the PRC. In addition, Mr. Cheung is serving as a member of the 11th Shanxi Provincial Committee of the Chinese People's Political Consultative Conference. Currently, Mr. Cheung is the Operation Head of Hong Kong and Macau and an executive director of Vigers Appraisal and Consulting Limited ("Vigers"), he is also an executive director of Vigers Macao Company Limited (Vigers is an indirectly wholly-owned subsidiary of a listed company whose shares listed on the Singapore Exchange Securities Trading Limited). Prior to joining Vigers in 2006, Mr. Cheung was a senior director of the Valuation and Consultancy Department in Savills Hong Kong Limited, where he held the position of the Head of Hong Kong and Macau valuation team. He had held various positions in companies including the Mass Transit Railway Corporation, Guangzhou Investment Company Limited and Jones Lang Wootton.

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

As at 31 March 2017, so far as is known to any Director or chief executive of the Company, the following persons had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued shares *(Note 1)*	Number of share options held
Mr. Cheng Chor Kit	Founder of the Trust, beneficial owner and interests held by spouse	292,226,000 *(Note 2)*	68.22	4,000,000 *(Note 2)*
HSBC International Trustee Limited	Trustee of the Trust	282,920,000 *(Note 3)*	66.05	–

Notes:

(1) The percentage of shareholding is calculated based on 428,360,000 shares, being the total number of issued ordinary shares of the Company as at 31 March 2017.

(2) This refers to the same block of shareholding of Mr. Cheng Chor Kit described in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.

(3) HSBC International Trustee Limited, the trustee of the Trust of which established by Mr. Cheng Chor Kit, was then taken to be interested in 282,920,000 shares of the Company. Such interest included that shares owned by Resplendent as described in note 2 of the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.

All the interests stated above representing long position.

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

Save as disclosed above, as at 31 March 2017, 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 debentures" above, the Directors were not aware of any person who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

In April and July 2015, the Company, as a borrower, entered into a renewed and a new term loan facility agreements of HK$100,000,000 each with 2 different banks for a term of 60 months and a term of 36 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 (as defined under the Listing Rules) 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 (the "Specific Performance Obligations"). A breach of the Specific Performance Obligations 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, DISPOSAL AND SIGNIFICANT INVESTMENT

During the year, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information of the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 37 of this annual report.

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.

AUDITOR

Ernst & Young will retire as auditor of the Company at the forthcoming annual general meeting of the Company and a resolution for the appointment of auditor 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, 28 June 2017

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 2017 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 of the Group (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 annual report, the Board comprises eleven 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 year ended 31 March 2017 and up to the date of this annual 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. Cheng Tsz To
Mr. Cheng Tsz Hang
Mr. Chin Wee Hon
Mr. Hui Ka Po, Alex*

Independent non-executive Directors

Mr. Wong Chi Wai
Dr. Sun Kwai Yu, Vivian
Mr. Cheng Kwok Kin, Paul
Mr. Cheung Wang Ip

* *Appointed as an executive Director on 1 December 2016*

BOARD OF DIRECTORS *(continued)*

Composition of the Board *(continued)*

All Directors come from diverse businesses and professional backgrounds and expertise as shown in detailed biographies on pages 20 to 22 in this annual report.

Mr. Cheng Tsz Hang and Mr. Cheng Tsz To are the sons of Mr. Cheng Chor Kit, the executive Director and the controlling shareholder (as defined under the Listing Rules) of the Company. Save as disclosed above, none of the Directors has any financial, business, family or other material or relevant relationships among the Directors.

All Directors disclosed to the Company the number and natures of offices held in other public companies or organisations as well as other significant appointments 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 risk management and internal control system 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.

Delegation of Authority

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 to the performance of the management on a periodical basis.

The management is 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 its 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 its committees in a consistent format. The Board, where necessary, can make further enquiries to the management on any matters they are concerned.

Board Meeting

For the Board discharges their responsibilities, the Directors required to meet in person regularly. The schedule of the Board meetings for the coming year were determined and informed all Directors in the fourth quarter meeting annually. Prior to the meetings of the Board, as delegated by the chairman of the Company, the company secretary or the designated person of the Company prepares and despatches the notice of meeting together with the relevant documents and information to all Directors in a timely manner to ensure that all the participants are given the opportunity to review, prepare and able to make informed decision regarding the matters discussed in the meeting.

The Board met 4 times during the year ended 31 March 2017 and meeting attendance records are set out on page 37 of this annual report.

BOARD OF DIRECTORS *(continued)*

Board Meeting *(continued)*

The minutes of the Board meetings are prepared by the company secretary or any relevant staff of the Company 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 principal place of business in Hong Kong.

Chairman and Chief Executive Officer

Pursuant to provision A.2.1 of the CG Code, the roles 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 highly independent element in the Board, where the Board members meet regularly to discuss issues 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 and to its committees.

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. The independent non-executive Directors are all experienced individuals from various professionals, their skills and experience is an important element in proper functioning to 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.

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.

BOARD OF DIRECTORS *(continued)*

Directors' Appointment, Re-election and Removal *(continued)*

All Directors appointed to fill a casual vacancy are subject to election at the annual general meeting after appointment. 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.

Under provision of A.4.3 of CG Code, 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.

Mr. Wong Chi Wai ("Mr. Wong") has served as independent non-executive Director more than 9 years and his re-election will be subject to a separate resolution to be approved by the shareholders. Mr. Wong has not involved in any executive management of the Company and expressed objective and independent views to the Company over the years. As an independent non-executive Director with in-depth understanding of the Company's operation and with professional qualifications. The Board, taking into consideration of his independent scope of works during his tenure of office, concurs that the long service of Mr. Wong would not affect his exercise of independent judgement and is satisfied that Mr. Wong has the required character, integrity and experience to continue fulfilling the role of the independent non-executive Director. The Directors consider the re-election of Mr. Wong as independent non-executive Director is in the best interest of the Company and shareholders as a whole.

Board Diversity

The Board has adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Board. The Company recognises the benefits of the Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Board will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The nomination committee of the Board also discusses any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Directors' Training

Every Director should keep himself or herself abreast of the responsibilities as a Director 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 2016, a tailor-made seminar was organised to update the Directors on the new development related to risks management under the latest Listing Rules and all Directors on that date participated in this seminar.

BOARD OF DIRECTORS *(continued)*

Directors' Training *(continued)*

The training of individual Director for the year ended 31 March 2017 is set out below:–

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. Cheng Tsz To	A & B
Mr. Cheng Tsz Hang	A & B
Mr. Chin Wee Hon	A & B
Mr. Hui Ka Po, Alex*	Not applicable
Independent non-executive Directors	
Mr. Wong Chi Wai	A & B
Dr. Sun Kwai Yu, Vivian	A & B
Mr. Cheng Kwok Kin, Paul	A & B
Mr. Cheung Wang Ip	A & B

A *Attending briefings/seminars/conference/forums*

B *Reading/studying training or other materials*

* *Appointed as an executive Director on 1 December 2016*

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 of the Company arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

The Board has established the following Board committees, 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 Board committee is set out by the Board with clearly defined written terms of reference and this document is available on the websites of the Stock Exchange and the Company.

Pursuant to the written terms of reference, each Board committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. Minutes of all Board 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 Board committees' members.

BOARD COMMITTEES *(continued)*

Remuneration Committee

During the year ended 31 March 2017 and up to the date of this annual 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
Mr. Wong Chi Wai	Independent non-executive Director	Member
Dr. Sun Kwai Yu, Vivian	Independent non-executive Director	Member
Mr. Cheng Kwok Kin, Paul	Independent non-executive Director	Chairman
Mr. Cheung Wang Ip	Independent non-executive Director	Member

The remuneration packages offered by the Company will need to attract and motivate the Directors and senior management of the Company 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 Directors and senior management of the Company.

The Remuneration Committee reviews and determines, with delegated responsibility, the remuneration packages include but not limited to basic salaries, deferred compensation, stock options and any benefits in kind, pension rights, incentive payments and any other compensation payments, of individual executive Directors and senior management of the Company 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 of the Company in respect of any loss or termination of office or appointment, and to ensure no individual Director or any of his/her associates can determine his/her own remuneration.

The Remuneration Committee held one meeting during the year ended 31 March 2017 to review and approve the Directors' remuneration packages. Meeting attendance records of the Remuneration Committee are set out on page 37 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.

Nomination Committee

During the year ended 31 March 2017 and up to the date of this annual 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
Mr. Wong Chi Wai	Independent non-executive Director	Chairman
Dr. Sun Kwai Yu, Vivian	Independent non-executive Director	Member
Mr. Cheng Kwok Kin, Paul	Independent non-executive Director	Member
Mr. Cheung Wang Ip	Independent non-executive Director	Member

The primarily responsibility of the Nomination Committee, followed our diversity policy as mentioned above, reviews the composition of the Board from time to time and gives advice to the Board on the candidates, conditions, selection standards and procedures of the proposed appointment of Directors and senior management of the Company.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

The Nomination Committee is also responsible for recommending to the Board all new appointments of Directors and senior management of the Company identify by referral or intermediary agencies. The Nomination Committee considers the past performance and qualification of the candidates for Directors and senior management of the Company, reviews general market conditions and the Bye-Laws in selecting and recommending candidates for directorship and management.

During the year ended 31 March 2017, the Nomination Committee met once to review and discuss the composition of the Board, 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 Directors of the Company. Meeting attendance records of the Nomination Committee are set out on page 37 of this annual report.

Audit Committee

During the year ended 31 March 2017 and up to the date of this annual report, the members of the Audit Committee of the Board were:

Mr. Wong Chi Wai	Independent non-executive Director	Member
Dr. Sun Kwai Yu, Vivian	Independent non-executive Director	Chairperson
Mr. Cheng Kwok Kin, Paul	Independent non-executive Director	Member
Mr. Cheung Wang Ip	Independent non-executive Director	Member

The main roles and responsibilities of the Audit Committee are to assist the Board in (1) maintaining an effective risk management and a 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) selecting the Company's external auditor and approving their remuneration, (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 2017, 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 2016 as well as the interim report for the six months ended 30 September 2016. The Audit Committee also reviewed the Group's financial controls, risk management and internal control systems, discussed internal control matters, conducted discussions with the external auditor on financial reporting, compliance, the effectiveness of the audit process, and reported all relevant matters to the Board during the year ended 31 March 2017. In addition, the Audit Committee has met with the external auditor of the Company and reviewed the financial results of the Group for the year ended 31 March 2017, including the accounting principles and practices adopted by the Group.

The Audit Committee held 5 meetings during the year ended 31 March 2017. Meeting attendance records of the Audit Committee are set out on page 37 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 of the Company;

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 of the Group; 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 Auditor's 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 Auditor's Report on pages 38 to 42 of this annual report has set out the reporting responsibilities of the external auditor of the Company.

Auditor's Remuneration

The auditor's remuneration and the fee for non-audit services for the year ended 31 March 2017 are as below:

Nature of services	**2016/2017** ***HK$'000***	2015/2016 *HK$'000*
Audit services	**2,929**	3,180
Non-audit services	**395**	726
Total	**3,324**	3,906

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while the management and other personnel are responsible for implementing and maintaining the internal control systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

During the year ended 31 March 2017, the Company has identified, evaluated and managed significant risks via the following processes:

– reviewing the organisational objectives;

– assessing the risk management philosophy to determine the risk tolerant level of the Group; and

– performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code and received confirmation from all Directors that they have complied with the Model Code throughout the period under review.

The Group also adopted the Model Code for the Relevant Employees who, because of their office in the Company, may from time to time encounter inside information (as defined under the SFO). The Group have established written guidelines no less exacting than the Model Code for all Relevant Employees to ensure they have complied with the Model Code throughout the period under review.

