KIN YAT HOLDINGS LIMITED
建溢集團有限公司

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

ANNUAL REPORT

for the year ended 31 March 2018

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. Hui Ka Po, Alex
Mr. Chin Wee Hon*

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

7/F., 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

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

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

CORPORATE WEBSITE

www.kinyat.com.hk

* *Mr. Chin Wee Hon resigned as an executive Director on 12 November 2017.*

I am delighted to report the annual results of Kin Yat Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), for the financial year ended 31 March 2018 ("FY2018"). During the year, we continued to make value chain investments in order to strengthen our competitive position for sustainable growth.

- Consolidated turnover rose 22.7% year on year to HK$3,034,274,000 (year ended 31 March 2017 ("FY2017"): HK$2,472,193,000);
- Profit attributable to equity holders of the Company was HK$149,821,000 (FY2017: HK$196,375,000); inclusive of:
    - recognition of subsidy income of HK$69,840,000 (FY2017: HK$14,825,000);
    - a write-back of impairment of properties under development of HK$4,582,000 (FY2017: HK$66,950,000);
    - fair value gain on investment properties of HK$4,935,000 (FY2017: loss of HK$362,000); and
    - gain on disposals of subsidiaries of HK$10,126,000 (FY2017: loss of HK$2,471,000).
- Profit for the year before recognition of subsidy income, write-back of impairment of properties under development and gain/loss on disposals of subsidiaries and fair value gain/(loss) on investment properties and non-controlling interests was HK$60,338,000 (FY2017: HK$117,433,000); and
- Basic earnings per share for the year were HK34.71 cents (FY2017: HK46.53 cents).

The Group is an industrial enterprise with a focus on technology and innovation. We own the know-how and operate a smart industrial setup with excellent management capabilities while maintaining a strong track record and longstanding partnerships with international brands, all contributing to our success in the industrial arena. Our investments in other non-manufacturing projects, including property developments, were one-time moves under local government support to allow the Group to utilise its financial resources to secure a satisfactory return at the appropriate time.

Over the past twelve months, much has been achieved in terms of business expansion and capability enhancement. The Group will continue to build on its strong foundation and develop a competitive strategy to sustain resilient performance in demanding market environment. In the next section, I discuss the master blueprint for our development over the next few years.

STRATEGIES AND OUTLOOK

Macro Environment

The consumer electronics industry is projected to exhibit continued growth in the coming financial year ending 31 March 2019 ("FY2019"). The macroeconomic environment for the Group's operations will also remain positive.

The United States' imposition of tariffs on Chinese goods has led to China's implementation of new import duties on a range of US products, sparking concerns of a US-China trade war. Nevertheless the two sides seem to continue their dialogue to resolve bilateral trade disagreements.

Since none of the Group's products or upstream components is on the tariff lists, nor are our major clients' operations affected by the imposition of duties, the board (the "Board") of directors of the Company (the "Directors") is of the opinion that the trade dispute will likely to have minimal impact on the Group.

The management will guard against the uncertainty in the global economy brought about by the unpredictability of the US administration and its sway of global economic and trade policies. Despite the possible impact of the current trade dispute on the Chinese manufacturing and other production hubs, we remain confident in the overall growth momentum of China.

We also need to stay alert for rising manufacturing costs in China, including the surging prices of electronic components, as well as the appreciation of Renminbi. These cost factors will place short-term pressure on our profit margins, but our strategy remains to counter these challenges by achieving even higher levels of automation at our production centres, and to move up the value chain by developing more products with a high technology content.

Industrial Base in Guizhou

In view of the surging costs now encountered in the Pearl River Delta, the Group has proactively explored the feasibility of expanding its production base further inland. In 2014, we took an early move to set up our first motors facilities in Dushan County ("Dushan"), Guizhou Province ("Guizhou"), the People's Republic of China (the "PRC").

With the support of and incentives provided by the local government, our expansion in Guizhou has continued over the past few years. A mega plant is currently under construction by the local government, with our move-in and installation of equipment scheduled for the latter part of FY2019. The new addition is earmarked for the production of our robotic vacuum cleaner ("RVC") and entertainment products. It is foreseeable that our manufacturing segment will focus most of its future development in Guizhou.

Dubbed 'China's Big Data Valley', Guizhou has witnessed a rapid transformation into a technology hub, attracting global and Chinese technology giants to set up data centres and manufacturing operations. As the province reinvents itself, its growth has been among the highest in the country in recent years.

Guizhou is also participating in China's national efforts to build a greener economy. The province is commended for its excellent air and water quality, as well as its moderate climate, which enable our plants to achieve energy savings especially with our power-reliant injection moulding workshops and clean production floors. As a responsible corporation, we aim to contribute to environmental protection while expanding our operations.

Our industrial operations are based in Dushan, which is strategically located closely to a high-speed railway station due to be opened shortly. On this site, the Group aims to develop a mega production platform to meet the forthcoming phase of high growth in its motors and electrical and electronic products segments.

Taking the Digital Leap Towards i4.0

During the past decade, the Group has invested to employ industrial robotics to automate production, elevating us onto the Industry 3.0 platform where higher efficiency and labour savings have been achieved. With automation, we are able to produce a much higher output volume with only a marginal increase in workforce, thus maintaining a competitive edge in the market.

In the latest phase of our transformation, we are migrating from automation to intelligent automation. Utilising big data and networks, we are moving towards Industry 4.0 ("i4.0") to connect our business processes, ranging from market intelligence, product design and development, to production, quality assurance and logistics. The digitalised operation of our future smart factory will enable us to provide customised products and services to our customers even faster and more efficiently.

The Group is currently working with the Hong Kong Productivity Council ("HKPC") with an initiative to help Hong Kong industrial companies reviewing their readiness for the i4.0 operating model. A joint team of Fraunhofer IPT-certified experts from Germany and HKPC experts has undertaken a thorough on-site evaluation of our plant in Shenzhen to assess the current status of our operations and our i4.0 maturity. In the next step, we will identify suitable pilot projects and formulate a strategic deployment roadmap for our upgrade into an i4.0 smart and innovative enterprise.

Manufacturing Businesses to Sustain Growth

The Group now operates two main manufacturing business streams on three major production bases in PRC, two of which are in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"), in Guangdong Province respectively.

The Dushan centre is currently designated for motors production, and is under an expansion to accommodate the manufacturing of robotics components and sub-assemblies, as well as a portion of our entertainment products. The Shenzhen centre continues to be dedicated to high-value-added processes for robotics and Internet of Things ("IoT") manufacturing, while the Shixing base provides manufacturing support for entertainment and other electrical and electronic products, and is a production base for the motors drives business.

Our motors segment reported strong results in FY2018, and we are highly confident of its ongoing business and earnings growth potential. With investments made to equip the segment with increased capacity and a higher level of automation, the motors segment is well on its path towards a new phase of high growth.

Our electrical and electronic products segment has established a strong foothold in its core indoor home-use robotics line. Going forward, it will seek to expand to other clients and applications, such as outdoor gardening and under-water robots. It will also capitalise on its solid foundation in robotic manufacturing and expanding capacity to strengthen its capability in its range of IoT, virtual reality ("VR")/augmented reality ("AR") and entertainment products.

Quality is a core pillar of our brand promise. I am proud that the quality of the Group has been recognised by a major robotics customer as one of the best. We will continue to work hard to further our quality standards. As such, the electrical and electronic products segment will add quality assurance headcount in the coming financial year in order to meet rising customer expectations as regards quality.

Financial Management

With total bank borrowings at HK$531,890,000 as at 31 March 2018 (31 March 2017: HK$339,310,000), the Group has maintained a gearing ratio (bank borrowings divided by total equity) of approximately 45.9% (31 March 2017: 37.4%).

The Group will continue to maintain a strong financial position, and will allocate funding from internal resources and bank borrowings to support our necessary capital expenditures for the development of our core businesses.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers and business partners for their support and contribution to our success. I would also like to extend my gratitude to the Board members, senior management and staff members for their commitment and professional services. Together, we look forward to charting profitable new courses in future.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 25 June 2018

The Group is an industrial enterprise with a history of more than three decades. It specialises in the technology-driven production of electrical and electronic products, including robotics, IoT, VR/AR and electronic entertainment items, along with a portfolio of motors drive products for a variety of applications. The Group also makes selective project investments in other sectors as opportunities arise.

CONSOLIDATED RESULTS

The Group's consolidated turnover increased by 22.7% year-on-year to HK$3,034,274,000, as compared to HK$2,472,193,000 recorded during FY2017. The turnover growth was driven by strong business growth of its manufacturing segments. Set out below is a breakdown of the Group's segmental external turnover:

- HK$2,137,529,000 from the electrical and electronic products business, representing 70.4% of the consolidated turnover of the Group for the year (FY2017: HK$1,734,190,000; 70.1%);

- HK$896,745,000 from the motors business, contributing 29.6% of the consolidated turnover (FY2017: HK$737,992,000; 29.9%);

- No turnover was booked from property pre-sales of the real estate development business segment during the year (FY2017: Nil; 0.0%).

The Group posted a profit attributable to equity holders of the Company of HK$149,821,000 during FY2018 (FY2017: HK$196,375,000). Before inclusion of the recognition of subsidy income of HK$69,840,000 (FY2017: HK$14,825,000), write-back of impairment of properties under development of HK$4,582,000 (FY2017: HK$66,950,000), fair value gain on investment properties of HK$4,935,000 (FY2017: loss of HK$362,000), and gain on disposals of subsidiaries of HK$10,126,000 (FY2017: loss of HK$2,471,000), a profit (before non-controlling interests) of HK$60,338,000 (FY2017: HK$117,433,000) was reported.

The decline in earnings was mainly attributable to increases in Renminbi-denominated costs owing to the currency's appreciation over the year and moderated gross profit margins of its manufacturing businesses, albeit mitigated by the improved operating results of the motors segment.

Basic earnings per share for the year were HK34.71 cents (FY2017: HK46.53 cents).

The table below sets out the results of the Group by business segment in FY2018, together with the comparative figures of the previous year:

Results by business segment	**FY2018**	**FY2017**	**Year-on-year change**
	HK$'000	*HK$'000*	*%*
Electrical and electronic products	136,225	168,292	-19.1
Motors	76,787	43,677	+75.8
Real estate development *(Note)*	(907)	61,673	NA
Resources development	215	(7,823)	NA
Total segment results	212,320	265,819	-20.1

Note: including write-back of impairment of properties under development of HK$4,582,000 (FY2017: HK$66,950,000)

OPERATIONAL REVIEW

Manufacturing Businesses

The Group's manufacturing businesses have continued to grow in volume, products portfolio and clientele, capitalising on its specialised skill sets and highly automated production platform in the PRC. During the year, the Group made further capital expenditures in readying its automated facilities in the Industry 3.0 model for migration onto a smart, data-managed Industry 4.0 platform.

Electrical and Electronic Products Business Segment

The segment is engaged in the development, design and manufacture of four main product categories: (i) artificial intelligence ("AI") robotics, (ii) IoT and smart home products, (iii) electronic entertainment products, and (iv) other products including small home appliances.

The segment's research-and-development ("R&D") and production centres are currently located in Shenzhen and Shixing, while it is establishing a new manufacturing base in Dushan, for the production of RVC products and other electrical and electronic products.

This business segment remains a core revenue and earnings contributor for the Group. Segment external turnover in FY2018 surged 23.3% to HK$2,137,529,000 (FY2017: HK$1,734,190,000), on a strong order book for AI robotic and entertainment products.

The segment's operating profit decreased 19.1% to HK$136,225,000 (FY2017: HK$168,292,000) owing to escalated Renminbi-denominated costs and reduced gross profit margins for certain products.

Robotics

This business line has been in partnership with a leading global consumer robotics company to develop best-in-class robots for the home. Having worked with this client over a decade, the Group has become its major production partner, for several generations of vacuum cleaning robots which have scored significant market successes. Going forward, the management will work with the client to bring to consumers even smarter robots which will interact with their surroundings and humans more effectively.

This longstanding partnership has evolved into a close working relationship in consistent R&D work and refinement of the manufacturing process. The management is confident that the Group will play a role in the client's plan to build an ecosystem of connected robots and data that better respond to the needs of daily living.

Close client interaction has yielded increased output of the existing cleaning robots series, representing a greater proportion of the client's growing robotics business. This has contributed to the segment's turnover growth. It is expected that new models for broader applications outdoors in the future.

Stronger than expected business growth was achieved during the year. New products are currently under development, with three to four items are ready for production in FY2019. At the same time, development of new robot products is underway for other clients for more extensive usages, including for use under-water.

In view of the growth projections of the robotics line and already full capacity in Shenzhen, plans are in the pipeline to bring a portion of the production of robotics to the new mega plant under construction in Dushan. This expansion plan has received local government support and preferential policy incentives, and is progressing smoothly.

With new capacities coming on stream in FY2019, as well as continued upgrade of the facilities in Shenzhen, management looks forward to sustained growth of the robotics business. This product category will remain the mainstream business for the electrical and electronic products segment, and will see a more diverse range of products and clientele going forward.

OPERATIONAL REVIEW *(continued)*

Manufacturing Businesses *(continued)*

Electrical and Electronic Products Business Segment *(continued)*

Internet of Things and Smart Home Products

IoT continues to be a growing trend that cannot be overlooked by electronic consumer products. For the segment, the foray into IoT has been a natural extension of its skill in data-driven and machine learning technologies acquired through its participation in robotics development.

However, despite the widespread adoption of IoT, the market is expected to become increasingly fragmented. Like all new emerging technologies, IoT developers have to cope with compatibility issues owing to a lack of IoT device standards and certifications. This will create hurdles for manufacturers in scaling up production and achieving profitability.

The management will continue to pursue opportunities in the IoT arena, but will be selective and focused on products and partnerships that demonstrate potential of growth. The ongoing direction is to develop the capabilities in customisation to meet the sector's specific demands, as well as to enhance methodology and know-how.

Currently the development of the segment is foused on four major categories of IoT devices, including smart home, healthcare wearable, STEM education, and online gaming. Of these, the smart home and STEM products have already been launched. Also moving from development to production is a range of apps-enabled droids, wearable tracking devices, and habit learning and communication robots.

Electronic Entertainment Products

FY2018 witnessed business growth and increased efforts by the segment in cultivating new product developments. Owing to these efforts, sizeable new manufacturing projects related to VR gaming products for the coming years is able to be secured, awarded by a long-term customer which is a large-scale global play and entertainment company.

