



力勁科技集團有限公司

L.K. TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 558)



2016/17 Annual Report



CORPORATE PROFILE

L.K. Technology Holdings Limited is the world's largest die-casting machines manufacturer. The Group engages in the design, manufacture and sale of three product lines, i.e. die-casting machines, plastic injection moulding machines and computerised numerical controlled (CNC) machining centres. The Group has manufacturing bases and R&D centres in Shenzhen, Zhongshan, Ningbo, Shanghai, Fuxin and Kunshan in China and in Taiwan and Italy. To capture overseas markets, the Group has established sales and services companies in the USA and India. The Group also operates a casting factory in Fuxin for the production of cast iron/ steel components.



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Chong Siw Yin (*Chairperson*)
Mr. Liu Zhuo Ming (*Chief Executive Officer*)
Mr. Tse Siu Sze
Mr. Wang Xinliang

Non-executive Director

Ms. Han Jie

Independent Non-executive Directors

Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Wong Kin Ming

Audit Committee

Mr. Tsang Yiu Keung, Paul
Dr. Lui Ming Wah, *SBS, JP*
Ms. Han Jie

Nomination Committee

Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Ms. Han Jie

Remuneration Committee

Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Ms. Han Jie

Auditor

PricewaterhouseCoopers

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit A, 8th Floor
Mai Wah Industrial Building
1-7 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
CTBC Bank Co., Ltd
Intesa Sanpaolo Spa

Stock Code

558

Website

<http://www.lktechnology.com>

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of L.K. Technology Holdings Limited, I hereby present the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 (the "Year").

The Group recorded revenue of HK\$3,224,781,000 for the Year, representing an increase of 14.2% compared with HK\$2,822,824,000 last year. The increase in revenue was mainly attributable to the China market. Profit attributable to owners of the Group amounted to HK\$136,789,000, representing a substantial increase compared with HK\$710,000 last year.

During the Year, China's economy was developing moderately and positively. As the data of National Bureau of Statistics of China showed, the GDP of the year increased by 6.7% compared with last year. Along with the development of China's economy, residents' income level experienced further enhancement and automobile industry was growing at a quick pace during the year as a result of the implementation of the favorable tax on low emission vehicle purchases. Amidst the overall growth atmosphere of automobile industry, the Group proactively launched new products and improved its service quality on an on-going basis, which in return accelerated the growth of revenue to a satisfactory level.

Looking ahead to 2017, the Chinese government is committed to implement reforms and innovations and to encourage the domestic demand. Meanwhile, policies such as "the Belt and Road" and "Made in China 2025" also help to drive the economy. With stronger confidence and more comprehensive product range, the Group aims at expanding its market size significantly.

On behalf of the Board and our management team, I would like to take this opportunity to express my appreciation to our customers, suppliers, bankers, business partners and shareholders for their great support and encouragement. My heartfelt gratitude also goes to our dedicated Board members and committed staff for their diligence and effort, which have contributed to the business development of the Group in the past year.

Chong Siw Yin

Chairperson

29 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK\$3,224,781,000 for the year ended 31 March 2017 (the "Year"), representing an increase of approximately 14.2% compared to the last year. During the Year, profit attributable to owners of the Company amounted to HK\$136,789,000, as compared to the profit of HK\$710,000 in the last year.

The increase in revenue was mainly due to the significant increase in revenue of the Group in the China market. During the Year, the Group's revenue from the China market amounted to HK\$2,490,736,000, representing an increase of 33.4% as compared to HK\$1,866,582,000 for the last year.

During the Year, the overall momentum of the PRC's national economy remained robust and maintained a steady development trend as a whole as evidenced by the statistics released by the National Bureau of Statistics which showed a GDP growth of 6.7% for 2016. Leveraging on the development of the domestic economy, the further increase in the income level of citizens and the favourable policies to the purchase of low-emission vehicles, the automobile industry maintained rapid growth in 2016. According to the statistics of China Association of Automobile Manufactures, the automobile industry achieved a record high in production volume and sales in 2016. Benefitting from the general recovery of the economy of the PRC, demand from the manufacturing industry for machinery and equipment remained strong, resulting in a surge in the Group's revenue in the PRC market.

As for overseas markets, the American and European markets are currently under adjustment after having experienced economic revival in recent years, resulting in a skid in demand. For emerging markets like Brazil and India, the demand remained sluggish. During the Year, the revenue of the Group from overseas market amounted to HK\$734,045,000, representing a significant decrease of 23.2% as compared to HK\$956,242,000 for the same period of the last year.

In July 2016, the Group disposed of a subsidiary, recording a gain of HK\$45,712,000.

Die-casting Machines

During the Year, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK\$2,241,147,000 representing an increase of 2.6% as compared to HK\$2,184,813,000 for the last year, of which the revenue generated from the China market amounted to HK\$1,556,587,000 representing an increase of 20.7% as compared to HK\$1,289,597,000 for the last year. However, there was a significant decrease in the revenue from overseas market by 23.5%, from HK\$895,216,000 for the last year to HK\$684,560,000 for the Year. Our subsidiary, IDRA, is currently under adjustment in the American and European markets, resulting in a sliding demand and a fall back in turnover during the Year.

Plastic Injection Moulding Machines

During the Year, the Group's revenue from the plastic injection moulding machine business amounted to HK\$848,573,000, representing an increase of 70.2% as compared to HK\$498,525,000 for the last year. In view of the recovery of the PRC domestic market and the increased demand, the Group continued to launch new products and made further efforts in marketing, which contributed to a remarkable growth in performance.

Computerised Numerical Controlled (CNC) Machining Centre

During the Year, the Group's revenue from CNC machining centre business amounted to HK\$135,061,000, remaining basically flat as compared to last year. The CNC machining centre industry remained sluggish under the pressure of strong market competition, a challenge as faced by the business sector as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review

During the Year, the overall gross profit margin of the business of the Group was 25.4%, representing an increase of approximately 0.6% as compared to last year which was mainly due to the sustained improvements in operational efficiencies of the Group, among which the improvement in plastic injection moulding machine business was encouraging.

Selling and distribution expenses amounted to HK\$302,566,000, representing a decrease of 12.4% as compared to HK\$345,440,000 for the last year, which was mainly due to reduction in transportation costs and other relevant costs for the Year.

General and administrative expenses amounted to HK\$353,620,000, representing an increase of 7.1% as compared to HK\$330,219,000 for the last year, which was mainly due to the increase in the provision for impairment of trade receivables for individual customers.

Net finance costs amounted to HK\$62,607,000, representing a decrease of 8.8% as compared to HK\$68,651,000 for the last year. The Group restructured its syndicated loan during the last year, which accelerated the amortisation of the related borrowing costs of approximately HK\$11,742,000 which was one-off in nature in last year.