Besides, when the Group encounter inside information, each of the executive Directors is responsible to handle the matters and report to the Board for further actions.

A. Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended 31 March 2017, the Company adopted a COSO Enterprise Risk Management – Integrated Framework (2004) (the "ERM Framework") which is issued by the Committee of Sponsoring Organizations of The Treadway Commission ("COSO") to perform the risk assessment (the "Review") on the Group for the year ended 31 March 2017. The Review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

A. Risk Management and Internal Control Systems Review *(continued)*

During the Review, the Company conducted the following procedures:

– interviewing with department head and management to identify the risks over the Company business units;

– quantifying the risks by financial data and market searches; and

– prioritising the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

B. Group Risk Report

During the year, the Company conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to the existing businesses of the Group. The Group Risk Report was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Internal Audit Function

During the year ended 31 March 2017, the Company had appointed an internal control advisor (the "IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and to the Company's management. Based on the Company's risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the year ended 31 March 2017. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

D. Management's confirmation on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had provided a confirmation to the Board that the Group had maintained an effective risk management mechanism and internal control systems during the year ended 31 March 2017.

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 HKICPA.

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 7th Floor, Galaxy Factory Building, 25–27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

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

3. ***Procedures for directing shareholders' enquiries to the Board***

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

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

   Fax: (852)-2351-1867
   Email: webmaster@kinyat.com.hk

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS *(continued)*

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 endeavour to maintain an ongoing and transparent communications with all shareholders of the Company and, in particular, use general meeting 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 from shareholders throughout an annual general meeting. External auditor is also available at an annual general meeting to address shareholders' queries in accordance to the requirements of applicable Listing Rules.

The annual general meeting for the year of 2016 of the Company (the "2016 AGM") was held on 26 August 2016 and all the members of the Board together with the external auditor presented in the 2016 AGM. Pursuant to Rule 13.39(4) of the Listing Rules, 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 2016 AGM were published on the websites of the Stock Exchange and the Company on 26 August 2016.

The annual general meeting for the year of 2017 of the Company (the "2017 AGM") will be held on Thursday, 31 August 2017, for details of the information on the 2017 AGM, please refer to this annual report and its accompanying Explanatory Statement.

The Board continues to maintain regular dialogue with financial analysts and institutional investors as appropriate to keep them informed the Group's strategies, operations, management and plans. In order to strengthen the bi-directional communications between the Company, shareholders and investors, an email contact (webmaster@kinyat.com.hk) responded by senior management of the Company are available to shareholders and investors.

2. *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*

There was no change in the Company's constitutional document for the year ended 31 March 2017.

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

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2016 annual report of the Company is set out below:

(1) Emoluments

With effect from 1 December 2016, the annual directors' emoluments of each Mr. Cheng Chor Kit and Mr. Chin Wee Hon increased to HK$6,000,000 and HK$1,200,000, respectively.

The aforesaid increments are covered by their respective service contracts and have been reviewed by the Remuneration Committee.

(2) Other Major Changes

On 1 November 2016, Mr. Wong Chi Wai, the independent non-executive Director, has resigned as an independent non-executive director, the chairman of audit committee and remuneration committee and the member of the nomination committee of China Ludao Technology Company Limited (stock code: 2023).

On 6 December 2016, Mr. Cheng Kwok Kin, Paul, the independent non-executive Director, has resigned as an independent non-executive director, the chairman of audit committee and the member of remuneration committee and nomination committee of RM Group Holdings Limited (stock code: 0932).

Other than 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 2016/2017

The number of Annual General Meeting, Board and its Committees meetings attended by each Director for the year ended 31 March 2017.

	No. of meeting attended/held				
Name of Director	**Annual General Meeting**	**Full board**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**
Executive Directors					
Mr. Cheng Chor Kit *(Chairman and Chief Executive Officer)*	1/1	4/4	1/1	1/1	N/A
Mr. Fung Wah Cheong, Vincent	1/1	4/4	1/1	1/1	N/A
Mr. Liu Tat Luen	1/1	4/4	N/A	N/A	N/A
Mr. Cheng Tsz To	1/1	4/4	N/A	N/A	N/A
Mr. Cheng Tsz Hang	1/1	4/4	N/A	N/A	N/A
Mr. Chin Wee Hon	1/1	4/4	N/A	N/A	N/A
Mr. Hui Ka Po, Alex*	N/A	1/1	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Wong Chi Wai	1/1	4/4	1/1	1/1	5/5
Dr. Sun Kwai Yu, Vivian	1/1	4/4	1/1	1/1	5/5
Mr. Cheng Kwok Kin, Paul	1/1	4/4	1/1	1/1	5/5
Mr. Cheung Wang Ip	1/1	4/4	1/1	1/1	5/5

* *Mr. Hui Ka Po, Alex was appointed as executive Director on 1 December 2016. During his tenures, one regular full board and no shareholders' meeting was held.*

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

Opinion

We have audited the consolidated financial statements of Kin Yat Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 123, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(continued)*

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Impairment assessment of property development projects in Guizhou</td></tr>
<tr><td>As at 31 March 2017, the Group had properties under development of HK$245,376,000. The estimation of the net realisable value was determined by reference to estimated selling prices of these properties, less the estimated costs to completion and applicable variable selling expenses.

In estimating the costs to completion, management referred to information such as (i) current offers from contractors and suppliers, (ii) recent offers agreed with contractors and suppliers, and (iii) professional estimation on construction and material costs. The management used external valuers to support the determination of the estimated selling prices of these properties. Impairment assessment required management's significant judgements and estimates.

The accounting judgements and estimates and disclosures for the impairment of properties under development are included in notes 3, 7 and 17 to the financial statements.</td><td>Our procedures in relation to management's impairment assessment included:

• Evaluating the approved project budgets and management's assumptions used in deriving the estimated selling prices and the estimated costs to completion and selling expenses for the development projects.

• Reviewing the competency, capability and objectivity of the valuers commissioned by the Group, and assessing their related data and assumptions being adopted which included key inputs and other estimates.

• Involving our internal valuation specialists to assist us in reviewing the external valuation methodologies and key valuation parameters.

• Performing inquiries with the management and comparing the estimated costs to offers from contractors and suppliers.</td></tr>
<tr><td colspan="2">Fair value estimation of leasehold land and buildings and investment properties</td></tr>
<tr><td>As at 31 March 2017, the Group had leasehold land and buildings of HK$359,681,000 and investment properties of HK$42,173,000 (collectively "Properties"). The estimation of fair value of Properties requires management's significant judgements and estimates. Management commissions external valuers to appraise the fair value of the Group's Properties, and determines the fair value with reference to the valuation carried by the external valuers.

The accounting judgements and estimates and disclosures are included in notes 3, 7, 12 and 13 to the financial statements.</td><td>We reviewed the competency, capability and objectivity of the valuers commissioned by the Group and assessed their related data and assumptions being adopted, including unobservable inputs and other estimates. We involved our internal valuation specialists to assist us in reviewing the external valuation methodologies and key valuation parameters on the fair value estimation of Properties. We also assessed the disclosures relating to the assumptions used in determining the fair values in the respective notes to the financial statements.</td></tr>
</table>

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Yee.

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

28 June 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**2,472,193**	2,317,504
Cost of sales		**(2,104,340)**	(2,029,300)
Gross profit		**367,853**	288,204
Other income and gains, net	5	**22,235**	18,061
Selling and distribution expenses		**(45,027)**	(42,151)
Administrative expenses		**(163,071)**	(153,746)
Other gains/(expenses), net		**64,944**	(141,766)
Finance costs	6	**(1,645)**	(176)
PROFIT/(LOSS) BEFORE TAX	7	**245,289**	(31,574)
Income tax expense	9	**(49,048)**	(40,103)
PROFIT/(LOSS) FOR THE YEAR		**196,241**	(71,677)
ATTRIBUTABLE TO:			
Equity holders of the Company		**196,375**	(69,843)
Non-controlling interests		**(134)**	(1,834)
		196,241	(71,677)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		
Basic		**HK46.53 cents**	HK(16.67) cents
Diluted		**HK46.31 cents**	HK(16.67) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**196,241**	(71,677)
OTHER COMPREHENSIVE INCOME/(EXPENSE):			
Other comprehensive expense to be reclassified to the income statement in subsequent periods:			
Exchange differences on translation of foreign operations		**(61,550)**	(20,409)
Release of exchange fluctuation reserve upon disposal of subsidiaries	*39*	**(2,063)**	(468)
		(63,613)	(20,877)
Other comprehensive income/(expense) not to be reclassified to the income statement in subsequent periods:			
Revaluation surplus, net	*12*	**6,189**	7,638
Deferred tax debited to asset revaluation reserve	*25*	**(1,439)**	(1,845)
		4,750	5,793
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX		**(58,863)**	(15,084)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**137,378**	(86,761)
ATTRIBUTABLE TO:			
Equity holders of the Company		**134,407**	(86,336)
Non-controlling interests		**2,971**	(425)
		137,378	(86,761)

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**681,050**	692,536
Investment properties	13	**42,173**	46,305
Prepaid land lease payments	14	**23,478**	25,231
Properties under development	17	**45,089**	19,701
Goodwill	15	**4,650**	4,650
Deferred tax assets	25	**36,694**	40,918
Prepayments and deposits	20	**94,705**	34,309
Total non-current assets		**927,839**	863,650
CURRENT ASSETS			
Properties under development	17	**200,287**	155,934
Inventories	18	**328,061**	333,681
Accounts and bills receivable	19	**336,522**	222,191
Prepayments and deposits	20	**50,984**	42,495
Financial assets at fair value through profit or loss	21	**20,256**	10,648
Tax recoverable		**856**	641
Time deposits	22	**6,430**	6,565
Cash and bank balances	22	**282,588**	204,948
Total current assets		**1,225,984**	977,103
CURRENT LIABILITIES			
Accounts payables, accrued liabilities, other payables and deferred income	23	**632,276**	509,234
Interest-bearing bank borrowings	24	**274,310**	188,507
Due to non-controlling shareholders	29(b)	**34,570**	38,056
Tax payable		**70,263**	60,339
Total current liabilities		**1,011,419**	796,136
NET CURRENT ASSETS		**214,565**	180,967
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,142,404**	1,044,617
NON-CURRENT LIABILITIES			
Deferred income	23	**140,550**	157,018
Interest-bearing bank borrowings	24	**65,000**	–
Deferred tax liabilities	25	**30,543**	30,223
Total non-current liabilities		**236,093**	187,241
NET ASSETS		**906,311**	857,376

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*26*	**42,836**	41,916
Reserves	*28*	**912,301**	874,180
		955,137	916,096
Non-controlling interests		**(48,826)**	(58,720)
TOTAL EQUITY		**906,311**	857,376