These new projects will secure growth in revenue in FY2019 from this customer, with an expected increase of more than 100% over the average annual revenue generated from this customer. The award of these future projects recognises the management's continuous efforts to develop VR/AR and mixed reality ("MR") products. It is also a recognition of the segment's strong production capability owing to continuous capacity expansion, as well as its accumulated experience in robotics manufacturing. The management is confident of securing more business on the back of its solid capabilities in this regard.

Other electronic entertainment items, including those tied to blockbuster movies, also continued to be under development in collaboration with international players. Management is confident of the results of the entertainment line, and will work to incorporate VR/AR/MR and robotic elements to add appeal to the products.

Motors Business Segment

The motors segment is engaged in the development, design, manufacture and sale of electric motor drives and related products. Its product offerings have continued to evolve to capture market and technological trends, including the continued development of larger motor drives of diameters within 100 millimeters. The segment's major facilities are currently located in Shixing and Dushan, with a small-scale production facility in Malaysia.

Segment external turnover increased substantially by 21.5% year-on-year to HK$896,745,000 (FY2017: HK$737,992,000) on a robust orders book. Segment profit also rose 75.8% to HK$76,787,000 (FY2017: HK$43,677,000).

Business growth during the year was mainly contributed by strong orders in the home and office appliances end-user sectors. This growth was achieved on the back of higher recognition and acceptance of the segment's brand and drive solutions. The management has also been actively developing the automotive and transportation sector, which is expected to have remarkable increase in market share in terms of sales volume and value in motor drives in the next few years. It is anticipated that the segment will be able to generate substantial sales growth from the automotive and home appliance sectors in FY2019.

OPERATIONAL REVIEW *(continued)*

Manufacturing Businesses *(continued)*

Motors Business Segment *(continued)*

With a mission to strengthen its market position in Asia Pacific Region, the management will further its marketing and branding work in these markets. It also plans to explore the development potential in Europe and thus a branch office or agency will be established in the European continent.

The segment was operating at full capacity in its Shixing and Dushan facilities. To cope with growth in demand, the motors segment will continue to increase capacity through further automation in Shixing and continued expansion of the Dushan plant.

The segment's operating results were, however, affected by the appreciation of the Renminbi and surging copper prices, resulting in a slightly lower gross profit margin. To counter the cost inflation, the management has implemented more stringent cost control measures, in addition to further automating the manufacturing process.

In view of the growing trend for technological applications and automation in most appliances and devices for personal and commercial use, the motor drive has become an essential component in a broad range of electronic products. Management therefore holds an optimistic view of the overall market demand for motor drive solutions.

The Group is confident of the motors segment's future development as it continues to capture the high market demand brought by growing applications and changes in technology.

Non-manufacturing Businesses

Real Estate Development Business Segment

During the year, the segment was engaged in two residential and commercial property development projects in Dushan Economic Development Zone（貴州獨山經濟開發區）, including the existing *The Royale Cambridge Residences*（劍橋皇家）development and a resident resettlement project, *the Jardin Montsouris*（蒙蘇里花園）.

Given that the final acceptance certificates for *The Royale Cambridge Residences* have not yet been obtained, the sum of deposits of approximately RMB55,000,000 were accounted for as deposits received. As such, no revenue was recognised in FY2018. The segment recorded a loss of HK$907,000 (FY2017: profit of HK$61,673,000) which primarily reflected the administrative expenses of the operations.

The Royale Cambridge Residence

Up to 31 March 2018, 35 Phase I units with a total gross floor area of approximately 11,265 square metres were contracted to be sold for a total sum of RMB61,763,000, with more than 20 units close to conclusion of sale and purchase agreements.

Final inspection of the property units by the relevant government bodies was principally completed making way for the application for the final acceptance of construction. Based on the the current assessment of the situation, the segment plans to work towards the aim of obtaining the required final acceptance certificates within the ensuing FY2019. According to the principles established by the segment, the proceeds generated from Phase I units will be re-invested for the development of the Phase II units and the commercial properties in this project. Further updates of the business development of this project will be provided when appropriate.

OPERATIONAL REVIEW *(continued)*

Non-manufacturing Businesses *(continued)*

Real Estate Development Business Segment *(continued)*

The Jardin Montsouris

This resettlement project is located on a site provided by the Dushan government. It has a total saleable gross floor area as to 455,100 square metres of residential properties and 38,000 square metres of underground car parking spaces besides commercial properties.

Management expects the properties to be in demand in view of the local property market conditions. Demand for the project will be supported by national policy approved by the Central Government of the PRC and payments will be financed by the China Development Bank.

Procedures for the tendering of a portion of the land have been underway and the tendering is expected to be completed in the second half of 2018. Preliminary preparatory work has been substantially completed, including but not limited to the architectural design and obtaining necessary approvals from the planning bureau.

The management considers the two existing projects on hand as one-off real estate development opportunities and does not expect in general to tender for other property development projects in other locations in the PRC.

Glass Technology and Application Investment

Reference is made to the voluntary announcements of the Company dated 12 March 2018 and 15 March 2018, the Company has acquired a 13% equity interest in a glass technology and application company, Progress Power-Saving Glass Technology Company Limited ("PPSGT"), from an independent third party for a cash consideration of HK$14,925,000 at the end of April 2018. The said acquisition is made in furtherance of the Group's established principle of expanding business in the industrial sector.

PPSGT is engaged mainly in the sale and downstream processing of glass including but not limited to insulating glass, glass window module and digital image printed glass and the design, manufacture and installation of curtain wall system. PPSGT has also been planning for the sale of advertising rights on switchable projection glass systems developed by it that turns from a clear transparent glass into a projection surface. It also plans to embark into a new business with respect to the coating of glass surfaces for electrochromic glass smart shading systems used for energy-saving solutions and solar energy glass used for power generation.

PPSGT has reported to the Company that PPSGT and 貴州獨山瑞進實業有限公司 (English translation: Guizhou Dushan Ruijin Enterprise Company Limited ("GDRE")) entered into an joint venture agreement, before the said acquisition of the 13% equity interest by the Company, pursuant to which GDRE will subscribe for a 20% enlarged share capital in the major wholly-owned subsidiary of PPSGT (the "PRC Subsidiary") in the PRC by contributing approximately 51,000 square metres of factory building areas together with the associated land (the "Land and Factory Buildings"). The Land and Factory Buildings are mainly the land and buildings occupied and used by the PRC Subsidiary in Dushan on a rent-free basis. GDRE is a state-owned and wholly-owned enterprise formed by 貴州獨山經濟開發管理委員會 (English translation: Guizhou Dushan Economic Development Zone Management Committee).

The Company is progressing the possible acquisition of a controlling equity stake in PPSGT and disclosure will be made by the Company as and when appropriate in accordance with the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIVIDENDS

Interim dividends of HK3.0 cents per ordinary share, totaling HK$13,063,000 were paid to the shareholders of the Company on 5 January 2018.

The Board is pleased to recommend the payment of a final dividend of HK7.0 cents (FY2017: HK5.0 cents) per share for the FY2018, representing HK$30,692,000 (FY2017: HK$21,518,000). The final dividend is expected to be paid on Friday, 7 September 2018 to those shareholders whose names appear on the Company's register of members (the "Register of Members") on Friday, 24 August 2018, subject to the approval in the Company's annual general meeting to be held on Thursday, 16 August 2018. Based on the interim dividends and recommended final dividend, the yearly dividend distributed by the Company during the FY2018 was HK10.0 cents (FY2017: HK25.0 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 2018, the Group had time deposits of HK$11,645,000 (31 March 2017: HK$6,430,000), cash and bank balances of HK$205,011,000 (31 March 2017: HK$282,588,000), and net current assets of HK$358,993,000 (31 March 2017: HK$214,565,000). As at 31 March 2018, shareholders' equity was HK$1,156,778,000 (31 March 2017: HK$955,137,000). Total consolidated banking facilities of the Group from all banks as at 31 March 2018 amounted to approximately HK$983,074,000 (31 March 2017: HK$695,086,000). As at 31 March 2018, total bank borrowings amounted to HK$531,890,000 (31 March 2017: HK$339,310,000).

As at 31 March 2018, the bank borrowings of the Group was repayable within one year amounted to HK$237,140,000 (31 March 2017: HK$274,310,000) and the amount of HK$294,750,000 was repayable within the second to fifth years (31 March 2017: HK$65,000,000).

As at 31 March 2018, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.3 times (31 March 2017: 1.2 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 45.9% (31 March 2017: 37.4%). 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 2018, the total issued share capital of the Company was HK$43,846,000 (31 March 2017: HK$42,836,000), comprising 438,460,000 (31 March 2017: 428,360,000) ordinary shares of HK$0.10 each.

During the year, the Company issued 10,100,000 ordinary shares (31 March 2017: 9,200,000) 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 2018 (31 March 2017: 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 2018, the Group employed around 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 Board's remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, 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, 13 August 2018 to Thursday, 16 August 2018, 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, 16 August 2018, 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, 10 August 2018.

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, 16 August 2018. The record date for entitlement to the proposed final dividend is Friday, 24 August 2018. For determining the entitlement to the proposed final dividend, the Register of Members will be closed from Thursday, 23 August 2018 to Friday, 24 August 2018, 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 Wednesday, 22 August 2018. The final dividend is expected to be made on Friday, 7 September 2018.

Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 25 June 2018

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Chor Kit, aged 66, 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 a member of the Board's remuneration committee and nomination committee. Mr. Cheng currently is a Standing member of the 12th Shaoguan Committee of the Chinese People's Political Consultative Conference ("CPPCC") and also a former member of the Guangdong Provincial Committee of the CPPCC. Mr. Cheng has over 40 years of experience in the toy industry.

Mr. Fung Wah Cheong, Vincent, aged 62, is an executive Director since August 2005 and is responsible for the corporate and business management of the Group. He is 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 53, 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 31, 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 34, 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 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.

Mr. Hui Ka Po, Alex, aged 51, is an executive Director since 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 a Master 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 52, has been an independent non-executive Director since September 2004. He is 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) 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 30 years of experience in the accountancy profession. Other than his private practice in accounting, Mr. Wong is currently a trainee solicitor in a law firm.

Dr. Sun Kwai Yu, Vivian *DBA Macq., FCPA (Aust.), FCPA*, aged 56, has been an independent non-executive Director since September 2004. She is the chairperson of the Board's audit committee and a member of the Board's remuneration committee and nomination committee. Dr. Sun is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and of the CPA Australia.

Mr. Cheng Kwok Kin, Paul *FCA, FCPA*, aged 66, has been an independent non-executive Director since June 2014. He is 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 has been 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. 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). On 29 June 2017, Mr. Cheng was appointed as an independent non-executive director of Bank of Shanghai (Hong Kong) Limited, a restricted licence bank in Hong Kong.

Mr. Cheung Wang Ip, aged 57, has been an independent non-executive Director since July 2014. He is 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 12th Shanxi Provincial Committee of the CPPCC. 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.

The Directors of the Company present their report and the audited financial statements for the year ended 31 March 2018.

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 14 to the financial statements. The principal activities of the subsidiaries consisted of the design, manufacture and sale of electrical and electronic products, motor drives, other manufacturing business and real estate development. Except for the cessation of resources development business, 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 2018 and the Group's financial position at that date are set out in the financial statements on pages 43 to 117 of this annual report. During the year, interim dividends of HK3.0 cents cents per ordinary share, amounting to a total cash dividend of approximately HK$13,063,000 was paid to shareholders on 5 January 2018.

The Directors recommend the payment of a final dividend of HK7.0 cents per ordinary share in respect of the year to shareholders on the Register of Members on Friday, 24 August 2018. Details are set out in Note 12 to the financial statements.

DONATIONS

During the year, the Group made charitable donation of HK24,000 during the year (2017: HK$17,000).

BUSINESS REVIEW

A review of the business and the performance of the Group for the year ended 31 March 2018 is provided in the sections of "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 3 to 6 and pages 7 to 13, respectively, of this annual report.

ENVIRONMENTAL POLICIES AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a responsible corporation, 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 on the environment and our neighbours.

Our 2018 Environmental, Social and Governance Report (the "2018 ESG Report") prepared in accordance with Appendix 27 of the Listing Rules will provide further explanation of our policies and efforts. The ESG Report will be published within three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's main operations are carried out both in Hong Kong and Mainland China and are regulated by the local laws and regulations accordingly. During the year ended 31 March 2018 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have significant impact on Hong Kong and Mainland China.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces various risks and uncertainties in operations. To cope with 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 the 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. Newly 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-being of the citizens. On the contrary, the newly 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, delay or disruption in operations may happen 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 are provided in the sections of "Management Discussion and Analysis" set out on pages 12 to 13 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 threats.

KEY RELATIONSHIPS WITH STAFF, CUSTOMERS, SUPPLIERS AND SHAREHOLDERS

The Group's success 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.

KEY RELATIONSHIPS WITH STAFF, CUSTOMERS, SUPPLIERS AND SHAREHOLDERS *(continued)*

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

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

For details of relationship with the shareholders can be found in the "Corporate Governance Report" set out on pages 25 to 36 of this annual report.

FINANCIAL SUMMARY

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report. The summary does not form part of the audited financial statements.

BORROWINGS

Particulars of the Group's bank borrowings as at 31 March 2018 are set out in Note 27 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 29 and 30 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 35 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 2018, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and the retained profits, amounted to HK$511,204,000 of which HK$30,692,000 has been proposed as final dividend for the year ended 31 March 2018. 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$154,672,000 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 76% of the total sales for the year and sales to the largest customer included therein amounted to 61% of the total sales.

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 9% of the total purchases.

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

* *Mr. Chin Wee Hon resigned as an executive Director on 12 November 2017.*

Biographical details in respect of the Directors at the date of this annual report is provided in section of "Biographical Details of Directors" set out in pages 14 to 15 of this annual report.

In accordance with the Bye-Laws, Mr. Cheng Chor Kit, Mr. Liu Tat Luen, Dr. Sun Kwai Yu, Vivian and Mr. Cheng Kwok Kin, Paul, 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 of the Company.

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 2018, 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 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 Directors	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	252,920,000 *(Note 2)*	57.68%
		Beneficial owner	9,606,000	2.19%
		Interests held by spouse	3,700,000	0.84%
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	8,152,000	1.85%
Mr. Liu Tat Luen	Long position	Beneficial owner	2,000,000	0.45%
Mr. Cheng Tsz To	Long position	Beneficial owner	3,000,000	0.68%
		Beneficiary of trust	252,920,000	57.68%
Mr. Cheng Tsz Hang	Long position	Beneficial owner	3,000,000	0.68%
		Beneficiary of trust	252,920,000	57.68%
Mr. Wong Chi Wai	Long position	Beneficial owner	500,000	0.11%
Dr. Sun Kwai Yu, Vivian	Long position	Beneficial owner	1,000,000	0.22%
Mr. Cheng Kwok Kin, Paul	Long position	Beneficial owner	80,000	0.01%
Mr. Cheung Wang Ip	Long position	Beneficial owner	200,000	0.04%

Notes:

(1) The percentage of shareholding is calculated based on 438,460,000 shares, being the total number of issued ordinary shares of the Company as at 31 March 2018.