Prospects

With the rapid development in 2016, the car parc in the automobile industry of China was further enhanced. However, as a result of the reduction of preferential treatment for the purchase of vehicles and the decrease in subsidies for new energy vehicles, the development of the automobile industry is expected to slow down in 2017. Leveraging on the overall economic growth and the strong demand for vehicles, the development of China's automobile industry will remain stable. Since the PRC government has strengthened the regulation and control of the real estate industry in October 2016, the financing channel of real estate enterprises is narrowing. In addition, due to the continuous slowdown of the growth of real estate sales, it is expected that the growth of investment in real estate industry will continue to slow down, which may in turn hinder the expansion of industrial production.

After having experienced substantial growth in recent years, the overseas market is currently under adjustment. The Group will strengthen its efforts in the promotion of new products and the implementation of stringent cost control.

The Group will continue to increase investments in research and development and improve product quality to satisfy the rising customer demands.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors

Ms. Chong Siw Yin, aged 61, is the Chairperson of the Board and an Executive Director of the Company. Ms. Chong joined the Group in March 1988, and was appointed as an Executive Director in August 2004. She is also a director of certain subsidiaries of the Company. Ms. Chong is responsible for the strategic planning, administration and human resources management of the Group and has over 29 years of management experience. Ms. Chong is the mother of Mr. Liu Zhuo Ming, the Chief Executive Officer and an Executive Director of the Company.

Mr. Liu Zhuo Ming, aged 31, is the Chief Executive Officer and an Executive Director of the Company. Mr. Liu joined the Group in October 2008 and has served a number of positions in the Group. He was appointed as an Executive Director in April 2014 and was appointed as the Chief Executive Officer in April 2017. Mr. Liu is also a director of certain subsidiaries of the Company. He graduated from Oregon State University, USA with a bachelor's degree in Computer Science. Mr. Liu has extensive experience in business operations and management. Mr. Liu is the son of Ms. Chong Siw Yin (the Chairperson of the Board and an Executive Director of the Company) and Mr. Liu Siong Song (a substantial shareholder and the controlling shareholder of the Company).

Mr. Tse Siu Sze, aged 49, is an Executive Director of the Company. Mr. Tse joined the Group in July 1990 and has served a number of positions in the Group. Mr. Tse was appointed as an Executive Director in December 2013. He is currently the general manager and a director of Zhongshan L.K. Machinery Co. Ltd. Mr. Tse has over 27 years of experience in production management, sales and marketing.

Mr. Wang Xinliang, aged 49, is an Executive Director of the Company. Mr. Wang joined the Group in July 1993 and has served a number of positions in the Group. Mr. Wang was appointed as an Executive Director in March 2014. He is currently the general manager and a director of both Ningbo L.K. Machinery Co. Ltd. and Ningbo L.K. Technology Co. Ltd. Mr. Wang has over 24 years of experience in production management, sales and marketing. Mr. Wang holds an EMBA from Fudan University.

Ms. Han Jie, aged 45, was appointed as a Non-executive Director of the Company in February 2015. Ms. Han is currently Vice President of FountainVest Partners. Before joining FountainVest Partners, Ms. Han was the CFO of China Digital Video Limited, one of the top 3 digital video technology providers in the PRC. Prior to that, she worked for Golden State Environment Group Corporation as the Financial Controller where she built and managed the finance team. Ms. Han has 7 years of working experience in Singapore, which includes working as a Senior Finance Manager in the Civil Aviation Authority of Singapore in charge of management accounting and investment management and as a Senior Consultant at Stern Stewart Pte. Ltd., the EVA company. Altogether, Ms. Han has more than 17 years of experience in financial and investment management. Ms. Han obtained her Master's degree in finance & accounting from National University of Singapore in July 2001. She is also a CFA charter holder.

Dr. Low Seow Chay, aged 67, was appointed as an Independent Non-executive Director of the Company in September 2004. He was the associate professor of the Nanyang Technological University of Singapore before his retirement in November 2012. Dr. Low has more than 30 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is a board member of three publicly listed companies in Singapore, namely CASA Holdings Limited, Hor Kew Corporation Limited and Hai Leck Holdings Limited. Dr. Low received a Doctor of Philosophy Degree from The University of Manchester, U.K.

DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

Dr. Lui Ming Wah, SBS, JP, aged 79, was appointed as an Independent Non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association Ltd. and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association and a member of The Hong Kong International Arbitration Center Advisory Council. He is also a member of the Hong Kong Economic Development Commission. In the PRC, he is a member of Daya Bay Nuclear Power Station Nuclear Safety Advisory Board and an honorary member of China Overseas Friendship Association. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. Dr. Lui is also member of the tenth and eleventh National Committee of the Chinese People's Political Consultative Conference. He is the managing director of Keystone Electronics Company Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited, S.A.S Dragon Holdings Limited (all being listed companies on the Stock Exchange in Hong Kong) and Asian Citrus Holdings Limited (also listed on the London Stock Exchange). Dr. Lui obtained a master's degree in Applied Science from the University of New South Wales in Australia and a PhD from the University of Saskatchewan in Canada.

Mr. Tsang Yiu Keung, Paul, aged 63, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is a professional accountant and a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tsang was with KPMG for more than 27 years, where he was a senior banking partner until he retired from the firm on 31 March 2003. Mr. Tsang is also an independent non-executive director of Guotai Junan International Holdings Limited, a listed company on the Stock Exchange in Hong Kong.

Senior Management

Mr. Chung Yuk Ming, aged 69, is the Consultant of the Group. He was previously an Executive Director of the Company from September 2004 to March 2014, and the Chief Executive Officer of the Company from April 2016 to March 2017. He also acted as the Consultant to the Group for the period from April 2014 to March 2016. Mr. Chung has over 36 years of extensive experience in the manufacturing field. Mr. Chung holds a master's degree in Business Administration from the University of Macau. He is a fellow member of the Hong Kong Institute of Directors.

Mr. Chan Kwok Keung, aged 51, is the engineering manager of the Group. He joined the Group in December 1998 and is responsible for the technical support, customer services and product development. Mr. Chan was appointed as a director of L.K. Machinery International Limited in March 2012. He has 28 years of experience in mechanical engineering and customer service. He is an associate member of the Hong Kong Institution of Engineers. Mr. Chan graduated from University of Northumbria at Newcastle, U.K. with a bachelor's degree in Mechanical Engineering and obtained a master's degree of Science in Management from The Hong Kong Polytechnic University.