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

	Attributable to equity holders of the Company											
		Reserves										
	Share capital	Share premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Capital redemption reserve	Contributed surplus	Other reserve	Retained profits	Total reserves	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2016	41,916	125,031	9,997	130,090	79,331	14	6,150	(8,940)	532,507	874,180	(58,720)	857,376
Revaluation surplus, net *(note 12)*	–	–	–	6,189	–	–	–	–	–	6,189	–	6,189
Deferred tax debited to asset revaluation reserve *(note 25)*	–	–	–	(1,439)	–	–	–	–	–	(1,439)	–	(1,439)
Exchange differences on translation of foreign operations	–	–	–	–	(64,655)	–	–	–	–	(64,655)	3,105	(61,550)
Release of exchange fluctuation reserve upon disposal of subsidiaries *(note 39)*	–	–	–	–	(2,063)	–	–	–	–	(2,063)	–	(2,063)
Profit for the year	–	–	–	–	–	–	–	–	196,375	196,375	(134)	196,241
Total comprehensive income/(expense) for the year	–	–	–	4,750	(66,718)	–	–	–	196,375	134,407	2,971	137,378
Disposal of subsidiaries *(note 39)*	–	–	–	–	–	–	–	–	–	–	6,923	6,923
Final 2016 dividend paid *(note 10)*	–	–	–	–	–	–	–	–	(20,958)	(20,958)	–	(20,958)
Interim 2017 dividend paid *(note 10)*	–	–	–	–	–	–	–	–	(21,418)	(21,418)	–	(21,418)
Special 2017 dividend paid *(note 10)*	–	–	–	–	–	–	–	–	(64,254)	(64,254)	–	(64,254)
Issue of shares *(note 26)*	920	14,611	(4,893)	–	–	–	–	–	–	9,718	–	10,638
Equity-settled share option expense *(note 27)*	–	–	626	–	–	–	–	–	–	626	–	626
Transfer of share option reserve upon the lapse of share options *(note 27)*	–	–	(224)	–	–	–	–	–	224	–	–	–
At 31 March 2017	42,836	139,642	5,506	134,840	12,613	14	6,150	(8,940)	622,476	912,301	(48,826)	906,311
At 1 April 2015	41,875	124,530	5,397	124,297	101,617	–	6,150	(8,940)	619,130	972,181	(58,295)	955,761
Revaluation surplus, net *(note 12)*	–	–	–	7,638	–	–	–	–	–	7,638	–	7,638
Deferred tax debited to asset revaluation reserve *(note 25)*	–	–	–	(1,845)	–	–	–	–	–	(1,845)	–	(1,845)
Exchange differences on translation of foreign operations	–	–	–	–	(21,818)	–	–	–	–	(21,818)	1,409	(20,409)
Release of exchange fluctuation reserve upon disposal of a subsidiary *(note 39)*	–	–	–	–	(468)	–	–	–	–	(468)	–	(468)
Loss for the year	–	–	–	–	–	–	–	–	(69,843)	(69,843)	(1,834)	(71,677)
Total comprehensive income/(expense) for the year	–	–	–	5,793	(22,286)	–	–	–	(69,843)	(86,336)	(425)	(86,761)
Final 2015 dividend paid *(note 10)*	–	–	–	–	–	–	–	–	(16,766)	(16,766)	–	(16,766)
Issue of shares *(note 26)*	55	634	(153)	–	–	–	–	–	–	481	–	536
Repurchase of shares *(note 26)*	(14)	(133)	–	–	–	14	–	–	(14)	(133)	–	(147)
Equity-settled share option expense *(note 27)*	–	–	4,753	–	–	–	–	–	–	4,753	–	4,753
At 31 March 2016	41,916	125,031	9,997	130,090	79,331	14	6,150	(8,940)	532,507	874,180	(58,720)	857,376

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**245,289**	(31,574)
Adjustments for:			
Finance costs	6	**1,645**	176
Bank interest income	7	**(804)**	(827)
Dividend income from financial assets at fair value through profit or loss	7	**(906)**	(162)
Loss from changes in fair value of investment properties	7	**362**	31,492
Depreciation	7	**80,163**	91,744
Amortisation of prepaid land lease payments	7	**639**	741
Amortisation of deferred development costs	7	**–**	13,915
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**16**	(47)
Write-off of items of property, plant and equipment	7	**1,522**	6,392
Write-off of prepaid land lease payments	7	**–**	2,098
Write-off of prepayments and deposits	7	**–**	1,464
Impairment of items of property, plant and equipment	7	**–**	70,214
Impairment of prepayments and deposits	7	**122**	1,828
Impairment/(write-back of impairment) of properties under development	7	**(66,950)**	28,278
Impairment of accounts receivable	7	**–**	1,260
Impairment/(write-back of impairment) of inventories, net	7	**(2,945)**	15,800
Equity-settled share option expense	7	**626**	4,753
Loss/(gain) on disposal of subsidiaries	7, 39	**2,471**	(8,041)
		261,250	229,504
Increase in properties under development		**(14,303)**	(29,670)
Decrease/(increase) in inventories		**8,565**	(59,807)
Increase in accounts and bills receivable		**(118,198)**	(16,092)
Increase in prepayments and deposits		**(110,356)**	(48,285)
Increase in financial assets at fair value through profit or loss		**(9,608)**	(7,238)
Increase in accounts payables, accrued liabilities, other payables and deferred income		**122,255**	88,763
Cash generated from operations		**139,605**	157,175
Interest received		**804**	827
Dividend income from listed investments		**906**	162
Interest paid		**(7,704)**	(3,514)
Hong Kong profits tax paid		**(20,809)**	(21,672)
Overseas income taxes paid		**(13,041)**	(54,153)
Net cash flows from operating activities		**99,761**	78,825

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12, 30	**(72,823)**	(49,555)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(2,867)**	10,406
Increase in restricted bank balances		**(6,746)**	–
Additions to intangible assets	16	**–**	(11,324)
Proceeds from disposal of items of property, plant and equipment		**117**	82
Proceeds from disposal of subsidiaries	39	**117**	(56)
Net cash flows used in investing activities		**(82,202)**	(50,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts due to non-controlling shareholders		**(1,685)**	(782)
New bank loans		**477,562**	200,765
Repayment of bank loans		**(324,611)**	(158,434)
Issue of shares	26	**10,638**	536
Repurchase of shares	26	**–**	(147)
Dividends paid	10	**(106,630)**	(16,766)
Net cash flows from financing activities		**55,274**	25,172
NET INCREASE IN CASH AND CASH EQUIVALENTS		**72,833**	53,550
Cash and cash equivalents at beginning of year		**207,950**	156,746
Effect of foreign exchange rate changes, net		**(4,941)**	(2,346)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**275,842**	207,950
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**282,588**	204,948
Time deposits	22	**6,430**	6,565
Less: Restricted bank deposits	22	**(6,746)**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**282,272**	211,513
Time deposits with original maturity of more than three months when acquired	22	**(6,430)**	(3,563)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**275,842**	207,950

1. CORPORATE INFORMATION

Kin Yat Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at 7/F., 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, encoder film, mining products and materials primarily for use in panel display, mine exploration, ore processing, other manufacturing activities 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. 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 2017. 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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in 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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to HKFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]
HK(IFRIC) 22	*Foreign Currency Transactions and Advance Consideration*[2]

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*
[4] *No mandatory effective date yet determined but 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, but is not yet in a position to state whether they would have a significant impact on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

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 is measured at fair value with changes in fair value recognised in the income statement. 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 operation disposed of 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, properties under development, financial assets, deferred tax assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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 sales 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.

Intangible assets (other than goodwill)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Research and development costs

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

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

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

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion.

Properties under development, which have either been pre-sold or intended for sale, are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income and gains 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

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 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 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, 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, 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.

Dividend income derived from the Company's subsidiaries in Mainland China is subject to withholding tax under the prevailing tax rules and regulations of the People's Republic of China (the "PRC").

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 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 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 Hong Kong dollars 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.

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 27 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payments *(continued)*

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

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

Retirement benefit schemes

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

Apart from the Pension Scheme, the Group has also joined the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions to the MPF Scheme 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 when contributed into the MPF Scheme.

Certain employees of the Group's subsidiaries in Mainland China are members of the state-sponsored retirement scheme (the "Retirement Scheme") operated by the government of Mainland China. 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 Mainland China. The Mainland China 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.

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 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 shareholders' 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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 consolidated statement 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:

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by the management on determining whether a property is classified as a property held for sale or an investment property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the properties are accounted for as properties under development included in current assets if the properties are intended for sale after completion of construction, whereas, the properties are accounted for as investment properties under construction or development included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation.

Income tax

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

As explained in note 25 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's subsidiaries in Mainland China that would be distributed to their respective holding companies outside Mainland China in the foreseeable future. Management makes assessment based on the factors which included the dividend policy and level of capital and working capital required for the Group's operations in the foreseeable future.

The Group's investment properties at fair value in Mainland China are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

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 amounts of assets and liabilities within the next financial year, are described below:

Impairment of inventories

The management of the Group reviews an aging 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 sale. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

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

Impairment of accounts and bills receivable

Impairment allowances for accounts and bills receivable are made based on assessment of the recoverability of accounts and bills receivable. The identification of doubtful debts requires management judgements 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

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) by reference to independent valuations;

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

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

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in notes 12 and 13 to the financial statements.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. They 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 12 to the financial statements.

Deferred tax assets

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

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

Estimation uncertainty *(continued)*

The net realisable value for properties under development and completed properties held for sale

The net realisable value is determined by reference to estimated selling prices of these properties, less the estimated costs to completion and applicable variable selling expenses. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, applicable various selling expenses and interests to be incurred from the valuation date to completion.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

Estimation of total budgeted costs and costs to completion for properties under development

The total budgeted costs for properties under development comprise (i) prepaid land lease payments, (ii) building costs, and (iii) any other direct costs attributable to the development of the properties. In estimating the costs to completion, management referred to information such as (i) current offers from contractors and suppliers, (ii) recent offers agreed with contractors and suppliers, and (iii) professional estimation on construction and material costs.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the consolidated income statement upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

4. SEGMENT INFORMATION

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

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

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

(c) the real estate development; and

(d) 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.

4. SEGMENT INFORMATION *(continued)*

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.

(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 2017 and 2016.

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**1,734,190**	1,622,773	**737,992**	693,855	**–**	–	**11**	876	**–**	–	**2,472,193**	2,317,504
Intersegment sales	**39,108**	32,792	**5,712**	9,259	**–**	–	**–**	–	**(44,820)**	(42,051)	**–**	–
Other income and gains/(losses), net	**3,897**	2,642	**17,646**	9,000	**9**	14	**(4,569)**	8,460	**–**	–	**16,983**	20,116
Total	**1,777,195**	1,658,207	**761,350**	712,114	**9**	14	**(4,558)**	9,336	**(44,820)**	(42,051)	**2,489,176**	2,337,620
Segment results	**168,292**	87,838	**43,677**	(22,056)	**61,673**	(65,573)	**(7,823)**	(5,390)	**–**	–	**265,819**	(5,181)
Interest and unallocated gains/(losses)											**5,252**	(2,055)
Unallocated expenses											**(24,137)**	(24,162)
Finance costs											**(1,645)**	(176)
Profit/(loss) before tax											**245,289**	(31,574)
Income tax expense											**(49,048)**	(40,103)
Profit/(loss) for the year											**196,241**	(71,677)
Segment assets	**2,077,985**	1,907,906	**760,026**	678,197	**282,547**	223,227	**32,864**	36,850	**(1,387,175)**	(1,297,769)	**1,766,247**	1,548,411
Unallocated assets											**387,576**	292,342
Total assets											**2,153,823**	1,840,753
Segment liabilities	**405,674**	289,469	**1,013,720**	938,578	**365,700**	350,417	**406,265**	423,767	**(1,387,175)**	(1,297,769)	**804,184**	704,462
Unallocated liabilities											**443,328**	278,915
Total liabilities											**1,247,512**	983,377
Other segment information:												
Capital expenditure	**50,767**	45,290	**55,962**	48,154	**17**	–	**386**	–	**–**	–	**107,132**	93,444
Depreciation and amortisation	**49,074**	69,195	**29,053**	33,878	**309**	328	**1,286**	1,858	**–**	–	**79,722**	105,259
Unallocated amounts											**1,080**	1,141
											80,802	106,400