(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 Directors	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. Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.45%)	4/1/2010	4/1/2013 – 3/1/2020	2.102
Mr. Hui Ka Po, Alex	Long position	Beneficial owner	1,000,000 (0.22%)	10/3/2016	17/2/2019 – 9/3/2026	1.160
Mr. Wong Chi Wai	Long position	Beneficial owner	300,000 (0.06%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
			400,000 (0.09%)	7/7/2017	7/7/2017 – 6/7/2027	2.262
			100,000 (0.02%)	7/7/2017	13/9/2017 – 6/7/2027	2.262
Dr. Sun Kwai Yu, Vivian	Long position	Beneficial owner	300,000 (0.06%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
Mr. Cheng Kwok Kin, Paul	Long position	Beneficial owner	100,000 (0.02%)	7/7/2017	7/7/2017 – 6/7/2027	2.262

The Directors' interests in the Company's share options are disclosed in Note 30 to the financial statements.

Save as disclosed above, as at 31 March 2018, 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 30 to the financial statements, at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in Note 30 to the financial statements.

DIRECTORS' INTERESTS IN 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.

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

As at 31 March 2018, 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 Shareholders	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	266,226,000 *(Note 2)*	60.71%	–
Mdm. Tsang Yuk Wan	Interests of spouse and beneficial owner	266,226,000 *(Note 3)*	60.71%	–
HSBC International Trustee Limited	Trustee of the Trust	252,920,000 *(Note 4)*	57.68%	–
RUAN, David Ching-Chi	Interests on controlling corporation	34,924,000 *(Note 5)*	7.96%	–
RAYS Capital Partners Limited	Investment manager	34,924,000 *(Note 5)*	7.96%	–
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	30,750,000 *(Note 5)*	7.01%	–

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

Notes:

(1) The percentage of shareholding is calculated based on 438,460,000 shares, being the total number of issued ordinary shares of the Company as at 31 March 2018.

(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) Mdm. Tsang Yuk Wan is the spouse of Mr. Cheng Chor Kit and is deemed to be interested in the shares which are interested by Mr. Cheng Chor Kit under Part XV of the SFO.

(4) HSBC International Trustee Limited, the trustee of the Trust of which established by Mr. Cheng Chor Kit, was then taken to be interested in 252,920,000 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.

(5) Refer to the information available on the website of the Stock Exchange, Asian Equity Special Opportunities Portfolio Master Fund Limited is a wholly-owned subsidiary of RAYS Capital Partners Limited which in turn is owned as to 95.24% by Mr. RUAN David Ching-Chi.

All the interests stated above representing long position.

Save as disclosed above, as at 31 March 2018, the Directors and chief executive officer of the Company 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 new term loan facility agreements of HK$100,000,000 each with 2 different banks (the "Lender(s)") for a term of 60 months (the "60-months Term Loan") and a term of 42 months (the "42-months Term Loan"), respectively.

In November 2017, the Lenders to the Company new term loan facilities of HK$100,000,000 for a term of 60 months and of HK$150,000,000 for a term of 36 months respectively for financing capital expenditure.

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

On 29 September 2017, the Group entered into disposal agreements with an independent third party, to dispose of its entire equity interest in its certain subsidiaries of resources development segment, at the face value of the share capital. Details of the disposal are disclosed in Note 39 of the financial statements.

Apart from disclosed above, 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 36 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

PricewaterhouseCoopers were first appointed as auditor of the Company upon the retirement of Ernst & Young on 31 August 2017.

PricewaterhouseCoopers will retire and a resolution for their re-appointment as 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, 25 June 2018

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 of the Board, 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 2018 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. All 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 ten 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 2018 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

* *Mr. Chin Wee Hon resigned as an executive Director on 12 November 2017.*

BOARD OF DIRECTORS *(continued)*

Composition of the Board *(continued)*

All Directors come from diverse businesses and professional backgrounds and expertise as shown in "Biographical Details of Directors" on pages 14 to 15 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 disclose to the Company the number and natures of offices held in other public companies or organisations as well as other significant appointments annually which ensures that all Board members are capable of inputting enough time and devoting enough attention to the Company's affairs.

Functions of the Board

The Company's overall management is vested on 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 businesses 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 OF DIRECTORS *(continued)*

Board Meeting

For the Board discharges their responsibilities, the Directors are required to meet in person regularly. The schedule of the Board meetings for the coming year is 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 opportunities of reviewing and preparing the matter discussed for making informed decisions in the meeting.

The Board met 4 times during the year ended 31 March 2018 and meeting attendance records are set out on page 36 of this annual report.

The minutes of the Board meetings are prepared by the company secretary or a designated 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 are 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.

BOARD OF DIRECTORS *(continued)*

Independent non-executive Directors *(continued)*

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.

Pursuant to A.3.1 of the CG Code, 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.

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.

Dr. Sun Kwai Yu, Vivian ("Dr. Sun") has served as independent non-executive Director more than 9 years and her re-election will be subject to a separate resolution to be approved by the Shareholders. Taking into consideration of Dr. Sun independent scope of works during her tenure of office, she has not involved in any daily management but yet expressed objective views and given independent guidance to the Company over the years. As an independent non-executive Director with in-depth understanding of the Company's operations and business and with professional qualifications, the Directors consider that the long service of Dr. Sun would not affect her exercise of independent judgement and is satisfied that Dr. Sun has the required character, integrity and experience to continue fulfilling the role of independent non-executive Director. The Directors consider the re-election of Dr. Sun 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 of 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.

BOARD OF DIRECTORS *(continued)*

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 2017, a tailor-made seminar was organised to Directors in related to the development of artificial intelligence technology and its changes to the entire businesses of the Company and the Group. All Directors on that date participated in this seminar.

The training of each individual Director for the year ended 31 March 2018 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*	Not applicable
Mr. Hui Ka Po, Alex	A/B
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*

* *Mr. Chin Wee Hon resigned as an executive Director on 12 November 2017.*

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 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. During the year ended 31 March 2018 and up to the date of this annual report, each Board Committee's members include:

		Remuneration Committee	**Nomination Committee**	**Audit Committee**
Mr. Cheng Chor Kit	Executive Director	Member	Member	–
Mr. Fung Wah Cheong, Vincent	Executive Director	Member	Member	–
Mr. Wong Chi Wai	Independent non-executive Director	Member	Chairman	Member
Dr. Sun Kwai Yu, Vivian	Independent non-executive Director	Member	Member	Chairperson
Mr. Cheng Kwok Kin, Paul	Independent non-executive Director	Chairman	Member	Member
Mr. Cheung Wang Ip	Independent non-executive Director	Member	Member	Member

BOARD COMMITTEES *(continued)*

Remuneration Committee

The remuneration packages offered by the Company should be able to attract and motivate the Directors and senior management of the Company for their 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 fair and transparent procedures 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 two meetings during the year ended 31 March 2018 to review and approve the Directors' remuneration packages. Meeting attendance records of the Remuneration Committee are set out on page 36 of this annual report.

Information relating to remuneration of each Director for the year under review is set out in Note 10 to the financial statements.

Nomination Committee

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.

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 2018, 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. Meeting attendance records of the Nomination Committee are set out on page 36 of this annual report.

BOARD COMMITTEES *(continued)*

Audit Committee

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 2018, 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 2017 as well as the interim report for the six months ended 30 September 2017. 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 2018. 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 2018, including the accounting principles and practices adopted by the Group.

The Audit Committee held four meetings during the year ended 31 March 2018. Meeting attendance records of the Audit Committee are set out on page 36 of this annual report.

Corporate Governance Function

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

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

2. to review and monitor the training and continuous professional development of 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 37 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 2018 are as below:

Nature of services	**2017/2018** ***HK$'000***	2016/2017 *HK$'000*
Audit services	**2,800**	2,929
Non-audit services	**1,240**	395
Total	**4,040**	3,324

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility to oversee the Group's risk assessment and internal control system and reviewing its effectiveness, while the management and other personnel are responsible for implementing and maintaining the internal control system on an ongoing basis to safeguard the stakeholders' interests and the Group's assets. This system is designed to manage rather than to eliminate risk of failure in operating environment.

The Company performs an ongoing entity-level risk assessment relevant to the existing businesses of the Group and updates the risk factors and reports to the Board on a regular basis.

For the year ended 31 March 2018, the Company had outsourced its internal audit function to an internal control advisor (the "Internal Control Advisor"). The Internal Control Advisor conducted its risk based internal audit review activities according to the internal audit plan endorsed by the management and the Audit Committee during the financial year. The Internal Control Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group for consideration. The management of the Group agreed on the internal audit findings and adopted the recommendations accordingly.

Based on the risk management mechanism and internal audit review activities, 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 2018.

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

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

2. Procedures for putting forward proposals at shareholders' meetings

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

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

3. Procedures for directing shareholders' enquiries to the Board

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

7/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong

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

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 2017 of the Company (the "2017 AGM") was held on 31 August 2017 and all the members of the Board together with the external auditor presented in the 2017 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 2017 AGM were published on the websites of the Stock Exchange and the Company on 31 August 2017.

The annual general meeting for the year of 2018 of the Company (the "2018 AGM") will be held on Thursday, 16 August 2018, for details of the information on the 2018 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 2018.

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 2018 interim report of the Company is set out below:

(1) Emoluments

With effect from 1 April 2018, the annual directors' emoluments of Mr. Cheng Tsz To and Mr. Cheng Tsz Hang from HK$840,000 and HK$1,200,000 increased to HK$1,800,000 and HK$2,160,000, respectively.

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

(2) Other Major Changes

Mr. Cheng Chor Kit, ceased to act as the member of the 12th Guangdong Provincial Committee of CPPCC from January 2018 following the expiration of membership in the 11th Guangdong Provincial Committee of CPPCC.

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 2017/2018

The number of Annual General Meeting, Board and its Committees meetings attended by each Director for the year ended 31 March 2018.

	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	1/1	4/4	2/2	1/1	N/A
Mr. Fung Wah Cheong, Vincent	1/1	4/4	2/2	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	3/4	N/A	N/A	N/A
Mr. Chin Wee Hon*	1/1	2/2	N/A	N/A	N/A
Mr. Hui Ka Po, Alex	1/1	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Wong Chi Wai	1/1	4/4	2/2	1/1	4/4
Dr. Sun Kwai Yu, Vivian	1/1	4/4	2/2	1/1	4/4
Mr. Cheng Kwok Kin, Paul	1/1	4/4	2/2	1/1	4/4
Mr. Cheung Wang Ip	1/1	4/4	2/2	1/1	4/4

* *Mr. Chin Wee Hon resigned as executive Director on 12 November 2017.*

pwc

羅兵咸永道

To the Shareholders of Kin Yat Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What 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 117, which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2018, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Fair value estimation of leasehold land and buildings and investment properties
- Provision for inventories

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Fair value estimation of leasehold land and buildings and investment properties	
Refer to Notes 4.1(c), 15 and 16 to the consolidated financial statements. As at 31 March 2018, the Group had leasehold land and buildings of HK$395,290,000 and investment properties of HK$63,061,000, the revaluation surplus and fair value gain recognised during the year amounted to HK$34,968,000 and HK$4,935,000, respectively. Management engaged an external valuer to determine the year-end fair value of the leasehold land and buildings, and investment properties based on market comparable method or direct replacement cost method. The valuations are dependent on certain key assumptions that require significant management judgement, including estimated useful life, unit rates, replacement cost, and capitalisation rate. We focused on this area due to the significance of the balance and significant management judgement and estimates involved in the fair value estimation of leasehold land and buildings and investment properties	Our procedures in relation to management's valuation of leasehold land and buildings and investment properties included: • Evaluation of the external property valuers' competence, capabilities and objectivity; • Involving our in-house valuation experts to assess the methodologies used in valuation by referencing to market practices; • Assessing the appropriateness of the key assumptions of estimated useful life, unit rates, replacement costs, and capitalisation rate by referencing to market data; and • Assessing the appropriateness of the disclosures in the financial statements. We found the fair value assessment were supported by the available evidence.

Key Audit Matters *(continued)*

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Provision for inventories</td></tr>
<tr><td>Refer to Notes 4.1(e) and 21 to the consolidated financial statements.

At 31 March 2018, the Group held inventories of HK$508,116,000 and the provision for obsolete or slow moving inventories was HK$31,054,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements. Management assesses the provision for obsolete or slow moving inventories at each period end based on their consideration of obsolescence and the net realisable value of inventories. The determination of estimated selling price less cost to sell requires the use of significant judgement and estimates, including consideration of condition of products, latest selling price, expectation of future sales orders and market trends and customer demands.

We focused on this area due to the significance of the balance, significant management judgement and estimates involved in determining the provision for obsolete or slow moving inventories.</td><td>Our key procedures in relation to management's assessment of the provision for obsolete or slow moving inventories included:

• Understanding the key control procedures performed by management in estimating the net realisable value of the inventories and conducting periodic reviews on inventory obsolescence;

• Testing, on a sample basis, the net realisable value of selected inventory items, by comparing the carrying amount of the inventory items against their selling price subsequent to the year end or close to year end;

• Attending the inventory count to observe the inventory condition.

• Testing, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; and

• Testing, on a sample basis, long aged inventory for subsequent sales or usage after year end and reperforming the calculation for the provision.