Mr. William P. Damian, aged 58, is the president of L.K. Machinery, Inc. (USA). Mr. Damian joined the Group in 2006, and is responsible for all its operational management of the company and for sales activities of die casting machines and CNC machining centres. Mr. Damian graduated from the University of Michigan with a bachelor's degree in Mechanical Engineering and from Massachusetts Institute of Technology's (M.I.T.) Sloan School with a master's degree in Management. Prior to joining the Group, he served as vice president of sales and marketing with a die casting company and also held key positions as president of StrikoDynarad, a manufacturer of advanced melting furnaces, and as director of engineering and international sales with Prince Machine Corporation (BuhlerPrince). Mr. Damian holds a patent related to die casting equipment, has been involved in the design and development of advanced casting technology, and has managing several very large die casting machine projects.

DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

Mr. Riccardo Ferrario, aged 60, is the general manager of Idra S.r.l and has full responsibility of the Idra S.r.l business worldwide. Mr. Ferrario joined the Group in April 2009. He has over 31 years of experience in the light alloy foundry business and worked for global companies such as Teksid (Fiat Group metallurgical product division), EurAlcom Group and Meridian Technologies. Mr. Ferrario is a metallurgical engineer graduated at Polytechnic of Turin (Italy) in 1982 and possesses strong experience in foundry manufacturing process and business development. He is a member of the board of High Pressure Die Casting Technology of AIM (Italian Metallurgical Association) and AMAFOND (Italian Foundry Supplier Association) and is well known in the aluminum and magnesium foundry community worldwide.

Mr. Fung Chi Yuen, aged 50, joined the Group in August 2007 as general manager and chief engineer of plastic injection molding machine business unit. Mr. Fung was appointed as a director of L.K. Machinery International Limited in March 2012. He holds a master's degree and a bachelor's degree of science in Engineering from the University of Hong Kong. He has 28 years of experience in product design, production, and research and development of plastic injection molding machines both locally and overseas. Before joining the Group, Mr. Fung was the acting operation manager and engineering manager of Husky Injection Molding Systems Ltd., Machine Business Unit, Shanghai, Asia Pacific, a Canada-based company.

Ms. Ho Siu Kwan, aged 49, is the general manager of L.K. Machinery International Limited. She joined the Group in February 2017 and is responsible for the international sales, marketing and operations of the Hong Kong Headquarters. Ms. Ho obtained a master's degree in Business Administration from the American City University. She has over 24 years of experience in building and managing businesses, with over 12 years working as the managing director of a large multinational corporation. Ms. Ho was the recipient of the Hong Kong Young Industrialist Award in 2009 and the Fellow (Watch & Clock Industry) of the Professional Validation Council of Hong Kong Industries in 2010.

Mr. Hong Ka Kei, Eric, aged 47, is the financial controller of the Group. He joined the Group in 2005 and is responsible for financial management and reporting, and banking relations of the Group. Mr. Hong is a qualified accountant. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Hong has over 23 years of experience in corporate finance, merger and acquisition, accounting and finance gained from various listed companies in Hong Kong.

Mr. Te Yi Ming, aged 54, is the sales controller of L.K. Machinery International Limited and is responsible for the sales and marketing in South China. After graduation from the Liuzhou Heavy Industrial Technical School, he worked in Liuzhou Compressor Factory in Guangxi Province until he joined the Group in March 1989 where he once served as customer services supervisor, sales officer and sales manager. He has 28 years of experience in customer services, sales and marketing. Mr. Te is a fellow of The Professional Validation Council of Hong Kong Industries and currently serves as vice president of Shenzhen Plastics & Rubber Association, and secretary general of Hong Kong Diecasting and Foundry Association. He is a member of the Chinese People's Political Consultative Conference, Liuzhou City.

Mr. Yang Yi Zhong, aged 74, is the Group's chief internal auditor and is responsible for the internal audit of the subsidiaries in the PRC. Prior to joining the Group, he was a senior accountant of Jiaozuo Electrochemistry Group. He joined the Group as the financial controller of all the PRC subsidiaries of the Group in November 1999. Mr. Yang graduated from Henan Radio & Television University with a diploma in Accounting and has over 52 years of experience in finance and accounting. Mr. Yang is a member of The Chinese Institute of Certified Public Accountants and is entitled Senior Accountant.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of the Company is committed to maintaining good corporate governance practices and procedures. The Company has applied the principles and complied with code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2017.

Board of Directors

The Board currently comprises four Executive Directors, a Non-executive Director and three Independent Non-executive Directors. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operation and development of the Group. Each of the Executive Directors has entered into a service contract with the Company for a term of three years. The Independent Non-executive Directors are appointed for a fixed term of three years and are subject to retirement by rotation and re-election in accordance with the Company’s Articles of Association. They bring independent judgment and provide the Company with invaluable guidance and advice on the Group’s development. They also review the financial information and operational performance of the Company on a regular basis. The present structure of the Board ensures the independence and objectivity of the Board and provides a system of checks and balances to safeguard the interests of the shareholders as a whole.

All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has received from each of the Independent Non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. Biographical details of each board member are set out on pages 6 to 7 of this annual report. There is no relationship (including financial, business, family or other material relationship) among members of the Board save as those disclosed in the section headed “Directors and Senior Management Profiles”.

The Board of Directors meets at least four times a year at approximately quarterly intervals to review financial and operational performance and approves matters specially reserved to the Board of Directors for its decision. The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. Dates of the regular Board meeting are scheduled earlier. Notice of at least 14 days is given for regular Board meetings. For ad hoc Board meetings, reasonable notice will be given. All the Directors actively participated in the Board meetings during the Year.

The Company Secretary is responsible for ensuring compliance of Board procedures and advising the Board on matters concerning corporate governance and regulatory compliance. All Directors have access to the advice and services of the Company Secretary. Directors are consulted as to matters to be included in the agenda for regular Board meetings. Other than exceptional circumstances, related Board meeting materials are sent to all Directors in a timely manner and at least three days before the date of the scheduled Board meeting. Directors are provided with adequate and complete information to enable them to make an informed decision. Draft and final versions of minutes of Board meetings are sent to all Directors for comment and records within a reasonable time after the Board meeting is held. The minutes of the Board meetings record in sufficient details the matters considered by the Board, including concerns raised by the Directors. All minutes of Board meetings are kept by the Company Secretary and are open for inspection by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board meeting and the interested shareholder or Director shall not vote nor be counted in the quorum present at the relevant meeting. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction shall be present at such a Board meeting.

CORPORATE GOVERNANCE REPORT (continued)

Corporate Governance Functions

The Board also reviewed the corporate governance policies and practices, the training and continuous professional development of Directors, compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Directors' and Officers' Liability Insurance

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the insurance coverage from time to time to ensure adequate coverage. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses in order to assist them to discharge their duties to the Company.