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Other segment information: *(continued)*												
Loss/(gain) on disposal of items of property, plant and equipment, net	**(4)**	(25)	**20**	(22)	**–**	–	**–**	–	**–**	–	**16**	(47)
Write-off of items of property, plant and equipment	**1,017**	3,401	**–**	2,153	**–**	–	**505**	838	**–**	–	**1,522**	6,392
Write-off of prepaid land lease payments	**–**	–	**–**	–	**–**	–	**–**	2,098	**–**	–	**–**	2,098
Write-off of prepayments and deposits	**–**	85	**–**	1,242	**–**	–	**–**	137	**–**	–	**–**	1,464
Impairment of items of property, plant and equipment	**–**	47,275	**–**	22,781	**–**	–	**–**	158	**–**	–	**–**	70,214
Impairment of prepayments and deposits	**–**	–	**122**	296	**–**	–	**–**	1,532	**–**	–	**122**	1,828
Impairment/(write-back of impairment) of properties under development	**–**	–	**–**	–	**(66,950)**	28,278	**–**	–	**–**	–	**(66,950)**	28,278
Impairment of accounts receivable	**–**	–	**–**	388	**–**	–	**–**	872	**–**	–	**–**	1,260
Impairment/(write-back of impairment) of inventories, net	**4,048**	3,255	**(6,845)**	9,788	**–**	–	**(148)**	2,757	**–**	–	**(2,945)**	15,800
Deficit/(surplus) on revaluation of land and buildings recognised directly in equity	**937**	(3,053)	**(2,009)**	(3,236)	**–**	–	**(1,037)**	(1,709)	**–**	–	**(2,109)**	(7,998)
Unallocated amounts											**(4,080)**	360
											(6,189)	(7,638)
Loss from changes in fair value of investment properties	**–**	–	**–**	–	**–**	31,492	**–**	–	**–**	–	**–**	31,492
Unallocated amounts											**362**	–
											362	31,492

4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

	United States of America		Europe		Asia		Others		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**874,887**	836,150	**513,686**	466,382	**965,907**	897,029	**117,713**	117,943	**2,472,193**	2,317,504

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

	Hong Kong		Mainland China		Malaysia		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Non-current assets	**74,578**	60,751	**791,858**	732,887	**24,709**	29,094	**891,145**	822,732

The non-current assets for the above segment information consist of property, plant and equipment, investment properties, prepaid land lease payments, properties under development, goodwill, prepayments and deposits, but exclude deferred tax assets.

(c) Information about major customers

Revenue of HK$1,447,651,000 (2016: HK$1,238,327,000) was derived from sales of electrical and electronic products to a major customer, which accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue 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:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**1,734,190**	1,622,773
Motors	**737,992**	693,855
Materials and products from resources development	**11**	876
	2,472,193	2,317,504
Other income and gains, net		
Bank interest income	**804**	827
Dividend income from financial assets at fair value through profit or loss	**906**	162
Gross rental income	**377**	775
Sale of scrap materials	**2,122**	3,041
Gain/(loss) on disposal of items of property, plant and equipment, net	**(16)**	47
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**3,542**	(3,042)
Subsidy income *	**14,825**	4,126
Gain/(loss) on disposals of subsidiaries *(note 39)*	**(2,471)**	8,041
Others	**2,146**	4,084
	22,235	18,061

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

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans	**1,645**	176

During the year ended 31 March 2017, interest of HK$6,059,000 (2016: HK$3,338,000) was capitalised under properties under development. Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 2.6% (2016: 2.5%) has been applied to the expenditure on the individual assets for the year ended 31 March 2017.

7. PROFIT/(LOSS) BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Cost of inventories sold *	**2,104,340**	2,029,300
Auditor's remuneration	**2,929**	3,180
Depreciation	**80,163**	91,744
Amortisation of prepaid land lease payments	**639**	741
Amortisation of deferred development costs	**–**	13,915
Minimum lease payments under operating leases in respect of land and buildings	**1,258**	1,233
Loss/(gain) on disposal of items of property, plant and equipment, net	**16**	(47)
Write-off of items of property, plant and equipment *(note 12)* ***	**1,522**	6,392
Write-off of prepaid land lease payments *(note 14)* ***	**–**	2,098
Write-off of prepayments and deposits ***	**–**	1,464
Impairment of items of property, plant and equipment *(note 12)* ***	**–**	70,214
Impairment of prepayments and deposits *(note 20)* ***	**122**	1,828
Impairment/(write-back of impairment) of properties under development *(note 17)* ***	**(66,950)**	28,278
Impairment of accounts receivable *(note 19)* **	**–**	1,260
Impairment/(write-back of impairment) of inventories, net *	**(2,945)**	15,800
Employee benefit expense (including directors' and chief executive's remuneration – *note 8*):		
Wages and salaries	**518,584**	525,438
Equity-settled share option expense *(note 27)*	**626**	4,753
Pension scheme contributions	**2,231**	2,088
	521,441	532,279
Loss from changes in fair value of investment properties *(note 13)* ***	**362**	31,492
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**(3,542)**	3,042
Loss/(gain) on disposals of subsidiaries *(note 39)*	**2,471**	(8,041)
Foreign exchange differences, net	**(14,201)**	(17,797)
Bank interest income	**(804)**	(827)
Dividend income from financial assets at fair value through profit or loss	**(906)**	(162)
Direct operating expenses (including repairs and maintenance) arising from rental earning investment properties	**338**	226

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.

7. PROFIT/(LOSS) BEFORE TAX *(continued)*

* *The cost of inventories sold for the year included HK$483,264,000 (2016: HK$551,601,000), 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, impairment/(write-back of impairment) of inventories, net and foreign exchange differences, net, which are also included in the respective total amounts disclosed above for each type of expenses.*

** *The amount is included in "Administrative expenses" on the face of the consolidated income statement.*

*** *The amounts are included in "Other gains/(expenses), net" on the face of the consolidated income statement.*

The research and development costs include staff costs of HK$39,539,000 for the year ended 31 March 2017 (2016: HK$35,258,000), which are also included in the respective total amounts disclosed separately above.

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Fees	**800**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**14,764**	10,945
Performance related bonuses *	**6,859**	3,800
Equity-settled share option expense	**458**	3,681
Pension scheme contributions	**456**	414
	22,537	18,840
	23,337	19,640

* *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 27 to the financial statements. The fair value of those options granted in prior years, which had been recognised in the income statement over the vesting period, was determined as at the date of grant included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

(a) Independent non-executive directors

	2017		
	Fees	**Equity-settled share option expense**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***
Wong Chi Wai	**200**	**–**	**200**
Sun Kwai Yu, Vivian	**200**	**–**	**200**
Cheng Kwok Kin, Paul	**200**	**58**	**258**
Cheung Wang Ip	**200**	**56**	**256**
	800	**114**	**914**

	2016		
	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
Wong Chi Wai	200	–	200
Sun Kwai Yu, Vivian	200	–	200
Cheng Kwok Kin, Paul	200	3	203
Cheung Wang Ip	200	3	203
	800	6	806

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

(b) Executive directors and the chief executive

2017

	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 ^	5,200	1,900	–	360	7,460
Fung Wah Cheong, Vincent	3,600	1,500	–	18	5,118
Liu Tat Luen	1,692	600	–	18	2,310
Cheng Tsz To	840	1,200	–	18	2,058
Cheng Tsz Hang #	1,200	700	–	18	1,918
Chin Wee Hon #	1,072	449	212	18	1,751
Hui Ka Po, Alex *	1,160	510	132	6	1,808
	14,764	6,859	344	456	22,423

2016

	Salaries, allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Equity-settled share option expense *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Cheng Chor Kit ^	4,800	–	1,332	360	6,492
Fung Wah Cheong, Vincent	3,600	1,750	333	18	5,701
Liu Tat Luen	1,692	770	666	18	3,146
Cheng Tsz To	840	1,280	666	18	2,804
Cheng Tsz Hang #	7	–	666	–	673
Chin Wee Hon #	6	–	12	–	18
	10,945	3,800	3,675	414	18,834

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

Mr. Cheng Tsz Hang and Mr. Chin Wee Hon were appointed as executive directors of the Company on 30 March 2016.

* *Mr. Hui Ka Po, Alex was appointed as an executive director of the Company on 1 December 2016.*

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 (2016: Nil).

The five highest paid employees during the year included five (2016: four) directors, details of whose remuneration are set out above. Details of the emoluments of the remaining one non-director, highest paid employee who was neither a director nor chief executive of the Company in last year were as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**–**	1,944
Performance related bonuses	**–**	97
Pension scheme contributions	**–**	–
	–	2,041

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

	Number of employee	
	2017	2016
HK$2,000,001 to HK$2,500,000	**–**	1

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**20,336**	15,193
Underprovision in prior years	**391**	640
Current – Elsewhere		
Charge for the year	**22,094**	33,591
Underprovision in prior years	**5,389**	–
Deferred tax *(note 25)*	**838**	(9,321)
Total tax charge for the year	**49,048**	40,103

9. INCOME TAX *(continued)*

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

	2017 **HK$'000**	2016 HK$'000
Profit/(loss) before tax	**245,289**	(31,574)
Tax at the statutory tax rates	**51,997**	(16,724)
Adjustments in respect of current tax of previous periods	**5,780**	693
Income not subject to tax	**(10,127)**	(2,263)
Expenses not deductible for tax	**3,436**	47,205
Tax losses from previous periods utilised	**(11,519)**	(7,833)
Tax losses not recognised	**9,481**	19,025
Tax charge at the Group's effective rate	**49,048**	40,103

10. DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Dividends paid during the year		
Final dividend in respect of the financial year ended 31 March 2016 – HK5.0 cents per ordinary share (2016: final dividend in respect of the financial year ended 31 March 2015 – HK4.0 cents per ordinary share)	**20,958**	16,766
Interim dividend – HK5.0 cents (2016: Nil) per ordinary share	**21,418**	–
Special dividend – HK15.0 cents (2016: Nil) per ordinary share	**64,254**	–
	106,630	16,766
Proposed final dividend		
Final – HK5.0 cents (2016: HK5.0 cents) per ordinary share	**21,418**	20,958

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.

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

The calculation of the basic earnings (2016: loss) per share amount is based on the profit for the year attributable to equity holders of the Company of HK$196,375,000 (2016: loss of HK$69,843,000) and the weighted average number of ordinary shares of 422,008,000 (2016: 419,048,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK$196,375,000 and 424,064,814 ordinary shares, being the number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year ended 31 March 2017.