In addition, we discussed with management regarding the latest sales pattern in relation to price and quantity for potential orders, and other factors, including the market trends and customer demands. We found that management's assessment of the provision for obsolete or slow moving inventories was supported by the available audit evidence.</td></tr>
</table>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and Audit Committee 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 judgment 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 Chung Kit Yi, Kitty.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 June 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**3,034,274**	2,472,193
Cost of sales	8	**(2,728,278)**	(2,104,340)
Gross profit		**305,996**	367,853
Other income and gains, net	6	**105,874**	86,375
Selling and distribution expenses	8	**(57,585)**	(45,027)
Administrative expenses	8	**(169,615)**	(163,071)
Finance costs, net	7	**(2,345)**	(841)
Profit before tax		**182,325**	245,289
Income tax expense	11	**(32,619)**	(49,048)
Profit for the year		**149,706**	196,241
Profit attributable to:			
Equity holders of the Company		**149,821**	196,375
Non-controlling interests		**(115)**	(134)
		149,706	196,241
Earnings per share attributable to equity holders of the Company	13		
Basic		**HK34.71 cents**	HK46.53 cents
Diluted		**HK34.42 cents**	HK46.31 cents

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Profit for the year		**149,706**	196,241
Other comprehensive income:			
Items that may be reclassified to the income statement:			
Exchange translation reserve on translation of foreign operations		**63,221**	(61,550)
Release of exchange translation reserve upon disposal of subsidiaries	*39*	**(19,720)**	(2,063)
		43,501	(63,613)
Other comprehensive income not to be reclassified to the income statement in subsequent periods:			
Gain on revaluation of land and buildings		**34,968**	6,189
Deferred tax debited to asset revaluation reserve	*28*	**(5,821)**	(1,439)
		29,147	4,750
Other comprehensive income/(loss) for the year, net of tax		**72,648**	(58,863)
Total comprehensive income for the year		**222,354**	137,378
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**222,479**	134,407
Non-controlling interests		**(125)**	2,971
		222,354	137,378

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**866,668**	681,050
Investment properties	*16*	**63,061**	42,173
Prepaid land lease payments	*17*	**24,772**	23,478
Properties under development	*19*	**47,168**	45,089
Investment in an associate	*20*	**6,183**	–
Prepayments and deposits	*23*	**191,092**	94,705
Goodwill	*18*	**7,872**	4,650
Deferred tax assets	*28*	**33,695**	36,694
Total non-current assets		**1,240,511**	927,839
Current assets			
Properties under development	*19*	**247,795**	200,287
Inventories	*21*	**477,062**	328,061
Accounts and bills receivables	*22*	**370,326**	336,522
Prepayments and deposits	*23*	**274,934**	50,984
Financial assets at fair value through profit or loss	*24*	**31,254**	20,256
Tax recoverable		**5,197**	856
Time deposits	*25*	**11,645**	6,430
Cash and bank balances	*25*	**205,011**	282,588
Total current assets		**1,623,224**	1,225,984
Total assets		**2,863,735**	2,153,823
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*29*	**43,846**	42,836
Reserves	*31*	**1,112,932**	912,301
		1,156,778	955,137
Non-controlling interests		**1,266**	(48,826)
Total equity		**1,158,044**	906,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income	26	**109,208**	140,550
Bank borrowings	27	**294,750**	65,000
Deferred tax liabilities	28	**37,502**	30,543
Total non-current liabilities		**441,460**	236,093
Current liabilities			
Accounts payables, other payables and provisions	26	**953,372**	632,276
Bank borrowings	27	**237,140**	274,310
Due to non-controlling shareholders		**-**	34,570
Tax payable		**73,719**	70,263
Total current liabilities		**1,264,231**	1,011,419
Total liabilities		**1,705,691**	1,247,512
Total equity and liabilities		**2,863,735**	2,153,823

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

These consolidated financial statements on pages 43 to 117 have been approved for issue by the Board of Directors on 25 June 2018 and were signed on its behalf.

Cheng Chor Kit
Director

Fung Wah Cheong, Vincent
Director

	Attributable to equity holders of the Company											
		Reserves										
	Share capital	Share premium account	Share-based payment reserve	Asset revaluation reserve	Exchange translation 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 2017	**42,836**	**139,642**	**5,506**	**134,840**	**12,613**	**14**	**6,150**	**(8,940)**	**622,476**	**912,301**	**(48,826)**	**906,311**
Revaluation surplus, net *(Note 15)*	**–**	**–**	**–**	**34,968**	**–**	**–**	**–**	**–**	**–**	**34,968**	**–**	**34,968**
Deferred tax debited to asset revaluation reserve *(Note 28)*	**–**	**–**	**–**	**(5,821)**	**–**	**–**	**–**	**–**	**–**	**(5,821)**	**–**	**(5,821)**
Exchange translation reserve on translation of foreign operations	**–**	**–**	**–**	**–**	**63,231**	**–**	**–**	**–**	**–**	**63,231**	**(10)**	**63,221**
Release of exchange translation reserve upon disposal of subsidiaries *(Note 39)*	**–**	**–**	**–**	**–**	**(19,720)**	**–**	**–**	**–**	**–**	**(19,720)**	**–**	**(19,720)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**149,821**	**149,821**	**(115)**	**149,706**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**29,147**	**43,511**	**–**	**–**	**–**	**149,821**	**222,479**	**(125)**	**222,354**
Release of asset revaluation reserve upon disposal of asset	**–**	**–**	**–**	**(571)**	**–**	**–**	**–**	**–**	**571**	**–**	**–**	**–**
Disposal of subsidiaries *(Note 39)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48,733**	**48,733**
Final 2017 dividend paid *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,518)**	**(21,518)**	**–**	**(21,518)**
Interim 2018 dividend paid *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,063)**	**(13,063)**	**–**	**(13,063)**
Issue of shares *(Note 29)*	**1,010**	**15,030**	**(3,560)**	**–**	**–**	**–**	**–**	**–**	**–**	**11,470**	**–**	**12,480**
Contribution from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,484**	**1,484**
Equity-settled share option expense *(Note 9(a))*	**–**	**–**	**1,263**	**–**	**–**	**–**	**–**	**–**	**–**	**1,263**	**–**	**1,263**
At 31 March 2018	**43,846**	**154,672**	**3,209**	**163,416**	**56,124**	**14**	**6,150**	**(8,940)**	**738,287**	**1,112,932**	**1,266**	**1,158,044**
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 15)*	–	–	–	6,189	–	–	–	–	–	6,189	–	6,189
Deferred tax debited to asset revaluation reserve *(Note 28)*	–	–	–	(1,439)	–	–	–	–	–	(1,439)	–	(1,439)
Exchange translation reserve on translation of foreign operations	–	–	–	–	(64,655)	–	–	–	–	(64,655)	3,105	(61,550)
Release of exchange translation reserve upon disposal of subsidiaries	–	–	–	–	(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	–	–	–	–	–	–	–	–	–	–	6,923	6,923
Final 2016 dividend paid *(Note 12)*	–	–	–	–	–	–	–	–	(20,958)	(20,958)	–	(20,958)
Interim 2017 dividend paid *(Note 12)*	–	–	–	–	–	–	–	–	(21,418)	(21,418)	–	(21,418)
Special 2017 dividend paid *(Note 12)*	–	–	–	–	–	–	–	–	(64,254)	(64,254)	–	(64,254)
Issue of shares *(Note 29)*	920	14,611	(4,893)	–	–	–	–	–	–	9,718	–	10,638
Equity-settled share option expense *(Note 30)*	–	–	626	–	–	–	–	–	–	626	–	626
Transfer of share-based payment reserve upon the lapse of share options *(Note 9(a))*	–	–	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before tax		**182,325**	245,289
Adjustments for:			
Interest on bank loans	7	**3,279**	1,645
Bank interest income	7	**(934)**	(804)
Dividend income from financial assets at fair value through profit or loss	6	**(850)**	(906)
Fair value gain on financial assets at fair value through profit or loss, net	6	**(8)**	(3,542)
Fair value (gain)/loss on investment properties	6	**(4,935)**	362
Depreciation	8	**80,098**	80,163
Amortisation of prepaid land lease payments	8	**641**	639
(Gain)/loss on disposal of property, plant and equipment, net	6	**(781)**	16
Write-off of property, plant and equipment	6	**–**	1,522
Impairment of prepayments and deposits		**–**	122
Write-back of impairment of properties under development	6	**(4,582)**	(66,950)
Impairment of accounts receivables	8	**3,784**	–
Write-back of impairment of inventories, net	8	**(14,895)**	(2,945)
Equity-settled share option expense	9	**1,263**	626
(Gain)/loss on disposal of subsidiaries	6, 39	**(10,126)**	2,471
Government subsidies income		**(26,338)**	(5,965)
		207,941	251,743
Increase in properties under development		**(22,493)**	(14,303)
(Increase)/decrease in inventories		**(134,106)**	8,565
Increase in accounts and bills receivables		**(37,588)**	(118,198)
Increase in prepayments and deposits		**(242,924)**	(110,356)
Increase in accounts payables, other payables and provision		**297,601**	122,255
Increase in financial assets at fair value through profit or loss		**(10,990)**	(101)
Decrease/(increase) in restricted bank balances		**1,590**	(6,746)
Cash generated from operations		**59,031**	132,859
Interest received		**934**	804
Interest paid		**(11,200)**	(7,704)
Hong Kong profits tax paid		**(16,000)**	(20,809)
Overseas income taxes paid		**(15,650)**	(13,041)
Net cash inflow from operating activities		**17,115**	92,109

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**(3,599)**	–
Purchase of property, plant and equipment	*15, 16, 23*	**(261,573)**	(72,823)
Investment in an associate		**(5,877)**	–
Increase in short-term bank deposits		**(5,215)**	(2,867)
Dividend income from listed investments		**850**	906
Proceeds from disposal of property, plant and equipment		**2,812**	117
Net cash outflow from disposal of subsidiaries	*39*	**(893)**	117
Net cash flows used in investing activities		**(273,495)**	(74,550)
Cash flows from financing activities			
Proceeds from issues of shares	*29*	**12,480**	10,638
Dividends paid	*12*	**(34,581)**	(106,630)
Proceeds from bank borrowings		**372,051**	477,562
Repayment of bank borrowings		**(181,224)**	(324,611)
Decrease in amounts due to non-controlling shareholders		**–**	(1,685)
Contribution from non-controlling shareholders		**1,484**	–
Net cash inflow from financing activities		**170,210**	55,274
Net (decrease)/increase in cash and cash equivalents		**(86,170)**	72,833
Cash and cash equivalents at beginning of year		**275,842**	207,950
Exchange gain/(loss) on cash and cash equivalents		**10,183**	(4,941)
Cash and cash equivalents at end of year		**199,855**	275,842

1 GENERAL INFORMATION

Kin Yat Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the design, manufacture and sale of electrical and electronic products, motors, encoder film, other manufacturing activities and real estate development.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 7/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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.

These financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for land and buildings, investment properties, and financial assets at fair value through profit or loss, which are measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time for their annual reporting period commencing 1 April 2017:

HKAS 7 (Amendments)	*Statement of cash flows*
HKAS 12 (Amendments)	*Income taxes*
HKFRS 12 (Amendments)	*Disclosure of interest in other entities*

The application of the amendments to HKFRS in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and amendments to HKFRS in issue but not yet effective

Certain new accounting standards and amendments have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Group.

Amendments to HKFRS	*Annual improvements to HKFRS 2015-2017 cycle*(2)
HKAS 28 (Amendments)	*Investments in associates and joint ventures*(1)
HKAS 40 (Amendments)	*Transfer of investment property*(1)
HKFRS 1 (Amendments)	*First time adoption of HKFRS*(1)
HKFRS 2 (Amendments)	*Classification and measurement of share-based payment transactions*(1)
HKFRS 4 (Amendments)	*Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts*(1)
HKFRS 9	*Financial instruments*(1)
HKFRS 9 (Amendments)	*Prepayment features with negative compensation*(2)
HKFRS 15	*Revenue from contracts with customers*(1)
HKFRS 15 (Amendments)	*Clarifications to HKFRS 15*(1)
HKFRS 10 and HKAS 28 (Amendments)	*Sale or contribution of assets between an investor and its associate and joint venture*(4)
HKFRS 16	*Leases*(2)
HKFRS 17	*Insurance contracts*(3)
HK(IFRIC)-Int22	*Foreign currency transactions and advance consideration*(1)
HK(IFRIC)-Int23	*Uncertainty over income tax treatments*(2)

Notes:

(1) Effective for the Group for annual period beginning on 1 April 2018
(2) Effective for the Group for annual period beginning on 1 April 2019
(3) Effective for the Group for annual period beginning on 1 April 2021
(4) Effective date to be determined

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

The financial assets held by the Group include equity investments currently measured at fair value through profit or loss (FVTPL) which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and amendments to HKFRS in issue but not yet effective *(continued)*

HKFRS 9 Financial Instruments *(continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The Group assesses that adopting HKFRS 9 will not have significant impact to the Group's results of operations and financial position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard, based on its preliminary assessment, the equity investments currently measured at FVTPL will continue to be measured on the same basis, therefore, the impact on the Group's financial statements are not expected to be significant.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard, and that comparatives will not be restated.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has reviewed its significant customer contracts to assess the effects of applying the new standard on the Group's financial statements and has identified certain possible separate performance obligations in relation to sales contracts, such as certain shipping arrangements and warranty arrangements, which can potentially affect the timing of the recognition of revenue. Management is in the process of quantifying the potential effects on its consolidated financial statements, based on its preliminary assessment, the impact on the Group's financial statements are not expected to be significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and amendments to HKFRS in issue but not yet effective *(continued)*

HKFRS 15 Revenue from Contracts with Customers *(continued)*

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 April 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

As at 31 March 2018, the operating lease commitment is amounted to HK$1,270,000. The standard will affect primarily the accounting for the Group's operating leases. Management is in the process of quantifying the potential effects of this new standard in its consolidated financial statements, based on its preliminary assessment, the impact on the Group's financial statements are not expected to be significant.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(e) Change in the presentation of the consolidated income statement

In the current year, the "Other income and gains, net" and "Other gains/(expenses), net" are combined and presented as "Other income and gains, net" in the consolidated income statement. The bank interest income is reclassified to "Finance costs, net" instead of being included under "Other income and gains, net" in the consolidated income statement as in the previous years. The management believes that the current presentation will provide more relevant information to the users of the financial information for the evaluation of the Group's operating performance. The comparative figures have been reclassified to conform with current year's presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3). Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), comprising the Board of Directors of the Company.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated income statement on a net basis within cost of sales or administrative expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment

Land and buildings are recognised at fair value based on annual valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term 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 term and 3.3%
Moulds, tools, and plant and machinery	10% – 20%
Furniture, equipment and motor vehicles	10% – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less impairment losses, if any. No provision for depreciation is made on assets under construction in progress until such time as the relevant assets are completed and available for their intended use. On completion, the relevant assets are transferred to property, plant and equipment at fair value or cost less accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Investment properties

Investment properties, principally land and buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other gains.

2.9 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets and liabilities

(a) Classification

The Group classifies its financial assets and liabilities in the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables.

The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition.

1. *Financial assets at fair value through profit or loss*

The Group classifies financial asset at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets and liabilities *(continued)*

(a) Classification *(continued)*

2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade receivables, deposits and other receivables, loan receivables and cash and cash equivalents in the consolidated statement of financial position.