Chairperson and Chief Executive Officer

The roles of the Chairperson and Chief Executive Officer of the Company are segregated and are not exercised by the same individual. Ms. Chong Siw Yin is the Chairperson and Mr. Chung Yuk Ming is the Chief Executive Officer. Subsequent to the resignation of Mr. Chung Yuk Ming as the Chief Executive Officer with effect from 1 April 2017, Mr. Liu Zhuo Ming was appointed as the Chief Executive Officer with effect from 1 April 2017. The segregation of duties of the Chairperson and the Chief Executive Officer ensures a clear distinction in the Chairperson's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairperson and the Chief Executive Officer are set out in writing.

Continuous Professional Development

Relevant materials on legislative and regulatory updates were circulated to all Directors during the Year so as to keep them abreast of any changes to the regulation and disclosure obligations. Individual Directors also participated in other courses and seminars organized by regulatory and professional bodies to update their knowledge in their professional areas and have provided records thereof to the Company.

Records of the Directors' training during the Year are as follows:

Members of the Board	Training received
Executive Directors	
Ms. Chong Siw Yin (<i>Chairperson</i>)	(i)
Mr. Liu Zhuo Ming (<i>Chief Executive Officer</i>)	(i)
Mr. Tse Siu Sze	(i)
Mr. Wang Xinliang	(i)
Non-executive Director	
Ms. Han Jie	(i)
Independent Non-executive Directors	
Dr. Low Seow Chay	(i)
Dr. Lui Ming Wah, <i>SBS, JP</i>	(i)
Mr. Tsang Yiu Keung, Paul	(i) and (ii)

(i) *Reading materials in relation to latest developments in rules and regulations*

(ii) *Attending training seminars*

CORPORATE GOVERNANCE REPORT (continued)

Attendance at Meetings

The record of attendance of the Directors at Board meetings, Board Committee meetings and annual general meeting during the Year is set out below:

	Number of meetings attended/held				Annual General Meeting
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	
Executive Directors					
Ms. Chong Siw Yin	5/5	N/A	N/A	N/A	1/1
Mr. Liu Zhuo Ming	5/5	N/A	N/A	N/A	1/1
Mr. Tse Siu Sze	5/5	N/A	N/A	N/A	1/1
Mr. Wang Xinliang	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Han Jie	5/5	3/3	1/1	1/1	1/1
Independent Non-executive Directors					
Dr. Low Seow Chay	5/5	N/A	1/1	N/A	1/1
Dr. Lui Ming Wah	5/5	3/3	1/1	1/1	1/1
Mr. Tsang Yiu Keung, Paul	5/5	3/3	N/A	1/1	1/1

In addition, the Chairperson of the Board met one time during the Year with all the Independent Non-executive Directors and the Non-executive Director without the presence of the Executive Directors on 29 March 2017.

Board Committees Remuneration Committee

The Remuneration Committee currently comprises two Independent Non-executive Directors, namely Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul and a Non-executive Director, namely Ms. Han Jie. Dr. Lui Ming Wah is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages of Directors and senior management, determining the award of bonuses and considering the grant of options under the share option scheme of the Company and making recommendations to the Board (the model described in code provision B.1.2(c) (ii) was adopted).

The Remuneration Committee held one meeting during the Year. The members of the Remuneration Committee discussed and reviewed the remuneration package of new Chief Executive Officer and made recommendations to the Board.

CORPORATE GOVERNANCE REPORT (continued)

Pursuant to code provision of B.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2017 is as follows:

	Number of employees
Nil – HK\$1,000,000	5
HK\$1,000,001 – HK\$1,500,000	2
HK\$1,500,001 – HK\$2,000,000	1
HK\$3,500,001 – HK\$4,000,000	1

Details of the remuneration of each Director for the year ended 31 March 2017 are set out in Note 28 to the financial statements.

Nomination Committee

The Nomination Committee currently comprises two Independent Non-executive Directors, namely Dr. Low Seow Chay and Dr. Lui Ming Wah, and a Non-executive Director, namely Ms. Han Jie. Dr. Low Seow Chay is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the board succession. The Nomination Committee can reasonably ensure that only candidates with capability and relevant experience will be appointed as future directors.

During the Year, the Nomination Committee held one meeting. The members of the Nomination Committee discussed the appointment of new Chief Executive Officer and made recommendations to the Board. They also reviewed the structure, size and composition of the Board.

Board Diversity Policy

The Board has adopted a board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieve diversity of the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company’s strategic objectives and sustainable development. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

Audit Committee

The Audit Committee currently comprises two Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul and Dr. Lui Ming Wah and a Non-executive Director, namely Ms. Han Jie. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group and provide advice and comments to the Board. The Internal Audit Department (“IAD”) reports directly to the Audit Committee.

CORPORATE GOVERNANCE REPORT (continued)

During the Year, the Audit Committee held three meetings with the Directors, the representatives of the management, the internal auditors and the external auditor of the Company to discuss the auditing, financial reporting and internal control matters. The Audit Committee also met one time during the Year with the external auditor in the absence of management to discuss and make enquiries on various financial and operational matters.

The following is a summary of work performed by the Audit Committee during the Year:

- (i) review of the Group's interim and annual results before submission to the Board for approval;
- (ii) review of external auditor's audit plan, external auditor's reports and other matters raised by the external auditor;
- (iii) review of the independence of external auditor;
- (iv) making recommendation to the Board on the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- (v) review of the IAD reports and make recommendations; and
- (vi) review of the effectiveness of the risk management and internal control systems of the Group.

Auditor's Remuneration

The financial statements of the Group for the year ended 31 March 2017 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	Fee paid/payable HK\$'000
Audit services	3,161
Non-audit services	612
	3,773

The non-audit services are mainly for interim results review, tax compliance and risk management review.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiries by the Company that they have complied with the required standards as set out in the Model Code throughout the year.

The Company has also established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company or the Company's securities.

CORPORATE GOVERNANCE REPORT (continued)

Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2017.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 39 and 46.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Risk Management And Internal Controls Responsibility of the Board