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

	2017
Weighted average number of ordinary shares used in calculating basic earnings per share	422,008,220
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	2,056,594
Weighted average number of ordinary shares used in calculating diluted earnings per share	424,064,814

No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2016 in respect of a dilution as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

12. PROPERTY, PLANT AND EQUIPMENT

31 March 2017

	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 2016	356,912	27,260	5,551	828,680	376,515	1,594,918
Additions	–	–	4,076	77,735	25,321	107,132
Disposals	–	–	–	(844)	(1,398)	(2,242)
Write-off	–	–	(386)	(2,603)	(3,788)	(6,777)
Transfers	–	–	(467)	–	467	–
Surplus on revaluation	6,014	175	–	–	–	6,189
Write-back on revaluation	(13,955)	(175)	–	–	–	(14,130)
Exchange realignment	(13,143)	(3,407)	(585)	(63,377)	(18,304)	(98,816)
At 31 March 2017	335,828	23,853	8,189	839,591	378,813	1,586,274
Accumulated depreciation and impairment:						
At 1 April 2016	–	–	–	634,568	267,814	902,382
Provided during the year	13,955	175	–	48,272	17,761	80,163
Disposals	–	–	–	(832)	(1,277)	(2,109)
Write-back on revaluation	(13,955)	(175)	–	–	–	(14,130)
Write-off	–	–	–	(2,484)	(2,771)	(5,255)
Exchange realignment	–	–	–	(45,764)	(10,063)	(55,827)
At 31 March 2017	–	–	–	633,760	271,464	905,224
Net book value:						
At 31 March 2017	335,828	23,853	8,189	205,831	107,349	681,050
An analysis of cost or valuation:						
At cost	–	–	8,189	839,591	378,813	1,226,593
At 2017 valuation	335,828	23,853	–	–	–	359,681
	335,828	23,853	8,189	839,591	378,813	1,586,274

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

31 March 2016

	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 2015	364,638	27,260	7,474	821,557	397,183	1,618,112
Additions	5,408	–	6,921	41,274	28,517	82,120
Disposals	–	–	–	(218)	(911)	(1,129)
Write-off	–	–	–	(7,471)	(44,660)	(52,131)
Transfers	–	–	(8,601)	236	8,365	–
Surplus on revaluation	7,452	186	–	–	–	7,638
Write-back on revaluation	(14,577)	(186)	–	–	–	(14,763)
Disposal of a subsidiary *(note 39)*	–	–	–	(1,156)	(266)	(1,422)
Exchange realignment	(6,009)	–	(243)	(25,542)	(11,713)	(43,507)
At 31 March 2016	356,912	27,260	5,551	828,680	376,515	1,594,918
Accumulated depreciation and impairment:						
At 1 April 2015	–	–	–	607,935	220,045	827,980
Provided during the year	14,577	186	–	46,936	30,045	91,744
Disposals	–	–	–	(196)	(898)	(1,094)
Impairment	–	–	–	4,957	65,257	70,214
Write-back on revaluation	(14,577)	(186)	–	–	–	(14,763)
Write-off	–	–	–	(6,103)	(39,636)	(45,739)
Disposal of a subsidiary *(note 39)*	–	–	–	(1,156)	(227)	(1,383)
Exchange realignment	–	–	–	(17,805)	(6,772)	(24,577)
At 31 March 2016	–	–	–	634,568	267,814	902,382
Net book value:						
At 31 March 2016	356,912	27,260	5,551	194,112	108,701	692,536
An analysis of cost or valuation:						
At cost	–	–	5,551	828,680	376,515	1,210,746
At 2016 valuation	356,912	27,260	–	–	–	384,172
	356,912	27,260	5,551	828,680	376,515	1,594,918

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

At 31 March 2017, 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$60,800,000 (2016: HK$55,400,000), RMB245,600,000 (2016: RMB247,240,000) (equivalent to HK$275,028,000 (2016: HK$301,512,000)) and Ringgit Malaysia ("RM") 13,630,000 (2016: RM13,630,000) (equivalent to HK$23,853,000 (2016: HK$27,260,000)), respectively. Revaluation surpluses of HK$6,189,000 (2016: HK$7,638,000) resulting from the above revaluation were credited to the asset revaluation reserve.

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 management 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 techniques 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 values of the Group's land and buildings at 31 March 2017 and 2016 are estimated by using significant unobservable inputs and the fair value measurement is categorised within 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 (2016: Nil).

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

	Land and buildings in Hong Kong (Industrial) *HK$'000*	Buildings in Mainland China (Residential) *HK$'000*	Buildings in Mainland China (Industrial) *HK$'000*	Buildings in Malaysia (Industrial) *HK$'000*	Total *HK$'000*
Carrying amount:					
At 1 April 2016	**55,400**	**1,659**	**299,853**	**27,260**	**384,172**
Depreciation	**(2,216)**	**(64)**	**(11,675)**	**(175)**	**(14,130)**
Surplus/(deficit) on revaluation	**7,616**	**344**	**(1,946)**	**175**	**6,189**
Exchange realignment	**–**	**(147)**	**(12,996)**	**(3,407)**	**(16,550)**
At 31 March 2017	**60,800**	**1,792**	**273,236**	**23,853**	**359,681**
At 1 April 2015	58,650	1,519	304,469	27,260	391,898
Additions	–	174	5,234	–	5,408
Depreciation	(2,346)	(66)	(12,165)	(186)	(14,763)
Surplus/(deficit) on revaluation	(904)	91	8,265	186	7,638
Exchange realignment	–	(59)	(5,950)	–	(6,009)
At 31 March 2016	55,400	1,659	299,853	27,260	384,172

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

Fair value hierarchy *(continued)*

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 of unobservable inputs (weighted average)	
			2017	2016
Hong Kong – Land and buildings – Industrial – Level 3	Market comparable method	Gross unit rate per square foot #	**HK$2,885 to HK$2,962**	HK$2,596 to HK$2,731
Mainland China – Buildings – Residential – Level 3	Market comparable method	Gross unit rate per square foot #	**HK$1,104**	HK$1,022
Mainland China – Buildings – Industrial – Level 3	Direct replacement cost method	Gross unit rate per square foot #	**HK$53 to HK$118**	HK$59 to HK$128
Malaysia – Buildings – Industrial – Level 3	Direct replacement cost method	Gross unit rate per square foot #	**HK$430**	HK$491

\# *The higher the gross unit rate per square foot, the higher the fair value.*

At 31 March 2017, the buildings in Mainland China included certain buildings with a net book value of approximately HK$120,373,000 (2016: HK$126,406,000) for which the Group was still in the process of obtaining the building ownership certificates.

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$196,289,000 (2016: HK$216,125,000).

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

Year ended 31 March 2016

A subsidiary that developed and distributed material (the "ITO Subsidiary"), a subsidiary engaged in the production of motors in Mainland China (the "Motor Subsidiary") and certain subsidiaries engaged in the production of electrical and electronic products in Mainland China (the "Electrical and Electronic Products Subsidiaries") had been experiencing recurring losses and ceased operation during the year or subsequent to the year end. The management considered there were impairment indicators and hence conducted impairment assessment of these entities during the year ended 31 March 2016.

The Group recognised impairment losses of HK$158,000, HK$22,781,000 and HK$47,275,000 for the ITO Subsidiary, the Motor Subsidiary and the Electrical and Electronic Products Subsidiaries, respectively. The respective plant and equipment were either (i) fully impaired; or (ii) written down to net realisable values according to the best market information obtained by the management.

13. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
Carrying amount at the beginning of year	**46,305**	80,153
Net loss from a fair value adjustment *(note 7)*	**(362)**	(31,492)
Exchange realignment	**(3,770)**	(2,356)
Carrying amount at the end of year	**42,173**	46,305

The Group's investment properties were held under medium term leases and consisted of residential units 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 and leasehold land in a development site on Bei Da Men Road, Economic Development District, Dushan County, Guizhou Province, the PRC.

The directors have determined that the investment properties consist of residential properties and leasehold land in Mainland China, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2017 based on valuations performed by Assets Appraisal Limited, independent professionally qualified valuers, at RMB37,660,000 (2016: RMB37,970,000) (equivalent to HK$42,173,000 (2016: HK$46,305,000)).

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 management 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 techniques used in prior years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The fair values of the Group's investment properties at 31 March 2017 and 2016 are estimated by using significant unobservable inputs and the fair value measurement is categorised within 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 (2016: Nil).

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

	Buildings in Mainland China (Residential) *HK$'000*	**Land in Mainland China (Commercial)** *HK$'000*	**Total** *HK$'000*
Carrying amount:			
At 1 April 2016	**4,598**	**41,707**	**46,305**
Net loss from a fair value adjustment	**(362)**	**–**	**(362)**
Exchange realignment	**(361)**	**(3,409)**	**(3,770)**
At 31 March 2017	**3,875**	**38,298**	**42,173**
At 1 April 2015	4,772	75,381	80,153
Net loss from a fair value adjustment	–	(31,492)	(31,492)
Exchange realignment	(174)	(2,182)	(2,356)
At 31 March 2016	4,598	41,707	46,305

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

Class of properties	**Valuation techniques**	**Significant unobservable inputs**	**Range of unobservable inputs (weighted average)**	
			2017	2016
Residential properties in Mainland China	Market comparable method	Gross unit rate per square foot #	**HK$993**	HK$1,179
Leasehold land in Mainland China	Market comparable method	Gross unit rate per square foot #	**HK$20**	HK$21

The higher the gross unit rate per square foot, the higher the fair value.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

At 31 March 2017, the Group was in the process of obtaining the building ownership certificates in respect of these investment properties with a carrying amount of HK$3,875,000 (2016: HK$4,598,000).

14. PREPAID LAND LEASE PAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Cost:		
At the beginning of year	**32,917**	36,070
Write-off	**–**	(2,417)
Exchange realignment	**(1,486)**	(736)
At the end of year	**31,431**	32,917
Amortisation:		
At the beginning of year	**7,025**	6,756
Recognised during the year	**639**	741
Write-off	**–**	(319)
Exchange realignment	**(350)**	(153)
At the end of year	**7,314**	7,025
Carrying amount at the end of year	**24,117**	25,892
Current portion included in prepayments and deposits *(note 20)*	**(639)**	(661)
Non-current portion	**23,478**	25,231

15. GOODWILL

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

	2017	2016
	HK$'000	*HK$'000*
Carrying amount at the beginning of year 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 2017, 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 budget 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% (2016: 14%). The financial budgets are prepared reflecting actual and prior year performance and development expectations.

16. INTANGIBLE ASSETS

	Deferred development costs	
	2017	2016
	HK$'000	*HK$'000*
Cost:		
At the beginning of year	**14,012**	18,992
Additions	**–**	11,324
Retirements	**(13,662)**	(16,009)
Exchange realignment	**(350)**	(295)
At the end of year	**–**	14,012
Accumulated amortisation:		
At the beginning of year	**14,012**	16,381
Provided during the year	**–**	13,915
Retirements	**(13,662)**	(16,009)
Exchange realignment	**(350)**	(275)
At the end of year	**–**	14,012
Net book value:		
At the end of year	**–**	–

17. PROPERTIES UNDER DEVELOPMENT

	2017	2016
	HK$'000	*HK$'000*
Properties under development	**245,376**	175,635
Current portion	**(200,287)**	(155,934)
Non-current portion	**45,089**	19,701

The properties under development include costs of acquiring rights to use certain lands, which are located in Mainland China, for property development and are under medium to long term leases.

During the year ended 31 March 2017, certain properties under development of HK$66,950,000 which previously impaired was written back to reflect the increase in net realisable value of these properties (note 7).

During the year ended 31 March 2016, certain properties under development of HK$28,278,000 was impaired to reflect the decrease in net realisable value of these properties (note 7).

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**169,338**	171,124
Work in progress	**38,195**	39,016
Finished goods	**120,528**	123,541
	328,061	333,681

19. ACCOUNTS AND BILLS 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. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances. Accounts and bills receivable are non-interest-bearing.

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**222,352**	130,706
31 – 60 days	**60,134**	34,263
61 – 90 days	**29,364**	41,146
Over 90 days	**26,230**	18,168
	338,080	224,283
Less: Impairment allowance	**(1,558)**	(2,092)
	336,522	222,191

At 31 March 2017, the Group had certain concentrations of credit risk that may arise from the exposure to the five largest customers and the largest customer which accounted for approximately 66% (2016: 53%) and 49% (2016: 25%) of the Group's total accounts receivable, respectively.

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

	2017 HK$'000	2016 HK$'000
At the beginning of year	**2,092**	1,295
Impairment losses recognised *(note 7)*	**–**	1,260
Write-off	**(534)**	(463)
At the end of year	**1,558**	2,092

19. ACCOUNTS AND BILLS RECEIVABLE *(continued)*

At 31 March 2017, accounts and bills receivable of HK$1,558,000 (2016: HK$2,092,000) were individually determined to be impaired. The individually impaired accounts and bills receivable relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered.

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**255,370**	157,320
Less than 1 month past due	**40,377**	48,248
Over 1 month past due	**40,775**	16,623
	336,522	222,191

Accounts and bills 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 and bills 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.