(b) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss within other gains/losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets and liabilities *(continued)*

(d) Measurement *(continued)*

Dividends on financial assets at fair value through profit or loss are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the other income of the consolidated income statement.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future event and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in Note 22.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises mainly construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

2.15 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are determined on the first-in, first-out basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 60 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11 for further information about the Group's accounting for trade receivables and Note 2.13 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.18 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity (Note 29).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.23 Employee benefits

(a) Pension obligations

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Employee benefits *(continued)*

(a) Pension obligations *(continued)*

Employees of the Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

(b) Employee leaves entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of statement of financial position. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) Share-based compensation

Share-based compensation benefits are provided to employees via the share option scheme. Information relating to these schemes is set out in Note 30.

Employee options

The fair value of options granted under the share option scheme is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (eg the entity's share price);

– excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– including the impact of any non-vesting conditions (eg the requirement for employees to save or holding shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognised when the risks and rewards of the goods have been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligations that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales return at the time of sale.

Sales of properties

Revenue from sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which occurs when legally binding unconditional sales contracts were entered, the construction of the relevant properties has been completed, the properties have been delivered to the purchasers pursuant to the sale contracts and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as receipt in advance from customers under current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.27 Dividend income

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 36). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 36). The respective leased assets are included in the balance sheet based on their nature.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 Government grants

Grants from the government are recognised at their fair values when there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within "Other income" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grant related to property, plant and equipment are recognised as deferred income and is recognised in profit or loss on a systematic basis over the expected useful lives the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong.

The functional currency of the Hong Kong reporting entities is HKD and the transactions are mostly denominated in HKD and United States dollars ("USD"). For transactions or balances denominated in USD are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

The functional currency of the PRC reporting entities is Renminbi ("RMB") and the transactions are mostly denominated in RMB and HKD, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The Group is exposed to foreign exchange risk primarily through financing, capital expenditure and expenses transactions that are denominated in a currency other than RMB, which is the functional currency of the major subsidiaries of the Group. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

At 31 March 2018, if HKD had strengthened/weakened by 5% (2017: 5%) against RMB with all other variables held constant, profit for the year would have been approximately HK$12,108,000 higher/lower (2017: HK$2,854,000 higher/lower).

(ii) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's borrowings and receivables are carried at amortised cost.

The Group monitors closely its interest rate exposure by maintaining an appropriate floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

At 31 March 2018, if interest rates on bank and other borrowings had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, profit for the year would have been approximately HK$2,659,000 lower/higher (2017: HK$1,697,000 lower/higher) mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group's exposure to price risk arises from investments held by the Group and classified in the consolidated statement of financial position as fair value through profit or loss (Note 24).

Profit for the period would increase/decrease by approximately HK$3,125,000 (2017: HK$2,026,000) as a result of 10% gains/losses on equity securities classified as at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade and other receivables and deposits with banks and financial institutions.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Sales to large or long-established customers with good repayment history comprise a significant proportion of the total sales. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The Group has concentration of credit risk as the top five trade debtors accounted for approximately 64% of its total trade debts balance as at 31 March 2018 (2017: 66%). In view of this, the management of the Group regularly assesses by monitoring the individual profile of its accounts receivables. In this regard, management of the Group considers that the credit concentration risk has been significantly mitigated.

Management performs regular assessment on the credit risk associated with deposits and receivables based on the counterparties' collection history, financial position, proposed project investment status and other relevant factors. In this connection, management believes that there is no material credit risk inherent in the Group's outstanding deposits and other receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of banking facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all time.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

At the reporting date, the Group held cash and cash equivalents of approximately HK$199,855,000 (2017: HK$275,842,000) (Note 25) and accounts and bills receivables of approximately HK$371,178,000 (2017: HK$338,080,000) (Note 22) that are expected to generate cash inflows for managing liquidity risk. In addition, the Group held financial assets at fair value through profit or loss of approximately HK$31,254,000 (2017: HK$20,256,000) (Note 24), which could be realised to provide a further source of cash if needed.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year *HK$'000*	One to two years *HK$'000*	Two to five years *HK$'000*	Total *HK$'000*
2018				
Accounts and bills payables	**549,993**	**–**	**–**	**549,993**
Financial liabilities included in other payables, accrued liabilities and deferred income	**60,256**	**–**	**–**	**60,256**
Bank borrowings	**247,000**	**125,654**	**179,705**	**552,359**
	857,249	**125,654**	**179,705**	**1,162,608**
2017				
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
Bank borrowings	288,190	21,488	45,291	354,969
	740,524	21,488	45,291	807,303

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, obtain bank borrowings, or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total Bank borrowings divided by total equity.

	2018 *HK$'000*	2017 *HK$'000*
Total bank borrowings	**531,890**	339,310
Total equity	**1,158,044**	906,311
Gearing ratio	**45.9%**	37.4%

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2018 and 2017 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are at fair value at 31 March 2018 and 2017.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 31 March 2018				
Assets				
Financial assets at fair value through profit or loss	**31,254**	**–**	**–**	**31,254**
	31,254	**–**	**–**	**31,254**
At 31 March 2017				
Assets				
Financial assets at fair value through profit or loss	20,256	–	–	20,256
	20,256	–	–	20,256

There were no transfers between level 1, 2 and 3 and no other changes in valuation techniques during the year.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment, intangible assets and investments accounted for using equity method

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

(c) Fair value of land and buildings and investment properties

The Group carries its land and buildings, and investment properties at fair value with changes in the fair value recognised in the consolidated statement of comprehensive income and consolidated income statement, respectively. It obtains independent valuations at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Refer to Notes 15 and 16 for the assumptions, valuation techniques and fair value measurement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(d) Current and deferred income tax

The Group is subject to taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for various kinds of taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated income statement in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(e) Estimated provision for inventory

The Group's management reviews the inventory aging analysis periodically, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions.

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the years in which such estimates have been changed.

(f) Provision for properties under development

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.

5 SEGMENT INFORMATION

CODM has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

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 AI robotics, IoT and smart home products, electronic entertainment products and other related products;

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

(c) the real estate development segment; and

(d) the resources development segment consists of the sale of mineral products.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

5 SEGMENT INFORMATION *(continued)*

(a) Operating segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2018 and 2017.

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**2,137,529**	1,734,190	**896,745**	737,992	**–**	–	**–**	11	**–**	–	**3,034,274**	2,472,193
Intersegment sales	**54,560**	39,108	**8,541**	5,712	**–**	–	**–**	–	**(63,101)**	(44,820)	**–**	–
Total	**2,192,089**	1,773,298	**905,286**	743,704	**–**	–	**–**	11	**(63,101)**	(44,820)	**3,034,274**	2,472,193
Other income and gains/(losses), net	**45,004**	2,517	**48,072**	17,525	**9,399**	66,959	**2,182**	(5,074)	**–**	–	**104,657**	81,927
Segment results	**136,225**	168,292	**76,787**	43,677	**(907)**	61,673	**215**	(7,823)	**–**	–	**212,320**	265,819
Interest and unallocated gains											**1,217**	4,448
Unallocated expenses											**(28,867)**	(24,137)
Finance costs, net											**(2,345)**	(841)
Profit before tax											**182,325**	245,289
Income tax expense											**(32,619)**	(49,048)
Profit for the year											**149,706**	196,241
Segment assets	**1,894,199**	2,077,985	**989,914**	760,026	**515,026**	282,547	**36,980**	32,864	**(935,418)**	(1,387,175)	**2,500,701**	1,766,247
Unallocated assets											**363,034**	387,576
Total assets											**2,863,735**	2,153,823
Segment liabilities	**582,231**	405,674	**450,030**	1,013,720	**591,450**	365,700	**371,164**	406,265	**(935,418)**	(1,387,175)	**1,059,457**	804,184
Unallocated liabilities											**646,234**	443,328
Total liabilities											**1,705,691**	1,247,512
Other segment information:												
Capital expenditure	**54,107**	50,767	**112,303**	55,962	**507**	17	**165**	386	**–**	–	**167,082**	107,132
Unallocated amounts											**1,442**	–
											168,524	107,132
Depreciation and amortisation	**43,754**	49,074	**34,121**	29,053	**333**	309	**1,282**	1,286	**–**	–	**79,490**	79,722
Unallocated amounts											**1,249**	1,080
											80,739	80,802
(Gain)/loss on disposal of property, plant and equipment, net	**(850)**	(4)	**69**	20	**–**	–	**–**	–	**–**	–	**(781)**	16
Write-off of property, plant and equipment	**–**	1,017	**–**	–	**–**	–	**–**	505	**–**	–	**–**	1,522

5 SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information: *(continued)*												
Impairment of prepayments and deposits	**–**	–	**–**	122	**–**	–	**–**	–	**–**	–	**–**	122
Write-back of impairment of properties under development	**–**	–	**–**	–	**(4,582)**	(66,950)	**–**	–	**–**	–	**(4,582)**	(66,950)
Impairment of accounts receivables	**3,784**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,784**	–
Write-back of impairment of inventories, net	**(3,694)**	4,048	**(11,201)**	(6,845)	**–**	–	**–**	(148)	**–**	–	**(14,895)**	(2,945)
(Surplus)/deficit on revaluation of land and buildings recognised directly in equity	**(23,822)**	937	**(734)**	(2,009)	**–**	–	**(212)**	(1,037)	**–**	–	**(24,768)**	(2,109)
Unallocated amounts											**(10,200)**	(4,080)
											(34,968)	(6,189)
Fair value (gain)/loss on investment properties	**(270)**	362	**–**	–	**(4,665)**	–	**–**	–	**–**	–	**(4,935)**	362

(b) Geographical information

	United States of America		Europe		Asia		Others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**1,058,444**	874,887	**658,044**	513,686	**1,183,802**	965,907	**133,984**	117,713	**3,034,274**	2,472,193

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

	Hong Kong		Mainland China		Malaysia		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Non-current assets	**109,241**	74,578	**1,072,046**	791,858	**25,529**	24,709	**1,206,816**	891,145

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

(c) Information about major customers

Revenue of HK$1,861,050,000 (2017: HK$1,447,651,000) was derived from sales of electrical and electronic products to a major customer, which accounted for over 10% of the Group's total revenue.

6 OTHER INCOME AND GAINS, NET

	2018 HK$'000	2017 HK$'000
Dividend income from financial assets at fair value through profit or loss	**850**	906
Fair value gain on financial assets at fair value through profit or loss, net	**8**	3,542
Fair value gain/(loss) on investment properties	**4,935**	(362)
Gain/(loss) on disposal of property, plant and equipment, net	**781**	(16)
Gain/(loss) on disposal of subsidiaries *(Note 39)*	**10,126**	(2,471)
Gross rental income	**1,026**	377
Sales of scrap materials	**6,942**	2,122
Subsidy income *(Note)*	**69,840**	14,825
Write-back of impairment of properties under development	**4,582**	66,950
Write-off of property, plant and equipment	**–**	(1,522)
Others	**6,784**	2,024
	105,874	86,375

Note:

Various government subsidies have been received from the local government authorities for subsidising the operating activities, research and development activities, and acquisition of fixed assets. During the year ended 31 March 2018, subsidies totalling HK$69,840,000 (2017: HK$14,825,000) are recognised in profit or loss, including the amortisation of deferred government subsidies of HK$26,338,000 (2017: HK$5,966,000).

7 FINANCE COSTS, NET

	2018 HK$'000	2017 HK$'000
Interest on bank loans	**(3,279)**	(1,645)
Bank interest income	**934**	804
	(2,345)	(841)

During the year ended 31 March 2018, interest of HK$7,921,000 (2017: HK$6,059,000) was capitalised under properties under development. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's borrowings during the year of 2.9% (2017: 2.6%).

8 PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**1,955,739**	1,474,397
Amortisation of prepaid land lease payments *(Note 17)*	**641**	639
Auditor's remuneration		
– Audit service	**2,800**	2,929
– Non-audit service	**1,240**	395
Depreciation	**80,098**	80,163
Direct operating expenses (including repairs and maintenance) arising from rental earning investment properties	**193**	338
Employee benefit expenses *(Note 9)*	**601,004**	541,985
Impairment of accounts receivables *(Note 22)*	**3,784**	–
Legal and professional fee	**10,690**	5,962
Operating lease payments in respect of land and buildings	**3,264**	1,258
Write-back of impairment of inventories, net	**(14,895)**	(2,945)

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefits expenses (including Directors' emoluments)

	2018	2017
	HK$'000	*HK$'000*
Wages, salaries and other employee welfares	**597,629**	539,128
Retirement benefits costs	**2,112**	2,231
Equity-settled share option expense *(Note 30)*	**1,263**	626
	601,004	541,985

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2017: five) directors whose emoluments are reflected in the analysis shown in Note 10.

(c) During the year, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: Nil).

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The remuneration of every director and chief executive for the year ended 31 March 2018 and 2017 is set out below:

	Fee	Salary	Discretionary bonus	Equity-settled share option expense	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018						
Executive directors and the chief executive						
Cheng Chor Kit *(Note i)*	–	6,000	978	–	–	6,978
Fung Wah Cheong, Vincent	–	3,600	825	–	18	4,443
Liu Tat Luen	–	1,692	300	–	18	2,010
Cheng Tsz To	–	840	700	–	18	1,558
Cheng Tsz Hang	–	1,200	669	–	18	1,887
Chin Wee Hon *(Note ii)*	–	798	–	130	12	940
Hui Ka Po, Alex	–	3,471	386	132	18	4,007
Independent non-executive directors						
Wong Chi Wai	300	–	–	285	–	585
Sun Kwai Yu, Vivian	300	–	–	285	–	585
Cheng Kwok Kin, Paul	300	–	–	70	–	370
Cheung Wang Ip	300	–	–	74	–	374
	1,200	17,601	3,858	976	102	23,737

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

	Fee	Salary	Discretionary bonus	Equity-settled share option expense	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017						
Executive directors and the chief executive						
Cheng Chor Kit *(Note i)*	–	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 *(Note ii)*	–	1,072	449	212	18	1,751
Hui Ka Po, Alex	–	1,160	510	132	6	1,808
Independent non-executive directors						
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	14,764	6,859	458	456	23,337

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

Notes:

(i) Mr. Cheng Chor Kit, a director of the Company, is also the chief executive of the Company.

(ii) Mr. Chin Wee Hon resigned as an executive director on 12 November 2017.