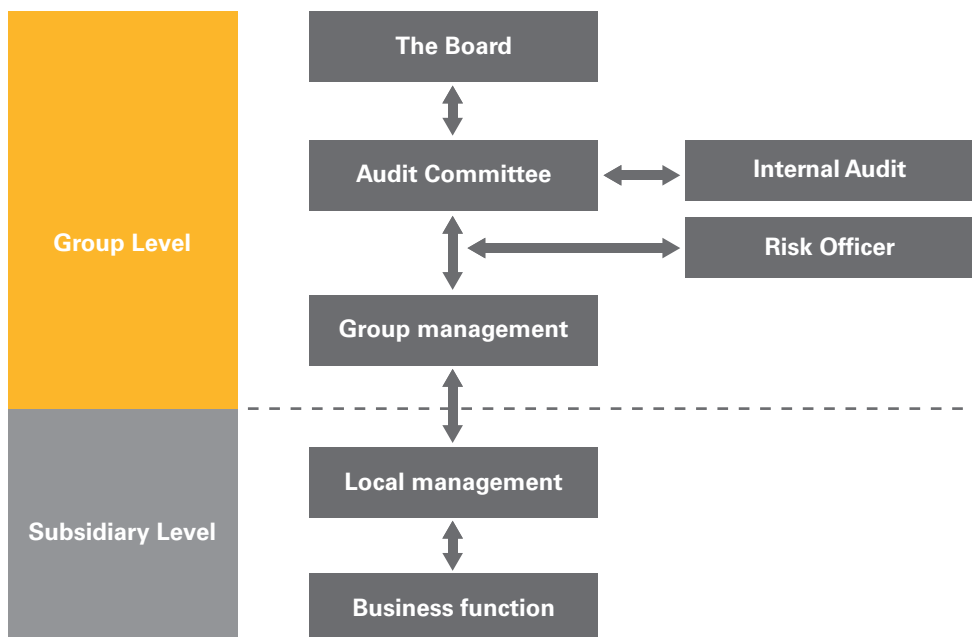
The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk.

A sound and effective system of risk management and internal control system is designed to achieve the Group's strategic objectives and safeguard shareholder investments and the Company's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Risk Management and Internal Control Framework

The Board has the overall responsibilities of the risk management and internal control systems of the Group. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.

With an aim to improve the Group's risk management and internal control systems, the Group has engaged a professional consulting firm to enhance its risk management system. The organizational structure for risk management is set out as follow:



CORPORATE GOVERNANCE REPORT (continued)

The role of Group Risk officer is to promote the awareness of risk management in daily operations. The Group Risk officer initiates and facilitates the management to perform an annual enterprise-wide risk assessment to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Moreover, risk management measures and mitigating controls are developed to manage these risks to an acceptable level.

Internal Audit

The internal audit department (the "IAD") of the Company plays a major role in monitoring internal controls of the Group. It reports directly to the Audit Committee. The IAD has carried out independent audits to evaluate the effectiveness of the Group's internal control system according to the Internal Audit Plan. The head of the IAD attends all the Audit Committee meetings and reports the work done and audit findings to the Audit Committee. All recommendations from the IAD are followed up promptly to ensure that they are implemented within a reasonable time.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

Key or major business units are required to perform an annual control self-assessment to assess the effectiveness of their internal control systems within its key business processes. The control self-assessment performed is in the form of a questionnaire that sets out the key risks and corresponding controls for each of the key business process. The IAD reviews the completed control self-assessment questionnaires and provide comments and recommendations for management of the business units' consideration.

During the year, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Procedures and controls over handling and dissemination of inside information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. An Inside Information Disclosure Policy has been established to lay down practical guidelines on definition and the scope of inside information; disclosure and management framework; exemptions for disclosure; receiving, reporting and disclosing of inside information; confidentiality and records of such information. Also, staff who have access to inside information is required to follow the Inside Information Disclosure Policy to keep the unpublished inside information strictly confidential.

CORPORATE GOVERNANCE REPORT (continued)

Company Secretary

The Company Secretary of the Company is a full time employee of the Company. For the year ended 31 March 2017, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Communications With Shareholders and Investors

The Company maintains various communication channels with its shareholders. The Company's annual general meeting provides a good opportunity for shareholders to exchange views with the Board. Members of the Board and the external auditor will attend the annual general meeting to answer shareholders' questions.

In order to promote effective communication, the Company maintains a website (www.lktechnology.com) which includes past and present information relating to the Group and its businesses.

The Company regards communications with its investors as being vital. The Company continues to enhance investor relations. Designated members of the Board and senior management of the Company are given the specific responsibilities to maintain regular contact with institutional investors, potential investors, financial analysts and fund managers. During the Year, plant visits and meetings were held to help them better understand the Group's operations and developments. Press releases were issued to provide the most updated business development of the Group to the public.

Shareholders' Rights

Convening an extraordinary general meeting of the Company ("EGM")

Pursuant to Article 58 of the Articles of Association of the Company, shareholders of the Company holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM 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.

Putting forward proposals at general meetings

There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the Company's Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out in the preceding paragraph.

As regards proposing a person for election as a Director, please refer to the procedures available on the website of the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquires to the Company addressing to the Company Secretary by mail at Unit A, 8/F., Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong.

Constitutional Documents

During the year ended 31 March 2017, there has not been any change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is our first Environmental, Social and Governance (“ESG”) Report. The reporting period covers the financial year ended 31 March 2017 and this report includes our main business in the manufacture and sale of die-casting and plastic injection molding machines and related products. With continuous technology advancement and innovation in production, improvement in service quality and pursuing excellence, we have established processing plants in the Mainland China (including Ningbo, Shenzhen and Zhongshan) and also in Italy. We hope to create value to shareholders/investors through optimizing operation management, talent development and community investment, and simultaneously minimizing our impact on the environment in our operation, and devote to utilize resources efficiently, build a better and harmonious ecological environment and green society.

Environmental Protection

In order to consistently follow the environmental policies of the local government, we focus on strengthening the environmental protection measures and to comply with the relevant laws, regulations, guiding principles and policies of the Nation in environmental protection. We focus on environmental protection and pollution prevention and convene meetings as and when required to solve significant issues relating to these areas. We establish management and control measures, set environmental protection targets, carry out internal evaluation and organize staff trainings to ensure that our policies, the local laws and regulations are consistently observed and followed; and to minimize the chance of pollution incidents. We set up necessary and sound environmental protection management systems together with our professional team to support our corporate development and to monitor the system implementation, including evaluation of various pollution discharge units, conducting investigation of pollution incidents, assigning dedicated departments to work in environmental protection; using appropriate advanced pollutant management and prevention technology to ensure that the environmental protection equipment and facilities are operating normally and minimizing the chance of pollution incidents happen in the course of our production. Furthermore, we select and use clean, non-hazardous, non-toxic or low toxic raw materials in production to avoid pollutants emission and pollution incidents. We hope more industrial and commercial enterprises, social organizations and general public to take part in protecting the environment, and we can see the clear water and blue sky again.

During the Year, the Group did not have any significant impact on the environment and natural resources.