20. PREPAYMENTS AND DEPOSITS

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Deposits for mining projects	*(i)*	**23,516**	25,610
Deposits for property, plant and equipment		**94,071**	34,309
Prepayments	*(i)*	**83,777**	80,961
Tax reserve certificates		**20,375**	15,375
Other deposits		**868**	4,513
Prepaid land lease payments	*14*	**639**	661
		223,246	161,429
Less: Impairments	*(i)*	**(77,557)**	(84,625)
		145,689	76,804
Less: Current portion		**(50,984)**	(42,495)
Non-current portion		**94,705**	34,309

20. PREPAYMENTS AND DEPOSITS *(continued)*

Note:

(i) The movements in impairment of prepayments and deposits are as follows:

	2017	2016
	HK$'000	*HK$'000*
At the beginning of year	**84,625**	85,975
Impairment of prepayments and deposits *(note 7)*	**122**	1,828
Write-off	**(267)**	–
Exchange realignment	**(6,923)**	(3,178)
At the end of year	**77,557**	84,625

Included in the above impairment provisions are provision for deposits for mining projects, prepayments for the exclusive right of supply of antimony ores and other deposits of HK$23,516,000 (2016: HK$25,610,000), HK$53,924,000 (2016: HK$58,724,000) and HK$117,000 (2016: HK$291,000), respectively.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Listed equity investments, at market value	**20,256**	10,648

The above investments at 31 March 2017 and 2016 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.

22. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
Time deposits		
– original maturity of more than three months	**6,430**	3,563
– original maturity of less than three months	**–**	3,002
	6,430	6,565
Cash and bank balances #	**282,588**	204,948
	289,018	211,513

Included in cash and bank balances are restricted bank deposits of RMB6,024,000 (2016: Nil) (equivalent to approximately HK$6,746,000 (2016: Nil)) which can only be applied in the designated property development projects prior to the completion of construction.

22. CASH AND CASH EQUIVALENTS *(continued)*

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$91,954,000 (2016: HK$72,108,000). 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 four months and one year (2016: one month and eight months) 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.

23. ACCOUNTS PAYABLES, ACCRUED LIABILITIES, OTHER PAYABLES AND DEFERRED INCOME

An aging analysis of the Group's accounts payables as at the end of the reporting period, based on the invoice date, and the balances of accrued liabilities, other payables and deferred income are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
0 – 30 days	**198,563**	122,958
31 – 60 days	**93,366**	52,881
61 – 90 days	**53,937**	59,319
Over 90 days	**29,548**	27,516
Accounts payables	**375,414**	262,674
Accrued liabilities	**208,295**	203,138
Other payables	**26,845**	29,183
Receipt in advance	**15,966**	8,060
Deferred income*	**146,306**	163,197
	772,826	666,252
Less: Current portion	**(632,276)**	(509,234)
Non-current portion	**140,550**	157,018

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

* *Balance represented government grants received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province, the PRC for the Group's manufacturing company located in Dushan County, Guizhou Province, the PRC. These grants are held as deferred income and recognised to the income statement on a systematic basis. During the year ended 31 March 2017, subsidies of HK$5,966,000 (2016: HK$3,888,000) had been recognised and included in subsidy income of "Other income and gains, net" on the face of the consolidated income statement.*

24. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate	Maturity	HK$'000	Effective interest rate	Maturity	HK$'000
Current – unsecured						
Bank loans	Hong Kong Interbank Offered Rate ("HIBOR") +1.90%	2018	20,000	HIBOR+1% to 2%	On demand	188,507
Bank loans	HIBOR +1% to 1.90%	On demand	203,918	–	–	–
Bank loans	4.785%	On demand	50,392	–	–	–
			274,310			188,507
Non-current – unsecured						
Bank loans	HIBOR +1.90%	2019	65,000	–	–	–
			339,310			188,507

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	274,310	188,507
In the second year	20,000	–
In the third to fifth years	45,000	–
	339,310	188,507

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group's bank borrowings approximate to their fair values. Except for a bank borrowing of HK$50,392,000 (2016: Nil) which is denominated in Renminbi, all other bank borrowings are denominated in Hong Kong dollars.

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

Year ended 31 March 2017

During the year ended 31 March 2017, the Group was technically in breach of covenants under loan agreements with certain banks, as the Group's tangible net worth was less than that required by the banks (the "NTA Requirement"). Subsequent to the technical breach and before 31 March 2017, the Group has successfully obtained written consents from these banks to waive the rights entitling the banks to declare the relevant outstanding loan balances immediately due and payable due to the breach as mentioned above. Accordingly, there was no impact on the classification of these loans as at 31 March 2017.

Year ended 31 March 2016

As at 31 March 2016 and subsequent to 31 March 2016, the Group was technically in breach of covenants under loan agreements with certain banks, as the Group's tangible net worth was less than the NTA Requirement. Subsequent to 31 March 2016, the Group has successfully obtained written consents from these banks to waive the rights entitling the banks to declare the relevant outstanding loan balances immediately due and payable due to the breach as mentioned above. Accordingly, as at 31 March 2016, the Group's bank loan in the amount of HK$112,500,000 had been classified as current liabilities.

For the purpose of the above analysis, the bank loan was included within current interest-bearing bank borrowings and classified as bank loans repayable within one year or on demand at 31 March 2016.

Based on the maturity terms of the bank loans, as at 31 March 2016, the amounts repayable in respect of the bank loans of the Group were HK$76,007,000 payable within one year or on demand; HK$15,750,000 payable in the second year; and HK$96,750,000 payable in the third to fifth years, inclusive.

25. DEFERRED TAX

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

Gross deferred tax liabilities

	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of land and buildings *HK$'000*	Total *HK$'000*
At 1 April 2016	**1,558**	**28,665**	**30,223**
Deferred tax debited to equity during the year	**–**	**1,439**	**1,439**
Deferred tax credited to the income statement during the year *(note 9)*	**(87)**	**–**	**(87)**
Exchange realignment	**–**	**(1,032)**	**(1,032)**
At 31 March 2017	**1,471**	**29,072**	**30,543**
At 1 April 2015	1,497	27,234	28,731
Deferred tax debited to equity during the year	–	1,845	1,845
Deferred tax debited to the income statement during the year *(note 9)*	61	–	61
Exchange realignment	–	(414)	(414)
At 31 March 2016	1,558	28,665	30,223

25. DEFERRED TAX *(continued)*

Gross deferred tax assets

	Depreciation in excess of depreciation allowance *HK$'000*	Deferred subsidy income *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
At 1 April 2016	**11**	**40,799**	**108**	**40,918**
Deferred tax debited to the income statement during the year *(note 9)*	**–**	**(925)**	**–**	**(925)**
Exchange realignment	**–**	**(3,299)**	**–**	**(3,299)**
At 31 March 2017	**11**	**36,575**	**108**	**36,694**
At 1 April 2015	–	32,791	108	32,899
Deferred tax credited to the income statement during the year *(note 9)*	11	9,371	–	9,382
Exchange realignment	–	(1,363)	–	(1,363)
At 31 March 2016	11	40,799	108	40,918

The Group has tax losses arising in Hong Kong of HK$17,633,000 (2016: HK$19,166,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of HK$236,846,000 (2016: HK$288,503,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. 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 Mainland China 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 Mainland China in respect of earnings generated since 1 January 2008.

25. DEFERRED TAX *(continued)*

At 31 March 2017, 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 Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences on undistributed profit of the subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$437,435,000 (2016: HK$367,320,000) at 31 March 2017.

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

26. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
428,360,000 (2016: 419,160,000) ordinary shares of HK$0.10 each	**42,836**	41,916

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**	**Share premium account**	**Capital redemption reserve**	**Total**
		HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1 April 2016	**419,160,000**	**41,916**	**125,031**	**14**	**166,961**
Share options exercised *(Note (a))*	**9,200,000**	**920**	**14,611**	**–**	**15,531**
At 31 March 2017	**428,360,000**	**42,836**	**139,642**	**14**	**182,492**
At 1 April 2015	418,748,000	41,875	124,530	–	166,405
Share options exercised *(Note (a))*	550,000	55	634	–	689
Repurchase of shares *(Note (b))*	(138,000)	(14)	(133)	14	(133)
At 31 March 2016	419,160,000	41,916	125,031	14	166,961

26. SHARE CAPITAL *(continued)*

Notes:

(a) During the year ended 31 March 2017, the subscription rights attaching to 900,000 share options, 7,800,000 share options and 500,000 share options were exercised at the subscription prices of HK$0.974 per share, HK$1.160 per share and HK$1.426 per share, respectively (note 27), resulting in the issue of 9,200,000 shares for a total cash consideration, before expenses, of HK$10,638,000. An amount of HK$4,893,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

During the year ended 31 March 2016, the subscription rights attaching to 550,000 share options were exercised at the subscription price of HK$0.974 per share (note 27), resulting in the issue of 550,000 shares for a total cash consideration, before expenses, of HK$536,000. An amount of HK$153,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

(b) During the year ended 31 March 2016, the Company repurchased a total of 138,000 ordinary shares and such repurchased shares were cancelled on 28 July 2015.

Month of repurchase	Number of shares repurchased and cancelled	Price per share Highest	Price per share Lowest	Aggregate purchase price excluding expenses
		HK$	*HK$*	*HK$*
July 2015	138,000	1.18	1.00	147,000

27. SHARE OPTION SCHEMES

During the year ended 31 March 2013, the Company terminated the share option scheme adopted by the Company on 20 August 2002 (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") pursuant to a resolution passed in the annual general meeting dated 20 August 2012 which became effective on the same date. The New Share Option Scheme will remain in force for ten years commencing from the effective date, after which period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

The Old Share Option Scheme

The Company operated 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 included 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, would 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.

27. SHARE OPTION SCHEMES *(continued)*

The Old Share Option Scheme *(continued)*

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of 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 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 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 3,750,000 options granted but not yet exercised under the Old Share Option Scheme.

The New Share Option Scheme

The Company operates the New Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Share Option Scheme include the 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.

27. SHARE OPTION SCHEMES *(continued)*

The New Share Option Scheme *(continued)*

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

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

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

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

27. SHARE OPTION SCHEMES *(continued)*

The following share options were outstanding under the Old Share Option Scheme and New Share Option Scheme (the "Schemes") during the year:

2017

	Date of share options granted	Number of share options: At 1 April 2016	Granted during the year	Exercised during the year#	Lapsed during the year	At 31 March 2017	Exercise period	Exercise price per share HK$	Price of the Company's shares at grant date* HK$
Directors									
Cheng Chor Kit	10/3/2016	4,000,000	–	–	–	4,000,000	10/3/2016-9/3/2026	1.160	1.16
Fung Wah Cheong, Vincent	23/7/2009	500,000	–	(500,000)	–	–	1/8/2010-22/7/2019	1.426	1.40
	10/3/2016	1,000,000	–	(1,000,000)	–	–	10/3/2016-9/3/2026	1.160	1.16
Liu Tat Luen	4/1/2010	2,000,000	–	–	–	2,000,000	4/1/2013-3/1/2020	2.102	2.06
	10/3/2016	2,000,000	–	(500,000)	–	1,500,000	10/3/2016-9/3/2026	1.160	1.16
Cheng Tsz To	10/3/2016	2,000,000	–	(1,500,000)	–	500,000	10/3/2016-9/3/2026	1.160	1.16
Cheng Tsz Hang	10/3/2016	2,000,000	–	(1,500,000)	–	500,000	10/3/2016-9/3/2026	1.160	1.16
Chin Wee Hon	10/3/2016	1,000,000	–	–	–	1,000,000	10/11/2017-9/3/2026	1.160	1.16
Hui Ka Po, Alex **	10/3/2016	1,000,000	–	–	–	1,000,000	17/2/2019-9/3/2026	1.160	1.16
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
Cheng Kwok Kin, Paul	10/3/2016	200,000	–	–	–	200,000	23/6/2017-9/3/2026	1.160	1.16
Cheung Wang Ip	10/3/2016	200,000	–	–	–	200,000	21/7/2017-9/3/2026	1.160	1.16
Other employees									
In aggregate	4/10/2006	192,000	–	–	(192,000)	–	4/10/2009-3/10/2016	1.030	1.03
	19/10/2009	500,000	–	–	–	500,000	19/10/2012-18/10/2019	1.550	1.55
	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
	19/3/2013	400,000	–	(400,000)	–	–	19/3/2013-18/3/2023	0.974	0.95
	10/3/2016	3,300,000	–	(3,300,000)	–	–	10/3/2016-9/3/2026	1.160	1.16
	10/3/2016	300,000	–	–	–	300,000	15/5/2017-9/3/2026	1.160	1.16
	10/3/2016	300,000	–	–	–	300,000	3/6/2017-9/3/2026	1.160	1.16
		23,142,000	–	(9,200,000)	(192,000)	13,750,000			