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 March 2018 (2017: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 March 2018 (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 March 2018, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11 INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**8,311**	20,336
Adjustment for current tax of prior years	**(2,354)**	391
Current – Elsewhere		
Charge for the year	**20,095**	22,094
Adjustment for current tax of prior years	**276**	5,389
Deferred tax *(Note 28)*	**6,291**	838
Total tax charge for the year	**32,619**	49,048

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**182,325**	245,289
Tax at the statutory tax rates	**36,591**	51,997
Adjustments in respect of current tax of previous periods	**(2,078)**	5,780
Income not subject to tax	**(19,803)**	(10,127)
Expenses not deductible for tax	**17,522**	3,436
Tax losses from previous periods utilised	**(2,803)**	(11,519)
Tax losses not recognised	**6,601**	9,481
Effect of different taxation rates under preferential tax treatment	**(3,411)**	–
Tax charge at the Group's effective rate	**32,619**	49,048

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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. The tax rate applicable to the subsidiaries in the PRC is 25% (2017: 25%), except for certain subsidiaries of the Group in the PRC that were approved as High and New Technology Enterprise during the year, and accordingly, they were subject to a reduced preferential CIT rate of 15% for a 3-year period from 2017 to 2019 according to the applicable CIT Law.

12 DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividends paid during the year		
Final dividend in respect of the financial year ended 31 March 2017 – HK5.0 cents per ordinary share (2017: final dividend in respect of the financial year ended 31 March 2016 – HK5.0 cents per ordinary share)	**21,518**	20,958
Interim dividend – HK3.0 cents per ordinary share (2017: HK5.0 cents)	**13,063**	21,418
Special dividend – Nil (2017: HK15.0 cents per ordinary share)	**–**	64,254
	34,581	106,630
Proposed final dividend		
Final – HK7.0 cents per ordinary share (2017: HK5.0 cents)	**30,692**	21,418

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.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

– profit for the year attributable to equity holders of the Company of HK$149,821,000 (2017: HK$196,375,000),

– by the weighted average number of ordinary shares of 431,580,548 (2017: 422,008,220) in issue during the year.

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

	2018	2017
Weighted average number of ordinary shares used in calculating basic earnings per share	**431,580,548**	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	**3,728,407**	2,056,594
Weighted average number of ordinary shares used in calculating diluted earnings per share	**435,308,955**	424,064,814
Basic earnings per share	**HK34.71 cents**	HK46.53 cents
Diluted earnings per share	**HK34.42 cents**	HK46.31 cents

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$149,821,000 (2017: HK$196,375,000) and 435,308,955 ordinary shares (2017: 424,064,814), 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 2018.

14 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2018:

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Ownership interest held by the Group	Principal activities
Directly held				
Kin Yat Holdings (BVI) Limited	British Virgin Islands, limited liability company	Ordinary share US$1	100%	Investment holding
Indirectly held				
Guizhou Kin Yat Property Company Limited	PRC, limited liability company	Ordinary shares RMB130,000,000	100%	Property development
Guizhou Standard Electric Motor Company Limited	PRC, limited liability company	Ordinary shares HK$110,000,000	100%	Manufacture and trading of motors
Kin Yat (Guizhou) Robot Company Limited	PRC, limited liability company	Ordinary shares RMB100,000,000	100%	Manufacture and trading of toys and electronic products
Kin Yat (Hong Kong) Corporation Limited	Hong Kong, limited liability company	Ordinary shares HK$10,000	100%	Trading of electrical products
Kin Yat Industrial Company Limited	Hong Kong, limited liability company	Ordinary shares HK$3,200,000	100%	Trading of toys, electronic products, and sourcing of materials
Newway Electrical Industries (Hong Kong) Limited	Hong Kong, limited liability company	Ordinary shares HK$10,000	100%	Trading of electrical household appliances
Penta Blesses Enterprises Limited	Hong Kong, limited liability company	Ordinary shares HK$1,000,000	100%	Investment and property holding
Renhua Talent Wood Company Limited	PRC, limited liability company	Ordinary shares HK$26,500,000	100%	Manufacture and trading of toys
Shaoguan Turbo Electronic Technology Company Limited	PRC, limited liability company	Ordinary shares US$8,000,000	100%	Manufacture and trading of toys and electrical appliances

14 SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries at 31 March 2018: *(continued)*

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Ownership interest held by the Group	Principal activities
Indirectly held *(continued)*				
Shenzhen Kin Yat Power Electronic Company Limited	PRC, limited liability company	Ordinary shares US$5,000,000	100%	Manufacture and trading of toys and electronic products
Shixing Standard Motor Company Limited	PRC, limited liability company	Ordinary shares US$23,000,000	100%	Property holding, manufacture and trading of motors
Smart Electric Motor Company Limited	Hong Kong, limited liability company	Ordinary share HK$1	100%	Trading of motors and materials
Smart Electric Motor Singapore Pte. Limited	Singapore, limited liability company	Ordinary shares SG$100	100%	Trading of motors
Standard Encoder (Malaysia) Sdn Bhd	Malaysia, limited liability company	Ordinary shares RM500,000	100%	Manufacture and trading of encoder film
Standard Land (Malaysia) Sdn Bhd	Malaysia, limited liability company	Ordinary shares RM500,000	100%	Property holding
Standard Motor Company Limited	Hong Kong, limited liability company	Ordinary shares HK$40,000,000	100%	Trading of motors and sourcing of materials
Standard Motor Japan Company Limited	Japan, limited liability company	Ordinary shares JPY10,000,000	100%	Trading of motors
Unicon Investments Limited	Hong Kong, limited liability company	Ordinary shares HK$10,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong, limited liability company	Ordinary shares HK$1,000,000	100%	Trading of toys
貴州德智科技有限公司	PRC, limited liability company	Ordinary shares RMB5,000,000	100%	Manufacture of toys and clothes

15 PROPERTY, PLANT AND EQUIPMENT

	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*
31 March 2018						
Cost or valuation:						
At 1 April 2017	335,828	23,853	8,189	839,591	378,813	1,586,274
Additions	–	–	42,864	96,152	29,508	168,524
Disposals	(1,881)	–	–	(1,388)	(1,261)	(4,530)
Acquisition of a subsidiary	–	–	–	4,938	4,489	9,427
Disposal of subsidiaries	–	–	–	(50,391)	(22,135)	(72,526)
Write-off	–	–	–	(49,413)	–	(49,413)
Transfers	–	–	(1,680)	–	1,680	–
Surplus on revaluation	34,800	168	–	–	–	34,968
Write-back on revaluation	(13,661)	(168)	–	–	–	(13,829)
Exchange realignment	14,988	1,363	3,005	77,676	23,000	120,032
At 31 March 2018	370,074	25,216	52,378	917,165	414,094	1,778,927
Accumulated depreciation and impairment:						
At 1 April 2017	–	–	–	633,760	271,464	905,224
Provided during the year	13,703	168	–	44,568	21,659	80,098
Disposals	(42)	–	–	(1,266)	(1,191)	(2,499)
Disposal of subsidiaries	–	–	–	(50,391)	(22,135)	(72,526)
Write-back on revaluation	(13,661)	(168)	–	–	–	(13,829)
Write-off	–	–	–	(49,413)	–	(49,413)
Exchange realignment	–	–	–	52,668	12,536	65,204
At 31 March 2018	–	–	–	629,926	282,333	912,259
Net book value:						
At 31 March 2018	370,074	25,216	52,378	287,239	131,761	866,668
An analysis of cost or valuation:						
At cost	–	–	52,378	917,165	414,094	1,383,637
At 2018 valuation	370,074	25,216	–	–	–	395,290
	370,074	25,216	52,378	917,165	414,094	1,778,927

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	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*
31 March 2017						
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

At 31 March 2018, 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$78,700,000 (2017: HK$60,800,000), RMB235,600,000 (2017: RMB245,600,000) (equivalent to HK$291,375,000 (2017: HK$275,028,000)) and Malaysian Ringgit ("RM") 13,630,000 (2017: RM13,630,000) (equivalent to HK$25,216,000 (2017: HK$23,853,000)), respectively. Revaluation surpluses of HK$34,968,000 (2017: HK$6,189,000) resulting from the above revaluation were credited to the asset revaluation reserve.

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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 2018 and 2017 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 (2017: 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 2017	**60,800**	**1,792**	**273,236**	**23,853**	**359,681**
Depreciation	**(2,432)**	**(42)**	**(11,229)**	**(168)**	**(13,871)**
Disposal	**–**	**(1,839)**	**–**	**–**	**(1,839)**
Surplus on revaluation	**20,332**	**–**	**14,468**	**168**	**34,968**
Exchange realignment	**–**	**89**	**14,900**	**1,362**	**16,351**
At 31 March 2018	**78,700**	**–**	**291,375**	**25,215**	**395,290**
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

15 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)	
			2018	2017
			HK$	*HK$*
Hong Kong – Land and buildings – Industrial – Level 3	Market comparable method	Gross unit rate per square foot	**3,750 to 3,827**	2,885 to 2,962
Mainland China – Buildings – Residential – Level 3	Market comparable method	Gross unit rate per square foot	**1,170**	1,104
Mainland China – Buildings – Industrial – Level 3	Direct replacement cost method	Gross unit rate per square foot	**57 to 125**	53 to 118
Malaysia – Buildings – Industrial – Level 3	Direct replacement cost method	Gross unit rate per square foot	**455**	430

As at 31 March 2018, the buildings in Mainland China included certain buildings with a net book value of approximately HK$114,341,000 (2017: HK$120,373,000) for which the Group was still in the process of obtaining the building ownership certificates.

As at 31 March 2018, 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$191,353,000 (2017: HK$196,289,000).

16 INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of the year	**42,173**	46,305
Transfer from properties under development	**10,733**	–
Gain/(loss) from fair value adjustment *(Note 6)*	**4,935**	(362)
Exchange realignment	**5,220**	(3,770)
Carrying amount at end of the year	**63,061**	42,173

During the year ended 31 March 2018, the construction of The Royale Cambridge Residences in Guizhou Province is substantially completed, the Group has reviewed the intended usage of the commercial building, and determined that certain area could be leased to derive rental income. Therefore, certain portion is transferred from properties under development to investment properties.

The balance also included residential units and car park, and a commercial leasehold land in Shaanxi Province and Guizhou Province, respectively.

The Group's investment properties were revalued on 31 March 2018 based on valuations performed by Assets Appraisal Limited, independent professionally qualified valuers, at RMB50,990,000 (2017: RMB37,660,000) (equivalent to HK$63,061,000 (2017: HK$42,173,000)).

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.

Fair value hierarchy

The fair values of the Group's investment properties at 31 March 2018 and 2017 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 (2017: Nil).

16 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

	Buildings in Mainland China (Residential) *HK$'000*	Land in Mainland China (Commercial) *HK$'000*	Building in Mainland China (Commercial) *HK$'000*	Total *HK$'000*
Carrying amount:				
At 1 April 2017	**3,875**	**38,298**	**–**	**42,173**
Transferred from properties under development	**–**	**–**	**10,733**	**10,733**
Gain from a fair value adjustment	**270**	**4,467**	**198**	**4,935**
Exchange realignment	**419**	**4,230**	**571**	**5,220**
At 31 March 2018	**4,564**	**46,995**	**11,502**	**63,061**
At 1 April 2016	4,598	41,707	–	46,305
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

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) 2018 *HK$*	2017 *HK$*
Residential properties in Mainland China	Market comparable method	Gross unit rate per square foot	**1,170**	993
Leasehold land in Mainland China	Market comparable method	Gross unit rate per square foot	**24**	20
Commercial properties in Mainland China	Income method	Gross unit rate per square foot	**534**	–

17 PREPAID LAND LEASE PAYMENTS

	2018 *HK$'000*	2017 *HK$'000*
Cost:		
At beginning of the year	**31,431**	32,917
Exchange realignment	**1,743**	(1,486)
At end of the year	**33,174**	31,431
Amortisation:		
At beginning of the year	**7,314**	7,025
Recognised during the year	**641**	639
Exchange realignment	**447**	(350)
At end of the year	**8,402**	7,314
Carrying amount at the end of year	**24,772**	24,117
Current portion included in prepayments and deposits *(Note 23)*	**–**	(639)
	24,772	23,478

	2018 *HK$'000*	2017 *HK$'000*
Outside Hong Kong, held on:		
Leases of between 40 to 50 years	**24,772**	24,117

18 GOODWILL

	2018 HK$'000	2017 HK$'000
Movements in goodwill are as follows:		
At beginning of the year	**4,650**	4,650
Addition *(Note a)*	**3,061**	–
Exchange realignment	**161**	–
At end of the year	**7,872**	4,650

Notes:

(a) On 10 December 2017, Kin Yat (Guizhou) Robot Company Limited, a wholly-owned subsidiary of the Group, entered into a sales and purchase agreement to acquire the entire issued share capital of 貴州德智科技有限公司 at a cash consideration of RMB5,000,000 (equivalent to HK$5,877,000). 貴州德智科技有限公司 is principally engaged in the manufacturing of toys and clothes.

On 26 December 2017, all the conditions precedent under the agreement have been fulfilled, the shares were transferred to the Company and the acquisition has been completed. Upon the completion, the Group has obtained the control over 貴州德智科技有限公司, and goodwill of RMB2,604,000 (equivalent to HK$3,061,000) was resulted from the acquisition.

	HK$'000
Consideration:	
Cash	5,877
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,278
Property, plant and equipment	9,427
Accounts and other receivables	5,074
Accounts and other payables	(10,270)
Deferred government subsidy	(3,693)
Total identifiable net assets	2,816
Goodwill	3,061
	5,877

The goodwill of HK$3,061,000 arising from the acquisition is attributable to the synergies from combining the operations of the Group and 貴州德智科技有限公司. None of the goodwill recognised is expected to be deductible for income tax purpose.

The acquired business contributed revenue of HK$2,786,000 and net profit of HK$703,000 to the Group for the period from 1 January 2018 to 31 March 2018. If acquisition had occurred on 1 April 2017, consolidated revenue and net profit to the Group for the year ended 31 March 2018 would have been HK$3,038,653,000 and HK$146,706,000 respectively.

18 GOODWILL *(continued)*

Notes: (continued)

(b) Impairment test for goodwill

Management review the business performance based on type of business as followings:

	2018 **HK$'000**	2017 HK$'000
Electrical and electronic products	**3,222**	–
Motors	**4,650**	4,650
At 31 March	**7,872**	4,650

During the year ended 31 March 2017, the management of the Group determined that there was no impairment of the CGU 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% (2017: 14%). The financial budgets are prepared reflecting actual and prior year performance and development expectations.