Our policies and practices in environmental protection were as follows:

Management of Emissions

We follow the requirements of the State Environmental Protection Law and the local environmental protection regulations, and implemented the ISO14000 environmental management system. We set up Safety and Environmental Protection Working Team; and made reference to the production operations in establishing formal environmental protection management policies. We set up also the Environmental Safety Office to manage the work relating to the environment and safety. This is to ensure that the Company is fulfilling its corporate duties and responsibilities for law and regulations compliance in environmental protection. We formulate environmental strategy; focus on promoting and educating our people in environmental protection, energy conservation and emission reduction with an aim to raise their awareness and to educate them the concept of legal and policies compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The environmental experts and environmental protection professional bodies have made assessment during the pre-construction and construction period. Professional management equipment design agencies are organized to design, set up of environmental protection facilities, covering dust control, industrial waste water treatment, spraying exhaust gas treatment, acid mist exhaust gas treatment, etc. After the environmental monitoring and technical assessment, we strengthened the training to the facilities operators; strictly demand them to follow strictly the guidelines in operating the facilities and equipment. This is to ensure that the environmental protection facilities are operating in line with the production process. At the same time, we developed and implemented the water-saving plan; carried out water balance test and operation inspection management work to achieve water conservation. We commissioned professional qualified environmental protection agencies to deal with industrial waste water. This is to prevent water pollution due to improper operation and handling in this area. We have developed a strict processing and recycling system in solid waste management. Illegal dumping is strictly prohibited in order to prevent environmental pollution incidents.

We have developed emergency incidents handling procedures. In case of abnormal emissions detected in production, immediate measures will be taken to avoid pollution from spreading and timely reporting to the Environmental Safety Management Department and the local Government Environment Protection Authority is required.

1. Management of Exhaust Air and Greenhouse Gas Emissions

In order to meet the local government's emission standards of air pollutants, we have established the pollutant management systems to monitor emissions. We have set up professional equipment to manage exhaust air and greenhouse gas emissions; including installing organic filters (activated carbon) at the exhaust air emission exits; installed particulate material recovery equipment for dust particle management; followed the requirement under ISO14000 environmental management system. We have also established effective air pollution control monitoring and management system; requiring regular maintenance to the facilities and to ensure that exhaust air is up to the emission standards. We control and monitor the quantities of air pollutants according to the emission standards regulated by the local government. Members of our Safety and Environmental Protection Working Team are required to compile statistics on the types, quantities and concentrations of air pollutants discharged by the pollution emission and treatment facilities under normal situation. We take appropriate action and maintain the facilities timely when significant fluctuations to the volume of pollutants are noted. This is to ensure that the pollutant treatment facilities operate properly. We prohibit the burning of oil, asphalt, rubber, plastic and other materials that generates toxic or stench air in our factory locations. The local government tested our exhaust air emission regularly. All the test results are up to the local government standards during the Year.

2. Management of Sewage

In order to meet the requirements of the local government's law and regulations, we established sewage prevention management system. We adjust and upgrade our facilities to control sewage pollution. Comprehensive prevention measures are adopted to enhance the re-use rate of water resources, use water resources reasonably and to reduce sewage discharge volume. We observed and managed following the pollutants emission limits under the pollutant discharge permit obtained. We commissioned qualified agents to periodically test the sewage emissions. We follow the requirement to compile statistics on the types, quantities and concentrations of pollutants when sewage is discharged and report. When the readings show significant fluctuations, the members from the Environmental Safety Management Department will investigate and handle timely. This is to ensure that the sewage treatment and purification facilities operate properly and keep the quantities of sewage pollutants meeting the emission standards of the Nation. In case of sewage pollution incident, immediate measures will be taken to avoid pollution from spreading and timely reporting to management is required for coordinating emergency actions. Discharge of sewage, coolant or emulsion, oil wastes, waste residues, acid wastes or toxic fluids into our sewerage, dumping of industrial wastes, rubbishes and other wastes are forbidden unless with prior approval. We are striving for developing techniques in recycling sewage, conserving water and minimizing sewage discharge with the target of no sewage discharge. Local government tested our sewage regularly. All the test results are up to the local government standards during the Year.

3. Management of Disposal of Solid Wastes

We have strict management system and handling procedures for solid and semisolid wastes produced during our manufacturing process, daily life and other activities. Solid wastes produced in manufacturing mainly include recyclable wastes, non-recyclable wastes and hazardous wastes. We recycle as many wastes as we can, and non-recyclable wastes are handled by qualified environment protection agents. The hazardous wastes are treated in accordance with the requirements of the local government.

Hazardous Wastes

In compliance with the laws and regulations of the local government, we manage and prevent hazardous wastes from polluting our environment. When solid wastes are produced, we prevent or reduce their impact to the environment. Control measures are established for solid wastes collection, storage, transportation, usage and disposals to prevent spreading, lost and leakage. No one is allowed to dump, stack or dispose solid wastes without permission. To follow the Solid Waste Pollution Prevention and Control Law of the Nation and in compliance with our ISO14001 Environmental Management System for prevention and minimization of pollution to the environment by solid wastes, we set up dangerous waste transfer plan and has contracted qualified solid wastes handling agents to strictly monitor the transportation and disposals of wastes, such as oil rages, waste oil, waste solvent barrels, activated carbon wastes, paint residue wastes, etc.

Non-hazardous Wastes

We established the wastes recycling and disposal procedures so as to standardize its handling and workflow process and to ensure that the laws and regulations, requirements of the Nation are observed. We insist "To repair whatever repairable; and to save costs" for better utilization of resources. The repaired items can be deployed as backup. Staff on duty collects and stores steel and iron scraps, and oil wastes produced in manufacturing at designated storage locations. They also replenish damaged knives, knife grains, tools etc. caused by normal wear and tear at warehouse. Wood, papers, paper boards, rubbish from office and daily life are gathered at specified sites. Respective departments must follow the requirements to categorize, handle and put the wastes to the specified location for storage; discarding wastes at other locations is not allowed. We comply with the relevant national policies and the regulations of the Ministry of Public Security and the Ministry of Environmental Protection in disposal of wastes and resources and commissioned qualified agents for recycling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Compliance

During the Year, the Group did not have significant issues relating to non-compliance in this respect.

Management of Resources Utilization

To comply with the relevant laws, regulations and policies on resource conservation, the production departments and offices have set up various resource conservation measures to raise the awareness of the employees so that, when selecting office equipment, they would consider the impacts on the environment and acquire energy saving products as far as possible. We adopt energy conservation and reduction of consumption principles to continually enhance and to reduce the negative impacts to the environment.

1. Management of Electricity Utilization

Change of electricity system circuits and setting up high electric power equipment without authorization are not allowed. Prior approval from the management is required for such changes if found needed. When project contractors need to use electricity, the Power Equipment Department will arrange and monitor the usage in order to ensure that the contractors pay attention to energy conservation as the project progresses. For example, our manufacturing plant in Shenzhen has tied power consumption in production equipment to its production efficiency; the electricity costs are reviewed every month. Besides, they have also implemented a series of energy-saving measures, such as the use of efficient energy-saving motor, photovoltaic power grid operation at the roof of the dormitory; press waste heat recovery; solar hot water systems, etc. The Power Equipment Department inspects electric power equipment regularly to prevent endangering lives and loss of energy caused by electric leakage.