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

\# *The closing price of the Company's shares immediately before the exercise date of the share options was HK$1.58 per share.*

** *Mr. Hui Ka Po, Alex was appointed as executive director of the Company on 1 December 2016. The opening balance of the number of outstanding options at 1 April 2016 has been reclassified to take into account the change in his capacity.*

27. SHARE OPTION SCHEMES *(continued)*

The following share options were outstanding under the Old Share Option Scheme and New Share Option Scheme (the "Schemes") during the year: *(continued)*

2016

	Date of share options granted	Number of share options: At 1 April 2015	Granted during the year#	Exercised during the year#	Lapsed during the year	At 31 March 2016	Exercise period	Exercise price per share *HK$*	Price of the Company's shares at grant date* *HK$*
Directors									
Cheng Chor Kit	10/3/2016	–	4,000,000	–	–	4,000,000	10/3/2016-9/3/2026	1.160	1.16
Fung Wah Cheong,	23/7/2009	500,000	–	–	–	500,000	1/8/2010-22/7/2019	1.426	1.40
Vincent	10/3/2016	–	1,000,000	–	–	1,000,000	10/3/2016-9/3/2026	1.160	1.16
Liu Tat Luen	4/1/2010	2,000,000	–	–	–	2,000,000	4/1/2013-3/1/2020	2.102	2.06
	10/3/2016	–	2,000,000	–	–	2,000,000	10/3/2016-9/3/2026	1.160	1.16
Cheng Tsz To	10/3/2016	–	2,000,000	–	–	2,000,000	10/3/2016-9/3/2026	1.160	1.16
Cheng Tsz Hang **	10/3/2016	–	2,000,000	–	–	2,000,000	10/3/2016-9/3/2026	1.160	1.16
Chin Wee Hon **	10/3/2016	–	1,000,000	–	–	1,000,000	10/11/2017-9/3/2026	1.160	1.16
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
Cheng Kwok Kin, Paul	10/3/2016	–	200,000	–	–	200,000	23/6/2017-9/3/2026	1.160	1.16
Cheung Wang Ip	10/3/2016	–	200,000	–	–	200,000	21/7/2017-9/3/2026	1.160	1.16
Other employees									
In aggregate	4/10/2006	192,000	–	–	–	192,000	4/10/2009-3/10/2016	1.030	1.03
	19/10/2009	500,000	–	–	–	500,000	19/10/2012-18/10/2019	1.550	1.55
	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
	19/3/2013	950,000	–	(550,000)	–	400,000	19/3/2013-18/3/2023	0.974	0.95
	10/3/2016	–	3,300,000	–	–	3,300,000	10/3/2016-9/3/2026	1.160	1.16
	10/3/2016	–	300,000	–	–	300,000	15/5/2017-9/3/2026	1.160	1.16
	10/3/2016	–	300,000	–	–	300,000	3/6/2017-9/3/2026	1.160	1.16
	10/3/2016	–	1,000,000	–	–	1,000,000	17/2/2019-9/3/2026	1.160	1.16
		6,392,000	17,300,000	(550,000)	–	23,142,000			

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

\# *The closing price of the Company's shares immediately before the exercise date of the share options was HK$1.02 per share. The closing price of the Company's shares immediately before the date on which the options were granted during the year was HK$1.16 per share.*

** *Mr. Cheng Tsz Hang and Mr. Chin Wee Hon were appointed as executive directors of the Company on 30 March 2016.*

27. SHARE OPTION SCHEMES *(continued)*

During the year ended 31 March 2016, 17,300,000 share options were granted. The fair value of the equity-settled share options under the New Share Option Scheme granted during the year ended 31 March 2016 was estimated at HK$5,814,000, as at the date of grant using the binomial valuation model, taking into account the terms and conditions upon which the options were granted, of which the Group recognised a share option expense of HK$626,000 (2016: HK$4,753,000) during the year ended 31 March 2017 (note 7).

During the year ended 31 March 2017, 192,000 (2016: Nil) share options in total were lapsed, and accordingly the respective share option expenses of HK$224,000 (2016: Nil) were released from share option reserve to the equity.

The following table lists the inputs to the model used:

	2016
Dividend yield *(%)*	3.45
Volatility *(%)*	47.56
Employee exit rate post-vesting *(%)*	9.88-18.83
Risk-free interest rate *(%)*	1.66
Expected life of options (year)	0-2.9
Prevailing market price (HK$ per share)	1.16

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:

	2017		2016	
	Weighted average exercise price *HK$ per share*	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At the beginning of year	**1.331**	**23,142,000**	1.765	6,392,000
Granted during the year	**–**	**–**	1.160	17,300,000
Exercised during the year	**1.156**	**(9,200,000)**	0.974	(550,000)
Lapsed during the year	**1.030**	**(192,000)**	–	–
At the end of year	**1.453**	**13,750,000**	1.331	23,142,000

27. SHARE OPTION SCHEMES *(continued)*

At the end of the reporting period, the Company had 13,750,000 (2016: 23,142,000) share options outstanding under the Schemes. Should they be fully exercised, the Company will receive HK$19,976,000 (2016: HK$30,811,000) (before issue expenses). The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 13,750,000 (2016: 23,142,000) additional ordinary shares of the Company and additional share capital of HK$1,375,000 (2016: HK$2,314,000) and share premium of approximately HK$18,601,000 (2016: HK$28,497,000) (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 13,750,000 (2016: 23,142,000) share options outstanding under the Schemes, which represented approximately 3.21% (2016: 5.52%) of the Company's shares in issue as at that date.

28. RESERVES

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 and 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.

29. 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:

	2017	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**17,084**	12,889
Performance related bonuses	**6,859**	3,897
Equity-settled share option expense	**344**	3,675
Pension scheme contributions	**468**	414
Total compensation paid to key management personnel	**24,755**	20,875

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.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

(a) During the year ended 31 March 2017, interest of HK$6,059,000 (2016: HK$3,338,000) was capitalised under properties under development.

(b) During the year ended 31 March 2017, deposits paid of HK$34,309,000 (2016: HK$32,565,000) were transferred to property, plant and equipment.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one year.

At 31 March 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**24**	304
In the second to fifth years, inclusive	**–**	257
	24	561

(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 one to twelve years.

At 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**1,448**	484
In the second to fifth years, inclusive	**1,673**	783
	3,121	1,267

32. COMMITMENTS

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

	2017	2016
	HK$'000	*HK$'000*
Contracted for commitments in respect of the acquisition of items of property, plant and equipment	**160,458**	34,787
Contracted for commitments in respect of properties under development and investment properties	**106,190**	121,620

The Group had outstanding commitments amounting to HK$48,550,000 (2016: HK$22,805,000) as at the end of the reporting period in respect of the investments in subsidiaries.

The Group had outstanding commitments amounting to HK$2,497,000 (2016: HK$7,157,000) as at the end of the reporting period in respect of irrevocable letters of credit.

33. CONTINGENT LIABILITIES

(a) On 26 March 2014, the Hong Kong Inland Revenue Department ("IRD") issued estimated assessments ("EA") for the year of assessment 2007/08 (which were statutorily time-barred after 31 March 2014) with total tax demanded of approximately HK$16,242,000 to certain subsidiaries of the Group (the "Subsidiaries"). The EA were issued as a consequence of the tax audit being carried out on the tax affairs of the Subsidiaries. During the year ended 31 March 2015, the Subsidiaries lodged objections to the EA and the IRD 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 an 8% annual interest will be charged should the balance become payable upon settlement of the objection.

On 18 March 2015, the IRD issued another EA for the year of assessment 2008/09 (which were statutorily time-barred after 31 March 2015) with total tax demanded of approximately HK$17,325,000 to the Subsidiaries. During the year ended 31 March 2016, the Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase additional TRC in the amount of HK$7,500,000 and to holdover the balance on the condition that an 8% annual interest will be charged should the balance become payable upon settlement of the objection.

On 16 March 2016, the IRD issued another EA for the year of assessment 2009/10 (which were statutorily time-barred after 31 March 2016) with total tax demanded of approximately HK$10,406,000 to the Subsidiaries. During the year ended 31 March 2017, the Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase additional TRC in the amount of HK$5,000,000 and to holdover the balance on the condition that an 8% annual interest will be charged should the balance become payable upon settlement of the objection.

33. CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

On 27 February 2017, the IRD issued another EA for the year of assessment 2010/11 (which were statutorily time-barred after 31 March 2017) with total tax demanded of approximately HK$5,115,000 to the Subsidiaries. Subsequent to 31 March 2017, the Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase additional TRC in the amount of HK$5,033,000 and to holdover the balance on the condition that an 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 years of assessment 2007/08, 2008/09, 2009/10 and 2010/11 specified in the EA. Therefore, the directors are of the view that no additional tax provision for 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 additional tax provision was provided thereon as at 31 March 2017, 2016, 2015 and 2014.

(b) As at 31 March 2017, the Group has given guarantees of RMB990,000 (equivalent to approximately HK$1,109,000) (2016: Nil) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans were granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties.

The fair value of the guarantees is not significant and the directors of the Company consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the year ended 31 March 2017 for the guarantees.

34. 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	**2017**		2016	
	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*
Accounts and bills receivable	**–**	**336,522**	–	222,191
Time deposits	**–**	**6,430**	–	6,565
Cash and bank balances	**–**	**282,588**	–	204,948
Financial assets at fair value through profit or loss	**20,256**	**–**	10,648	–
	20,256	**625,540**	10,648	433,704

Financial liabilities	**2017**	2016
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Accounts payables	**375,414**	262,674
Financial liabilities included in other payables, accrued liabilities and deferred income	**42,350**	41,876
Due to non-controlling shareholders	**34,570**	38,056
Interest-bearing bank borrowings	**339,310**	188,507
	791,644	531,113

35. 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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 31 March 2017:				
Financial assets at fair value through profit or loss	**20,256**	**–**	**–**	**20,256**
At 31 March 2016:				
Financial assets at fair value through profit or loss	10,648	–	–	10,648

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 (2016: Nil).

36. 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 and bills 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.

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible 100 basis point increase/decrease in interest rates, with all other variables held constant, on floating rate borrowings, that would increase/decrease in interest expenses as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Increase/decrease in interest expenses	**3,393**	1,885

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$, the Group does not have a foreign currency hedging policy. During the year, the Group did not enter into any new foreign exchange derivative transactions. The management monitors the foreign exchange exposure and will consider hedging the significant foreign currency exposures should the need arise. Moreover, the majority of the Group's operating assets are located in Mainland China and are denominated in RMB. As the Group's results are reported in HK$, there will be a translation gain as a result of the RMB appreciation, and vice versa.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) 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***
2017		
If Hong Kong dollar weakens against RMB	**5**	**(2,854)**
If Hong Kong dollar strengthens against RMB	**(5)**	**2,854**

	Increase/ (decrease) in RMB rate *%*	Increase/ (decrease) in loss before tax *HK$'000*
2016		
If Hong Kong dollar weakens against RMB	5	4,584
If Hong Kong dollar strengthens against RMB	(5)	(4,584)

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

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 of 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, 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 and bills receivable are disclosed in note 19 to the financial statements.