19 PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Properties under development *(Note)*	**294,963**	245,376
Current portion	**(247,795)**	(200,287)
Non-current portion	**47,168**	45,089

Note:

Properties under development comprise:

	2018 HK$'000	2017 HK$'000
Construction costs and capitalised expenditures	**190,712**	159,569
Interests capitalised	**21,201**	13,280
Land use rights	**83,050**	77,109
	294,963	249,958
Less: Impairment	**–**	(4,582)
	294,963	245,376

During the year ended 31 March 2018, certain properties under development of HK$4,582,000 (2017: HK$66,950,000) which previously impaired was written-back to reflect the increase in net realisable value of these properties (Note 6).

20 INVESTMENT IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Movements in investment in an associate are as follows:		
At beginning of the year	**–**	–
Addition	**5,877**	–
Share of post-tax loss	**(1)**	–
Exchange realignment	**307**	–
At end of the year	**6,183**	–

Name of entity	Place of business/ country of establishment	% of ownership interest 2018	% of ownership interest 2017	Nature of the relationship	Measurement method	Carrying amount 2018 HK$'000	Carrying amount 2017 HK$'000
貴州法拉第磁電有限公司	PRC	**33.33%**	–	Associate	Equity method	**6,183**	–

During the year, the Group has subscribed 33.33% of the equity interest in 貴州法拉第磁電有限公司 at a total consideration of RMB19,998,000 (equivalent to HK$23,505,000), of which RMB5,000,000 (equivalent to HK$5,877,000) was paid up as at 31 March 2018. The remaining unpaid capital contribution was included in commitments as disclosed in Note 37 to the financial statements.

21 INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**319,138**	199,599
Work in progress	**52,991**	44,144
Finished goods	**135,987**	130,267
	508,116	374,010
Less: Provision	**(31,054)**	(45,949)
	477,062	328,061

The cost of inventories recognised as expense and included in "Cost of inventories sold" amounted to approximately HK$1,955,739,000 (2017: HK$1,474,397,000). Write-back of impairment of inventories amounted to HK$14,895,000 (2017: HK$2,945,000), these were included in the "Cost of sales" in the consolidated income statement during the year ended 31 March 2018.

22 ACCOUNTS AND BILLS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Accounts and bills receivables	**371,178**	338,080
Less: Provision for impairment	**(852)**	(1,558)
	370,326	336,522

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 receivables balances. Accounts and bills receivables are non-interest-bearing.

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**237,216**	222,352
31 – 60 days	**71,253**	60,134
61 – 90 days	**43,651**	29,364
Over 90 days	**19,058**	26,230
	371,178	338,080
Less: Impairment	**(852)**	(1,558)
	370,326	336,522

At 31 March 2018, 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 64% (2017: 66%) and 42% (2017: 49%) of the Group's total accounts receivables, respectively.

22 ACCOUNTS AND BILLS RECEIVABLES *(continued)*

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

	2018	2017
	HK$'000	*HK$'000*
At beginning of the year	**1,558**	2,092
Provision for impairment recognised during the year	**3,784**	–
Write-off	**(4,490)**	(534)
At end of the year	**852**	1,558

As at 31 March 2018, accounts and bills receivables of approximately HK$852,000 (2017: HK$1,558,000) were impaired and have been provided for. The individually impaired accounts and bills receivables relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered.

As at 31 March 2018, accounts and bills receivables of HK$103,651,000 (2017: HK$81,151,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these accounts and bills receivables is as follows:

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**72,737**	40,377
31 – 60 days	**18,556**	23,519
61 – 90 days	**8,100**	9,390
Over 90 days	**4,258**	7,865
	103,651	81,151

Accounts and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23 PREPAYMENTS AND DEPOSITS

	Notes	2018 HK$'000	2017 HK$'000
Deposits for mining projects	*a*	–	23,516
Prepayment for property, plant and equipment		**180,411**	91,978
Prepaid construction cost	*b*	**184,926**	1,972
VAT recoverable		**32,395**	3,476
Other prepayment and receivables	*a*	**40,337**	79,786
Tax reserve certificates *(Note 38)*		**25,408**	20,375
Other deposits		**2,549**	1,504
Prepaid land lease payment		–	639
		466,026	223,246
Less: Impairment	*a*	–	(77,557)
		466,026	145,689
Less: Current portion		**(274,934)**	(50,984)
Non-current portion		**191,092**	94,705

Notes:

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

	2018 HK$'000	2017 HK$'000
At beginning of the year	**77,557**	84,625
Disposal of subsidiaries	**(77,440)**	–
Impairment recognised during the year	–	122
Write-off	**(117)**	(267)
Exchange realignment	–	(6,923)
At end of the year	–	77,557

For the year ended 31 March 2017, impairment provision was made for deposits for mining projects, prepayments for the exclusive right of supply of antimony ores and other deposits of HK$23,516,000, HK$53,924,000 and HK$117,000, respectively. During the year ended 31 March 2018, these subsidiaries were disposed of (Note 39).

(b) As at 31 March 2018, such prepaid construction cost include prepaid construction cost of approximately HK$174,380,000 to a main constructor for the properties development project in Dushan, Guizhou. The properties, upon completion, are for selling purpose and are expected be completed within twelve months, therefore, it is classified as current assets.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed equity investments, at market value	22,614	20,256
Listed debt investments, at market value	8,640	–
	31,254	20,256

The above investments at 31 March 2018 and 2017 were classified as held for trading and were, upon initial recognition, classified by the Group as financial assets at fair value through profit or loss.

25 CASH AND BANK BALANCES AND TIME DEPOSITS

	2018 HK$'000	2017 HK$'000
Time deposits – original maturity of more than three months	11,645	6,430
Restricted bank deposits *(Note)*	5,156	6,746
Cash and cash equivalents	199,855	275,842
	216,656	289,018

Denominated in

	2018 HK$'000	2017 HK$'000
Hong Kong Dollars	31,931	67,389
Renminbi	108,186	91,954
US Dollars	60,251	113,065
Others	16,288	16,610
	216,656	289,018

Note:

Restricted bank deposits of RMB4,169,000 (2017: RMB6,024,000) (equivalent to approximately HK$5,156,000 (2017: HK$6,746,000)) can only be applied in the designated property development projects prior to the completion of construction.

As at 31 March 2018, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$108,186,000 (2017: HK$91,954,000). 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 (2017: four months and one year) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates.

26 ACCOUNTS PAYABLES, OTHER PAYABLES AND PROVISIONS

	2018 HK$'000	2017 HK$'000
Accounts payables *(Note a)*	**549,993**	375,414
Accrued liabilities and provisions	**192,961**	208,295
Other payables	**43,347**	26,845
Receipt in advance	**138,524**	15,966
Deferred income *(Note b)*	**137,755**	146,306
	1,062,580	772,826
Less: Current portion	**(953,372)**	(632,276)
Non-current portion	**109,208**	140,550

Notes:

(a) 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.

The carrying amounts of accounts and other payables are considered to be the same as their fair values, due to their short term nature.

At 31 March, the aging analysis of the accounts payables based on invoice date are as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**230,838**	198,563
31 – 60 days	**124,582**	93,366
61 – 90 days	**121,598**	53,937
Over 90 days	**72,975**	29,548
	549,993	375,414

(b) The balance mainly represented government grants received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province (the "Dushan County Government") 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 to match with the costs or the assets' useful lives that they are intended to compensate in accordance with the agreements with the Dushan County Government. During the year ended 31 March 2018, subsidies of HK$26,073,000 (2017: HK$5,966,000) had been recognised and included in subsidy income of "Other income and gains, net" in the consolidated income statement.

The balance also includes a deferred government subsidy obtained through the acquisition of a subsidiary during the year ended 31 March 2018. Subsidies of HK$265,000 had been recognised and included in subsidy income of "Other income and gains, net" in the consolidated income statement to match with the asset's useful life in accordance with the agreement.

The movements in deferred income are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of the year	**146,306**	163,197
Acquisition of a subsidiary	**3,693**	–
Additions	**–**	2,265
Amortisation	**(26,338)**	(5,966)
Exchange realignment	**14,094**	(13,190)
At end of the year	**137,755**	146,306

27 BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Unsecured		
Current portion	**237,140**	274,310
Non-current portion	**294,750**	65,000
	531,890	339,310

Bank borrowings mature until 2023, and bear average interest at 2.9% per annum (2017: 2.6%).

At 31 March, the Group's bank borrowings were repayable as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year or on demand	**237,140**	274,310
Between 1 and 2 years	**119,250**	20,000
Between 2 and 5 years	**175,500**	45,000
	531,890	339,310

The Group's banking facilities are secured by the corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group's bank borrowings approximate their fair values. Except for a bank borrowing of HK$70,494,000 (2017: HK$50,392,000) which is denominated in Renminbi, all other bank borrowings are denominated in Hong Kong dollars.

As at 31 March 2018, the Group has undrawn bank facilities amounting to HK$421,433,000 (2017: HK$355,776,000).

28 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$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2016	28,665	1,558	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 11)*	–	(87)	(87)
Exchange realignment	(1,032)	–	(1,032)
At 31 March 2017 and 1 April 2017	29,072	1,471	30,543
Deferred tax debited to equity during the year	5,821	–	5,821
Deferred tax credited to the income statement during the year *(Note 11)*	(185)	–	(185)
Exchange realignment	1,323	–	1,323
At 31 March 2018	36,031	1,471	37,502

Gross deferred tax assets

	Deferred subsidy income *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2016	40,799	119	40,918
Deferred tax debited to the income statement during the year *(Note 11)*	(925)	–	(925)
Exchange realignment	(3,299)	–	(3,299)
At 31 March 2017 and 1 April 2017	36,575	119	36,694
Deferred tax debited to the income statement during the year *(Note 11)*	(6,518)	42	(6,476)
Exchange realignment	3,479	(2)	3,477
At 31 March 2018	33,536	159	33,695

28 DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of HK$16,397,000 (2017: HK$17,633,000) 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$119,765,000 (2017: HK$236,846,000) 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.

At 31 March 2018, 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$519,862,000 (2017: HK$437,435,000) at 31 March 2018.

29 SHARE CAPITAL

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
438,460,000 (2017: 428,360,000) ordinary shares of HK$0.10 each	**43,846**	42,836

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

	Number of shares in issue	**Share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 April 2017	**428,360,000**	**42,836**	**139,642**	**182,478**
Share options exercised *(Note)*	**10,100,000**	**1,010**	**15,030**	**16,040**
At 31 March 2018	**438,460,000**	**43,846**	**154,672**	**198,518**
At 1 April 2016	419,160,000	41,916	125,031	166,947
Share options exercised *(Note)*	9,200,000	920	14,611	15,531
At 31 March 2017	428,360,000	42,836	139,642	182,478

Note:

During the year ended 31 March 2018, the subscription rights attaching to 500,000 share options, 8,500,000 share options, 500,000 share options, and 600,000 share options were exercised at the subscription prices of HK$0.974 per share, HK$1.160 per share, HK$1.550 per share, and HK$2.262 per share, respectively (Note 30), resulting in the issue of 10,100,000 shares for a total cash consideration, before expenses, of HK$12,480,000. An amount of HK$3,560,000 was transferred from the share-based payment reserve to share premium upon the exercise of the share options.

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 30), 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-based payment reserve to share premium upon the exercise of the share options.

30 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.

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.

30 SHARE OPTION SCHEMES *(continued)*

The Old Share Option Scheme *(continued)*

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 31 March 2018, there were 3,250,000 options (2017: 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.

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.

As at 31 March 2018, there were 2,100,000 options (2017: 10,000,000 options) granted but not yet exercised under the New Share Option Scheme.

30 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:

2018

		Number of share options						
	Date of share options granted	At 1 April 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2018	Exercise period	Exercise price per share *HK$*
Directors								
Cheng Chor Kit	10/3/2016	4,000,000	–	(4,000,000)	–	–	10/3/2016-9/3/2026	1.160
Liu Tat Luen	4/1/2010	2,000,000	–	–	–	2,000,000	4/1/2013-3/1/2020	2.102
	10/3/2016	1,500,000	–	(1,500,000)	–	–	10/3/2016-9/3/2026	1.160
Cheng Tsz To	10/3/2016	500,000	–	(500,000)	–	–	10/3/2016-9/3/2026	1.160
Cheng Tsz Hang	10/3/2016	500,000	–	(500,000)	–	–	10/3/2016-9/3/2026	1.160
Chin Wee Hon *(Note)*	10/3/2016	1,000,000	–	(1,000,000)	–	–	10/11/2017-9/3/2026	1.160
Hui Ka Po, Alex	10/3/2016	1,000,000	–	–	–	1,000,000	17/2/2019-9/3/2026	1.160
Wong Chi Wai	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792
	19/3/2013	500,000	–	(500,000)	–	–	19/3/2013-18/3/2023	0.974
	7/7/2017	–	400,000	–	–	400,000	7/7/2017-6/7/2027	2.262
	7/7/2017	–	100,000	–	–	100,000	13/9/2017-6/7/2027	2.262
Sun Kwai Yu, Vivian	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792
	7/7/2017	–	400,000	(400,000)	–	–	7/7/2017-6/7/2027	2.262
	7/7/2017	–	100,000	(100,000)	–	–	13/9/2017-6/7/2027	2.262
Cheng Kwok Kin, Paul	10/3/2016	200,000	–	(200,000)	–	–	23/6/2017-9/3/2026	1.160
	7/7/2017	–	100,000	–	–	100,000	7/7/2017-6/7/2027	2.262
Cheung Wang Ip	10/3/2016	200,000	–	(200,000)	–	–	21/7/2017-9/3/2026	1.160
	7/7/2017	–	100,000	(100,000)	–	–	21/7/2017-6/7/2027	2.262
Other employees								
In aggregate	19/10/2009	500,000	–	(500,000)	–	–	19/10/2012-18/10/2019	1.550
	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792
	10/3/2016	300,000	–	(300,000)	–	–	15/5/2017-9/3/2026	1.160
	10/3/2016	300,000	–	(300,000)	–	–	3/6/2017-9/3/2026	1.160
	7/7/2017	–	400,000	–	–	400,000	7/7/2017-6/7/2027	2.262
	7/7/2017	–	100,000	–	–	100,000	1/12/2017-6/7/2027	2.262
		13,750,000	1,700,000	(10,100,000)	–	5,350,000		

Note:

Mr. Chin Wee Hon resigned as an executive director on 12 November 2017.