Factories and offices at different locations have implemented different energy saving measures to improve the electrical performance of the appliances and encourage our staff to change their habits in using electrical appliances. These measures include using energy-efficient lighting, and switching off electrical appliances such as lighting, computers, printers, photocopiers, scanners, televisions, air conditioners, etc. Use of air conditioners is limited according to seasonal and temperature changes; and turning on and off are managed and controlled by designated employees. Doors and windows are not allowed to stay open when air conditioners are on. Air conditioners are cleaned regularly to raise the energy efficiency level. The factory in Zhongshan has embedded environmental protection elements in its production plant's design. Its roof has a lighting belt and allows them making full use of natural light; reduce use of electric lamps; the location of the manufacturing plant is carefully considered so as to reduce the use of fan and air-conditioners.

2. Management of Fuel and Natural Gas Utilization

Procurement, storage and measurement of fuel and natural gas are managed centrally. There are strict rules for usage of fuel and natural gas. There is anti-leakage facilities installed at the storage area to prevent leakage leading to environmental pollution. The fuel oil use request and supply to equipment are strictly controlled; this is to improve the fuel oil utilization rate. Expired fuel oil collection, exchange and recycling are centralized, categorized, and stored at designated containers. They are then handled by designated responsible department. Usage of fuel by vehicles follows the consumption index. There are regular repairs, maintenance and inspection for natural gas equipment and transfer pipes to prevent any pollution to the environment caused by leakage and also the heat efficiency of natural gas.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

3. Management of Water Utilization

The regional factories and offices have developed different water-saving plan. The responsible departments inspect the water supply system regularly and promptly notify the relevant departments to arrange repairs and maintenance when water leakage due to damaged water supply facilities is found. Water-saving labels are posted to areas with water taps, in toilets and area for washing dishes, reminding everyone to pay attention to water conservation and immediately turn off the water taps after use. The administrative department at the Shanghai factory has designated staff regularly check the water meter every day to monitor the water usage readings; and will immediately investigate and analyze the cause in case of water consumption anomalies is noted. Repairs to water pipeline or faucet will be arranged to prevent water resources wastage. During the reporting period, our factory in Shenzhen was rated and named as "Advance water conservation unit".

4. Management of Paper Utilization

We require our people to make good use of our online office system, like the office automation system, ERP system and special news portal. Issue of notices and data transfers should be done through the computer network; photocopying, printing and facsimile should be minimized. Administration and Human Resources Department is responsible for papers procurement, preparation and management of paper consumption statistics, encouraging staff to use less paper and use paper reasonably. We demand our staff to photocopy and print less and we encourage print jobs in double-sides; reuse single-sided papers; recycle double-sided printed papers through collecting the recycle paper in designated boxes. We spot check the paper use situation by departments irregularly and punish those employees who have violated the requirement. The ultimate purpose is to raise our employees' awareness in environmental protection.

Employment and Labour Practices

In order to provide our people with a comfortable work place and establish a comprehensive management system. We formulate our human resources strategies base on the Group's long term development plan and to create a harmonious company culture. Employees are our valuable assets. In order to keep ourselves competitive under the rigorous competition and the ever-changing environment, we comply with the local laws and regulations; and to ensure that our employees are receiving reasonable remunerations and benefits. We have established and implemented a comprehensive human resources policy to recruit, retain and to build a first-class team. We promote work-life balance by organizing entertainment after work, regular training and cultural activities. Our people can take the opportunities to learn and improve their skills and knowledge; and to promote team cohesion. We encourage employees to maintain harmonious interpersonal relationships, promote team spirit of cooperation and unity, bravely face difficulties and overcome challenges. Our human resources department tries to understand our people's thought and need through different channels including organizing forums, issuing questionnaires and through opinion boxes, etc. We base on the principles of fairness, equality, and openness to hire and promote outstanding and appropriate talents, offer opportunities of advancement for employees, hoping employee continue to improve, cherish and further the development of the corporate culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Talent Selection

We follow the local laws and regulations to recruit, employ and dismiss employees. We have clear procedures for staff recruitment, employment and dismissal, in a way to preserve the mutual legal rights and interests of the employer and employees; to promote sound development of the labour relations and establish formal policies in these areas. We follow the principles of fairness, equality, openness and nondiscrimination to select candidates, and devote to protect human rights and privacy of employees. During staff recruitment, knowledge, ability, morality, physical fitness and job requirements are used as the selection standards, and they are not discriminated against because of their disability, age, sex, race, social status, marital status, appearance, language, birth place, religion, and nationality. We provide equal opportunities to employees in offering benefits, promotion, performance appraisal, training and career development; and we make reference to their integrity, knowledge, physical fitness, ability and technical skills for decision-making. We work with our employees together to create a win-win situation. We observe and strictly comply with the relevant labour laws and regulations; and unethical hiring like child labour, discriminatory and forced labour, are prohibited.

Staff Compensation and Welfare

We insist on maintaining harmonious relationship with our employees and to create a win win situation. We provide competitive remuneration and benefits to our employees. The remuneration package includes basic salary, subsidies and benefits (including meal expenses, body check, festivals gifts, free transportation, special subsidies to employees who are in need of assistance, etc.). We have set up a comprehensive remuneration and bonus scheme. Annual discretionary bonus is assessed and distributed with reference to one's performance achievements, personal contributions, ability, experience and performance in discharging the assigned duties and responsibilities. It provides the employees with a fair remuneration system and attracts them to further advance their career with us. Employees are entitled to retirement protection scheme with reference to the local labour laws and regulations. Staff in Mainland China participate in the social security scheme, five insurance and housing provident funds. Hong Kong employees participate in the Mandatory Provident Fund Scheme. Working hours and compensation are subject to local labour laws and regulations and internal policies set by our factories; and employees working overtime are compensated. Employees are entitled to rest days and holidays in compliance with the local laws and regulations, such as statutory holidays, paid annual leave, sick leave, marriage leave, maternity leave, funeral leave, and so on.

In order to provide a healthy and comfortable workplace; to relieve the employees' work pressure; to create work-life balance; to raise the employees' sense of belonging; we actively maintain a happy, open, healthy, friendly and harmonious working and living atmosphere. For the purpose of fulfilling the employees' growing cultural and entertainment needs and strengthening their team cohesion, we organize sports activities like badminton, football and basketball, etc. We established a library and recreational room and organized various competitions like tug of war, singing contest, basketball games, "L. K. Cup" singing competition, badminton games, talent competition and other activities. Gifts are distributed in four festivals during the Year including Dragon Boat Festival and Mid-Autumn Festival. We also organized annual dinner and New Year Eve party. The purpose of organizing various activities is to encourage our employees to fully participate in our production and operation; to increase work efficiency; to adapt to our corporate culture; to devote them to corporate development; to enhance the enterprise vitality; and to create a harmonious development environment.