Liquidity risk

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

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:

2017

	Within one year *HK$'000*	One to five years *HK$'000*	Total *HK$'000*
Accounts payables	375,414	–	375,414
Financial liabilities included in other payables, accrued liabilities and deferred income	42,350	–	42,350
Due to non-controlling shareholders	34,570	–	34,570
Interest-bearing bank borrowings *	288,190	66,779	354,969
	740,524	66,779	807,303

36. 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)*

2016

	Within one year *HK$'000*	One to five years *HK$'000*	Total *HK$'000*
Accounts payables	262,674	–	262,674
Financial liabilities included in other payables, accrued liabilities and deferred income	41,876	–	41,876
Due to non-controlling shareholders	38,056	–	38,056
Interest-bearing bank borrowings *	198,434	–	198,434
	541,040	–	541,040

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 33 to Pthe financial statements.

* *Included in interest-bearing bank borrowings above were bank loans of the Group of HK$339,310,000 (2016: HK$188,507,000).*

Year ended 31 March 2016

As at 31 March 2016 and subsequent to 31 March 2016, the Group was technically in breach of covenants under loan agreements with certain banks, as the Group's tangible net worth were less than the NTA Requirement. Subsequent to 31 March 2016, the Group has successfully obtained written consents from these banks to waive the rights entitling the banks to declare the relevant outstanding loan balances immediately due and payable due to the breach as mentioned above.

Given that the lenders have the unconditional right to call in certain loans at any time, for the purpose of the above maturity profile, these amounts were classified as "on demand".

Notwithstanding the above technically breach of covenants, the directors did not believe that the bank loans will be called in their entirety within 12 months, and they considered that the bank loans would be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with other loan covenants; the lack of events of default; the fact that the Group had made all previously scheduled repayments on time; and the Group had obtained the relevant waiver letters from the relevant banks. In accordance with the maturity terms of the bank loans, the amounts repayable in respect of the bank loans were as follows:

	2016 *HK$'000*
Bank loans repayable under maturity terms:	
Within one year	79,058
In the second year	18,407
In the third to fifth years, inclusive	100,969
	198,434

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

Market risk

Market risk is the risk that the fair values of investments held for trading decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to market risk arising from individual investments classified as held for trading (note 21) as at 31 March 2017 and 2016.

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.

	2017	2016
	HK$'000	*HK$'000*
Listed equity investments	**2,026**	1,065

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 2017 and 2016.

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:

	2017	2016
	HK$'000	*HK$'000*
Total interest-bearing bank borrowings	**339,310**	188,507
Total equity	**906,311**	857,376
Gearing ratio	**37.4%**	22.0%

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 *HK$'000*	2016 *HK$'000*
NON-CURRENT ASSETS		
Interests in subsidiaries	**962,689**	454,403
CURRENT ASSETS		
Prepayments	**163**	–
Cash and bank balances	**3,270**	204
Total current assets	**3,433**	204
CURRENT LIABILITIES		
Accrued liabilities and other payables	**3,166**	3,243
Interest-bearing bank borrowings	**162,500**	120,000
Tax payable	**855**	671
Total current liabilities	**166,521**	123,914
NET CURRENT LIABILITIES	**(163,088)**	(123,710)
TOTAL ASSETS LESS CURRENT LIABILITIES	**799,601**	330,693
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**65,000**	–
NET ASSETS	**734,601**	330,693
EQUITY		
Share capital	**42,836**	41,916
Reserves *(note)*	**691,765**	288,777
TOTAL EQUITY	**734,601**	330,693

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	124,530	5,397	–	104,750	70,548	305,225
Loss for the year	–	–	–	–	(4,783)	(4,783)
Final 2015 dividend paid *(note 10)*	–	–	–	–	(16,766)	(16,766)
Issue of shares *(note 26)*	634	(153)	–	–	–	481
Repurchase of shares *(note 26)*	(133)	–	14	–	(14)	(133)
Equity-settled share option expense *(note 27)*	–	4,753	–	–	–	4,753
At 31 March 2016 and 1 April 2016	**125,031**	**9,997**	**14**	**104,750**	**48,985**	**288,777**
Profit for the year	**–**	**–**	**–**	**–**	**499,274**	**499,274**
Final 2016 dividend paid *(note 10)*	**–**	**–**	**–**	**–**	**(20,958)**	**(20,958)**
Interim 2017 dividend paid *(note 10)*	**–**	**–**	**–**	**–**	**(21,418)**	**(21,418)**
Special 2017 dividend paid *(note 10)*	**–**	**–**	**–**	**–**	**(64,254)**	**(64,254)**
Issue of shares *(note 26)*	**14,611**	**(4,893)**	**–**	**–**	**–**	**9,718**
Equity-settled share option expense *(note 27)*	**–**	**626**	**–**	**–**	**–**	**626**
Transfer of share option reserve upon the lapse of share options *(note 27)*	**–**	**(224)**	**–**	**–**	**224**	**–**
At 31 March 2017	**139,642**	**5,506**	**14**	**104,750**	**441,853**	**691,765**

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.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Kin Yat Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Indirectly held				
Guizhou Kin Yat Property Company Limited #	PRC/Mainland China	RMB100,000,000 *(Note (a))*	100%	Property development
Guizhou Standard Electric Motor Company Limited #	PRC/Mainland China	HK$70,000,000 *(Note (b))*	100%	Manufacture and trading of motors
Kin Yat (Guizhou) Robot Company Limited #	PRC/Mainland China	RMB18,745,000 *(Note (c))*	100%	Manufacture and trading of toys and electronic products
Kin Yat (Hong Kong) Corporation Limited	Hong Kong	HK$10,000	100%	Trading of electrical products
Kin Yat Industrial Company Limited	Hong Kong	HK$3,200,000	100%	Trading of toys, electronic products, and sourcing of materials
Newway Electrical Industries (HK) Limited	Hong Kong	HK$10,000	100%	Trading of electrical household appliances
Penta Blesses Enterprises Limited	Hong Kong	HK$1,000,000	100%	Investment and property holding
Renhua Talent Wood Co., Ltd. #	PRC/Mainland China	HK$26,500,000	100%	Manufacture and trading of toys
Shaoguan Turbo Electronic Technology Co., Ltd. #	PRC/Mainland China	US$8,000,000	100%	Manufacture and trading of toys and electrical appliances
Shenzhen Kin Yat Power Electronic Co., Ltd. #	PRC/Mainland China	US$5,000,000	100%	Manufacture and trading of toys and electronic products
Shixing Standard Motor Co., Ltd. #	PRC/Mainland China	US$23,000,000	100%	Property holding, manufacture and trading of motors

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(continued)*				
Smart Electric Motor Co. Limited	Hong Kong	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	HK$40,000,000	100%	Trading of motors and sourcing of materials
Standard Motor Japan Co. Limited	Japan	JPY10,000,000	100%	Trading of motors
Unicon Investments Limited	Hong Kong	HK$10,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong	HK$1,000,000	100%	Trading of toys

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

Notes:

(a) The registered capital of Guizhou Kin Yat Property Company Limited amounted to RMB110,000,000 (2016: RMB90,000,000), of which RMB100,000,000 (2016: RMB80,000,000) was paid up as at 31 March 2017. The remaining unpaid capital contribution of RMB10,000,000 (2016: RMB10,000,000) (equivalent to approximately HK$11,198,000 (2016: HK$12,195,000)) was included in commitments at 31 March 2017 as disclosed in note 32 to the financial statements.

(b) The registered capital of Guizhou Standard Electric Motor Company Limited amounted to HK$70,000,000, of which HK$60,000,000 was paid up as at 31 March 2016. The remaining unpaid capital contribution of HK$10,000,000 was included in commitments at 31 March 2016 as disclosed in note 32 to the financial statements. Such balance had been settled during the year ended 31 March 2017.

(c) The registered capital of Kin Yat (Guizhou) Robot Company Limited amounted to RMB50,000,000, of which RMB18,745,000 (2016: Nil) was paid up as at 31 March 2017. The remaining unpaid capital contribution of RMB31,255,000 (2016: Nil) (equivalent to approximately HK$35,000,000 (2016: Nil)) was included in commitments at 31 March 2017 as disclosed in note 32 to the financial statements.

The table above 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.

39. DISPOSAL OF SUBSIDIARIES

(a) On 12 July 2016, the Group entered into disposal agreements with two individuals, independent third parties, to dispose of its entire equity interest in a wholly-owned subsidiary, Dongguan Jianze Smart Electric Motor Co. Ltd. ("Dongguan Jianze"), at a cash consideration of RMB100,000 (approximately HK$116,000) (the "DG Disposal"). The DG Disposal was completed on 10 October 2016. The assets and liabilities disposed included prepayments of HK$2,020,000 and other payables of HK$2,020,000. Credit exchange fluctuation reserve of HK$2,064,000 was released and the resulting gain on disposal of the subsidiary of HK$2,180,000 was recognised in the consolidated income statement during the year ended 31 March 2017.

(b) On 1 January 2017, the Group entered into a disposal agreement with a non-controlling interest, Perfect Gear Group Limited, to dispose of its entire equity interest in a 70% owned subsidiary, Profit Creator International Limited and its subsidiaries, Ordovician Mining (Hong Kong) Ltd and Ordovician Mining (Lao) Co Ltd ("Profit Creator Group"), for a cash consideration of HK$1,000 (the "Lao's Disposal"). The Lao's Disposal was completed on 1 January 2017. The loss on disposal of Profit Creator Group of HK$4,651,000, which representing (i) the difference of the consideration of HK$1,000 and the Group's net liabilities in Profit Creator Group of HK$2,272,000 (which included other payables of HK$471,000 and amount due to a non-controlling shareholder of HK$1,801,000) and non-controlling interest of HK$6,923,000 and (ii) debit exchange fluctuation reserve of HK$1,000 which was released from the disposal of the subsidiaries, was recognised in the consolidated income statement during the year ended 31 March 2017.

(c) On 16 October 2015, the Group entered into disposal agreements with two individuals, independent third parties, to dispose of its entire equity interest in a wholly-owned subsidiary, 翁源縣金建元礦業有限公司, for a cash consideration of RMB100,000 (approximately HK$122,000) (the "Disposal"). The Disposal was completed on 19 January 2016.

	Notes	*HK$'000*
Net liabilities disposed of:		
Property, plant and equipment	*12*	39
Prepayments		199
Bank balances		178
Tax payables		(7,555)
Other payables and accruals		(312)
		(7,451)
Release of exchange fluctuation reserve		(468)
Gain on disposal of a subsidiary	*5, 7*	8,041
		122
Satisfied by:		
Cash consideration		122

39. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the Disposal is as follows:

	HK$'000
Cash consideration	122
Bank balances disposed of	(178)
Net outflow of cash and cash equivalents in respect of the Disposal	(56)

40. COMPARATIVE AMOUNTS

Certain amounts in the consolidated financial statements for the year ended 31 March 2016 have been reclassified to conform with current year presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2017.

PROPERTIES UNDER DEVELOPMENT

Location	Type of development	Site area (sq.m.)	Approximate gross floor area (sq.m.)	Expected completion date	Group's interest	Stage
Development site of Royale Cambridge Residences, Tong Gu Jing, Economic Development District, Dushan County, Guizhou Province, the PRC	Residential	83,166	81,096	2017-2019	100%	Construction commenced

INVESTMENT PROPERTIES

Location	Existing use	Type of lease
Development site on Bei Da Men Road, Economic Development District, Dushan County, Guizhou Province, the PRC	Commercial	Medium term