30 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)*

2017

	Date of share options granted	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$*
		Number of share options						
Directors								
Cheng Chor Kit	10/3/2016	4,000,000	–	–	–	4,000,000	10/3/2016-9/3/2026	1.160
Fung Wah Cheong, Vincent	23/7/2009	500,000	–	(500,000)	–	–	1/8/2010-22/7/2019	1.426
	10/3/2016	1,000,000	–	(1,000,000)	–	–	10/3/2016-9/3/2026	1.160
Liu Tat Luen	4/1/2010	2,000,000	–	–	–	2,000,000	4/1/2013-3/1/2020	2.102
	10/3/2016	2,000,000	–	(500,000)	–	1,500,000	10/3/2016-9/3/2026	1.160
Cheng Tsz To	10/3/2016	2,000,000	–	(1,500,000)	–	500,000	10/3/2016-9/3/2026	1.160
Cheng Tsz Hang	10/3/2016	2,000,000	–	(1,500,000)	–	500,000	10/3/2016-9/3/2026	1.160
Chin Wee Hon	10/3/2016	1,000,000	–	–	–	1,000,000	10/11/2017-9/3/2026	1.160
Hui Ka Po, Alex	10/3/2016	1,000,000	–	–	–	1,000,000	17/2/2019-9/3/2026	1.160
Wong Chi Wai	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792
	19/3/2013	500,000	–	–	–	500,000	19/3/2013-18/3/2023	0.974
Sun Kwai Yu, Vivian	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792
	19/3/2013	500,000	–	(500,000)	–	–	19/3/2013-18/3/2023	0.974
Cheng Kwok Kin, Paul	10/3/2016	200,000	–	–	–	200,000	23/6/2017-9/3/2026	1.160
Cheung Wang Ip	10/3/2016	200,000	–	–	–	200,000	21/7/2017-9/3/2026	1.160
Other employees								
In aggregate	4/10/2006	192,000	–	–	(192,000)	–	4/10/2009-3/10/2016	1.030
	19/10/2009	500,000	–	–	–	500,000	19/10/2012-18/10/2019	1.550
	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792
	19/3/2013	400,000	–	(400,000)	–	–	19/3/2013-18/3/2023	0.974
	10/3/2016	3,300,000	–	(3,300,000)	–	–	10/3/2016-9/3/2026	1.160
	10/3/2016	300,000	–	–	–	300,000	15/5/2017-9/3/2026	1.160
	10/3/2016	300,000	–	–	–	300,000	3/6/2017-9/3/2026	1.160
		23,142,000	–	(9,200,000)	(192,000)	13,750,000		

30 SHARE OPTION SCHEMES *(continued)*

During the year ended 31 March 2018, 1,700,000 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 2018 was estimated at HK$946,000, as at the date of grant using the binomial valuation model, the share option expense of HK$946,000 during the year ended 31 March 2018 is recognised.

During the year ended 31 March 2016, 17,300,000 share options were granted, of which 3,000,000 share options were subjected to the vesting period ranging from 14 months to 36 months, The fair value of the equity-settled share options under the New Share Option Scheme granted 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$317,000 (2017: HK$626,000) during the year ended 31 March 2018.

During the year ended 31 March 2018, no share option is lapsed (2017: 192,000). During the year ended 31 March 2017, the respective share option expenses of HK$224,000 were released from share-based payment reserve to retained profits.

The following table lists the inputs to the model used:

	2018
Dividend yield (%)	7.02
Volatility (%)	48.31
Employee exit rate post-vesting (%)	2.38-4.20
Risk-free interest rate (%)	1.56
Expected life of options (year)	1.59
Prevailing market price (HK$ per share)	2.26

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:

	2018		2017	
	Weighted average exercise price ***HK$ per share***	**Number of options**	Weighted average exercise price *HK$ per share*	Number of options
At beginning of the year	**1.453**	**13,750,000**	1.331	23,142,000
Granted during the year	**2.262**	**1,700,000**	–	–
Exercised during the year	**1.236**	**(10,100,000)**	1.156	(9,200,000)
Lapsed during the year	**-**	**-**	1.030	(192,000)
At end of the year	**2.120**	**5,350,000**	1.453	13,750,000

30 SHARE OPTION SCHEMES *(continued)*

As at 31 March 2018, the Company had 5,350,000 (2017: 13,750,000) share options outstanding under the Schemes. Should they be fully exercised, the Company will receive HK$11,342,000 (2017: HK$19,976,000) (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 5,350,000 (2017: 13,750,000) additional ordinary shares of the Company and additional share capital of HK$535,000 (2017: HK$1,375,000) and share premium of approximately HK$10,807,000 (2017: HK$18,601,000) (before issue expenses).

31 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year 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.

32 RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel of the Group:

	2018 ***HK$'000***	2017 *HK$'000*
Salaries, allowances and benefits in kind	**19,061**	17,084
Performance related bonuses	**3,858**	6,859
Equity-settled share option expense	**262**	344
Pension scheme contributions	**102**	468
Total compensation paid to key management personnel	**23,283**	24,755

Further details of the directors' and the chief executive's emoluments are included in Note 10 to the financial statements.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	2018 *HK$'000*	2017 *HK$'000*
Net book amount:		
Property, plant and equipment *(Note 15)*	**2,031**	133
Gain/(loss) on disposal of property, plant and equipment *(Note 6)*	**781**	(16)
Proceeds from disposal of property, plant and equipment	**2,812**	117

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for each of the periods presented:

	2018 *HK$'000*	2017 *HK$'000*
Cash and cash equivalents *(Note 25)*	**199,855**	275,842
Liquid investments *(Note)*	**31,254**	20,256
Bank borrowings *(Note 27)*	**(531,890)**	(339,310)
Due to non-controlling shareholders	**–**	(34,570)
Net debts	**(300,781)**	(77,782)
Cash and liquid investments	**231,109**	296,098
Gross debt – floating interest rate	**(531,890)**	(373,880)
Net debts	**(300,781)**	(77,782)

Note:

Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

	Cash and cash equivalents *HK$'000*	Liquid investment *HK$'000*	Bank borrowings *HK$'000*	Due to non-controlling shareholders *HK$'000*	Total *HK$'000*
Net debt as at 31 March 2017	275,842	20,256	(339,310)	(34,570)	(77,782)
Net cash movement	(86,170)	10,835	(190,827)	–	(266,162)
Exchange realignment	10,183	155	(1,753)	–	8,585
Other non-cash movements	–	8	–	34,570	34,578
Net debt as at 31 March 2018	199,855	31,254	(531,890)	–	(300,781)

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:

	2018		2017	
	Financial assets at fair value through profit or loss	**Financial assets and liabilities at amortised cost** *(Note)*	Financial assets at fair value through profit or loss	Financial assets and liabilities at amortised cost *(Note)*
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial assets				
Accounts and bills receivables	**–**	**370,326**	–	336,522
Deposits and other receivables	**–**	**57,454**	–	6,898
Time deposits	**–**	**11,645**	–	6,430
Cash and bank balances	**–**	**205,011**	–	282,588
Financial assets at fair value through profit or loss	**31,254**	**–**	20,256	–
	31,254	**644,436**	20,256	632,438
Financial liabilities				
Financial liabilities at amortised cost:				
Accounts payables		**549,993**		375,414
Financial liabilities included in other payables, accrued liabilities and deferred income		**60,256**		42,350
Due to non-controlling shareholders		**–**		34,570
Bank borrowings		**531,890**		339,310
		1,142,139		791,644

Note:

The fair values of the financial assets at amortised cost approximate their carrying amounts.

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2018 *HK$'000*	2017 *HK$'000*
ASSETS		
Non-current assets		
Interests in subsidiaries	**1,085,733**	962,689
Current assets		
Prepayments	**1**	163
Cash and bank balances	**1,479**	3,270
Total current assets	**1,480**	3,433
Total assets	**1,087,213**	966,122
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**43,846**	42,836
Reserves *(Note)*	**669,099**	691,765
Total equity	**712,945**	734,601
LIABILITIES		
Current liabilities		
Accrued liabilities and other payables	**3,074**	3,166
Bank borrowings	**75,500**	162,500
Tax payable	**944**	855
Total current liabilities	**79,518**	166,521
Non-current liabilities		
Bank borrowings	**294,750**	65,000
Total liabilities	**374,268**	231,521
Total equity and liabilities	**1,087,213**	966,122

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Note:

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

	Share premium account HK$'000	Share-based payment reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
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 12)*	–	–	–	–	(20,958)	(20,958)
Interim 2017 dividend paid *(Note 12)*	–	–	–	–	(21,418)	(21,418)
Special 2017 dividend paid *(Note 12)*	–	–	–	–	(64,254)	(64,254)
Issue of shares *(Note 29)*	14,611	(4,893)	–	–	–	9,718
Equity-settled share option expense *(Note 30)*	–	626	–	–	–	626
Transfer of share-based payment reserve upon the lapse of share options *(Note 30)*	–	(224)	–	–	224	–
At 31 March 2017 and 1 April 2017	**139,642**	**5,506**	**14**	**104,750**	**441,853**	**691,765**
Loss for the year	**–**	**–**	**–**	**–**	**(818)**	**(818)**
Final 2017 dividend paid *(Note 12)*	**–**	**–**	**–**	**–**	**(21,518)**	**(21,518)**
Interim 2018 dividend paid *(Note 12)*	**–**	**–**	**–**	**–**	**(13,063)**	**(13,063)**
Issue of shares *(Note 29)*	**15,030**	**(3,560)**	**–**	**–**	**–**	**11,470**
Equity-settled share option expense *(Note 30)*	**–**	**1,263**	**–**	**–**	**–**	**1,263**
At 31 March 2018	**154,672**	**3,209**	**14**	**104,750**	**406,454**	**669,099**

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.

36 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one year.

At 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	3,672	24
In the second to fifth years, inclusive	27	–
	3,699	24

(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 two years.

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	1,107	1,448
In the second to fifth years, inclusive	163	1,673
	1,270	3,121

37 COMMITMENTS

Capital expenditure constructed for at the end of the year but not yet incurred is as follows:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	216,937	160,458
Properties under development and investment properties	489,466	106,190
Investment in an associate	18,549	–

38 CONTINGENT LIABILITIES

From March 2014 to February 2017, the Hong Kong Inland Revenue Department ("IRD") issued estimated assessments ("EA") for the years of assessment from 2007/08 (which were statutorily time-barred after 31 March 2014) to 2010/11 (which were statutorily time-barred after 31 March 2017) with total tax demanded of approximately HK$49,088,000 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. Up to the year ended 31 March 2017 and during the year ended 31 March 2018, the Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase tax reserve certificates ("TRC") in the total amount of approximately HK$20,375,000 and HK$5,033,000 respectively 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.

As at 31 March 2018, the total tax demand is amounted to approximately HK$51,466,000, including a further tax demand of approximately HK$2,378,000 to the Subsidiaries for the year of assessment 2011/12 (which were statutorily time-barred after 31 March 2018). The Group has purchased tax reserve certificates amounted to approximately HK$25,408,000 (2017: HK$20,375,000) in total, which were included in prepayments and deposits in the consolidated statement of financial position.

The directors have thoroughly reviewed and revisited the situations, and in the opinion of directors, there are grounds for the Subsidiaries to substantiate its objections lodged. In addition, the management is discussing with the IRD on the tax audit and there is no specific basis which indicated potential adjustments were warranted on the Subsidiaries for the years of assessment 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12. The directors are of the view that no additional tax provision for Hong Kong Profits Tax is required at this stage. The Subsidiaries will continue to monitor the progress of the tax audit and to defend their position vigorously. Therefore, no additional tax was provided thereon as at 31 March 2018 (2017: Nil).

39 DISPOSAL OF SUBSIDIARIES

(a) On 29 September 2017, the Group entered into a sale and purchase agreement with an independent third party, to dispose of its entire equity interest in Billion United Investment Limited, Profitsafe Investment Limited, Profitpower Investment (Hong Kong) Limited, and their subsidiaries, at the face value of the share capital. The total cash consideration is approximately HK$594, the resulting gain on disposal of the subsidiaries of HK$2,072,000 was recognised in the consolidated income statement during the year ended 31 March 2018.

	Note	*HK$'000*
Cash consideration		1
Identifiable assets and liabilities disposed of		
Cash		(1,014)
Other receivables		(1,577)
Non-controlling interests		(48,733)
Accrued expense		4,259
Amount due to non-controlling shareholder		34,570
Release of exchange translation reserve		14,566
Gain on disposal of subsidiaries	*6*	2,072

39 DISPOSAL OF SUBSIDIARIES *(continued)*

(b) On 19 January 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Shaoguan Jianze Smart Electric Motor Company Limited, for a cash consideration of RMB100,000 (approximately HK$120,000). The gain on disposal of the subsidiary of HK$8,054,000 was recognised in the consolidated income statement during the year ended 31 March 2018.

	Note	*HK$'000*
Cash consideration		120
Identifiable assets and liabilities disposed of		
Other receivables		(208)
Accounts and other payables		213
Tax payable		2,775
Release of exchange translation reserve		5,154
Gain on disposal of a subsidiary	*6*	8,054

(c) On 12 July 2016, the Group entered into sale and purchase agreements with two individuals, independent third parties, to dispose of its entire equity interest in a wholly-owned subsidiary, Dongguan Jianze Smart Electric Motor Company Limited ("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 translation 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.

(d) On 1 January 2017, the Group entered into a sale and purchase 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) Limited and Ordovician Mining (Lao) Company Limited ("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 translation 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.

FINANCIAL SUMMARY

RESULTS	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**3,034,274**	2,472,193	2,317,504	2,169,285	1,852,238
PROFIT/(LOSS) BEFORE TAX	**182,325**	245,289	(31,574)	(115,118)	43,640
Income tax expense	**(32,619)**	(49,048)	(40,103)	(33,848)	(28,519)
PROFIT/(LOSS) FOR THE YEAR	**149,706**	196,241	(71,677)	(148,966)	15,121
ATTRIBUTABLE TO:					
Equity holders of the Company	**149,821**	196,375	(69,843)	(121,583)	19,818
Non-controlling interests	**(115)**	(134)	(1,834)	(27,383)	(4,697)
	149,706	196,241	(71,677)	(148,966)	15,121

ASSETS AND LIABILITIES	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS	**1,240,511**	927,839	863,650	1,008,900	1,072,336
CURRENT ASSETS	**1,623,224**	1,225,984	977,103	833,658	885,399
TOTAL ASSETS	**2,863,735**	2,153,823	1,840,753	1,842,558	1,957,735
CURRENT LIABILITIES	**(1,264,231)**	(1,011,419)	(796,136)	(726,901)	(711,431)
NON-CURRENT LIABILITIES	**(441,460)**	(236,093)	(187,241)	(159,896)	(131,641)
TOTAL LIABILITIES	**(1,705,691)**	(1,247,512)	(983,377)	(886,797)	(843,072)
NET ASSETS	**1,158,044**	906,311	857,376	955,761	1,114,663