Staff Training

In order to align the staff career development with the long-term corporate business plan, we establish a comprehensive training programme for staff, to create an excellent, professional, well-trained and responsible corporate team. We can raise the staff quality and ability, and at the same time, enhance team cohesion and increase work efficiency. New hires have to participate in pre-employment training and pass the assessment. The training topics include corporate culture, rules and regulations, quality control system and 5S management, military training and team building activities, business ethics, company businesses, rules, organizational structure and occupational safety, etc. Our factory in Shenzhen has established an occupational training center in April 2014 with clear educational and training objectives. After years of operation and accumulated training experience, the training methodologies and educational system become mature. Training is offered systematically; targeted to enhance the organization's management system, to perfect the provision of professional subjects; so as to provide our employees with integrated skills and knowledge to meet the development need of the society; and ultimately promoting and enhancing the further development of the machinery manufacturing and high-tech industry.

Certain staff positions (like sales representatives) requiring new hires to receive special professional skills training and getting additional professional qualifications. Besides, we provide on-the-job training to our staff according to the specific requirements of their respective positions. In order to enhance the knowledge and skills of professional staff, we design tailored training plans to provide them with practical operational training, management skills as well as specific training subjects on fire prevention, hygiene and safety. Shenzhen factory have different training system by departments: new hire induction training, staff job skills enhancement training, staff personal career development training (Including vocational skills training, management skills training, degree programs, etc.), customer service training, external professional training, internship opportunities for those new hires without basic factory work skills.

During the Year, we organized various internal and external training to staff to enhance their professional knowledge and skills. All of our staff have participated in fire drill, air rescue and fire emergency evacuation drill. Training to the staff of our finance department included tax law and handling method, bank financing knowledge, and so on. Human Resources Department organized a number of production safety related training courses including the calculation of clamping forces and their application in test runs, relevant knowledge and training on plastic melting tubes, commissioning and operation of vertical compression machine and so on. We offer additional professional training to our outstanding performers, both related to work and in other areas, hope to achieve the ultimate goal of nurturing talent. In order to ensure the continuity and sustainable development of the training and development programme, we set up a training credit management system and have our own full-time or part-time lecturers covering various professional disciplines. Shenzhen factory has organized a series of targeted staff development training, such as junior management staff training, commissioned external senior lecturers to conduct selling skills training for sales representatives, new hires mentorship training system, daily job skills training, management staff training and so on during the Year.

In compliance with the agreements with the trade unions, the local laws and regulations and the staff's career development plan; the Italian factory provides staff with a certain number of training hours (including general training and professional training). Professional training is mainly related to occupational health and safety. Additional training is offered to senior management, female employees and those responsible for handling emergency situations so that they can attain sufficient safety knowledge to discharge their duties. The person in charge of the plant regularly put forward the staff training request to the human resources department, both internal and external training. The training content include introduction of the quality management system, new job skills (such as employee exchange and transfer), and production technology and tools application. After completion of training, feedbacks on the training programme is collected from the participated employees for improving of the training content and for enhancing their efficiency in the future.

Staff Health and Work Safety

Production safety is an important guiding principle. It is a long-term difficult mission to carry out “prevention of fire, thefts and incidents” in production safety. So, we must carry through the “produce safely, prevent in the first place and everyone participate” policy to enhance the awareness of all staff continually, implement various safety management measures and to ensure production and operation are carried out normally and orderly. Following the local laws and regulations and taking into account the actual situation of our Group, we established our production safety management system.

In order to establish an effective safety production management system, prevent accidents and reduce occupational hazards; we implement the safe working principle of putting people first, safety first, prevention first and comprehensive management, and takes into account the relevant safety production laws and regulations and technical standards. Through promotion and implementing the production management system, we have set up a safety production office, responsible for the implementation of daily safety work; assessment and identification of the hazards factors at workplace, like noise, exposure to chemicals, etc., estimating the probability of incident occurrence, the seriousness of the consequences should the incident happen; risk assessment and exposure, and establishing risk profile. By eliminating hazards source, controlling the likelihood of an incident, using techniques and taking preventive measures; we can prevent or reduce the chance of incident occurrence. We set up special operational job positions and facilities profile; to ensure that staff in that kind of positions need to obtain particular qualifications and certificates; and the facilities are inspected regularly in compliance with the relevant laws and regulations. We set up safety production management targets, implemented monthly and annual safety assessment system, promote staff accountability by setting up award and punishment scheme. We established an emergency rescue team and developed emergency response plans by scenario, stated clearly their duties and responsibilities, organized training; procured emergency relief supplies and remain effective. This is to ensure that we are capable to handle the emergencies should that happen.

We set up safety production committee and safety management organization structure to manage and to carry out duties relating to safety affairs. Every department assigns a part-time safety officer to monitor, inspect and to report safety matters. A volunteer fire prevention officer from the manufacturing plant is responsible for the emergency handling of fire outbreaks. Production safety meetings are held regularly to analyze the production safety situation regularly and organize the implementation of countermeasures formulate to tackle significant production safety issues. All staff is required to receive education on relevant safety training. We implemented a three-tier safety training system, established safety manual for operators, regularly organized position-specific safety training, published promotional posters, organized safety activities to raise our staff’s safety awareness.

Staff of special work types such as electricians, machine operators, must receive relevant professional safety training to ensure that they are qualified before they are put to work. Business units are responsible for their own occupational safety, providing their staff with safety education; carrying out safety inspection, safety rewards and punishment systems and safety operation procedures for various work types. Production equipment must be maintained regularly and have them repaired whenever found necessary. Safety protection functions must be in good condition. The installation of all kinds of electrical equipment and electric circuits must in compliance with the standards and specifications of the Nation. Electrical equipment must be well insulated and there must be protective measure to their metallic shells. For special types of equipment, such as vehicles, must be repaired and maintained by qualified suppliers and examined once annually by State Bureau of Quality and Technical Supervision. Explosion-proof electrical equipment is used at those work places with risk of gas or dust explosion. For those places with possible occurrence of occupational poisoning, personal injuries and other incidents, it must be equipped with rescue medicine and equipment and regularly checked or replaced to reduce the occurrence of any occupation accidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Employee health is also one of our key focuses. So, we set up working hours and holiday systems in compliance with the requirement of the Nation. Staff working overtime must be voluntary and not causing harm to their health. According to the characteristics and actual needs in the production. We provide our staff with protective supplies such as masks, protective lens, safety shoes, hard gloves, etc. according to production need and the actual situation; and urge them to use the supplies correctly as required. We do not allow and will not assign our minor staff to handle tasks relating to toxic, hazardous, excessive physical labour or dangerous type of works. Staff of production department must undergo body check by hygiene department before taking up the post and compulsory periodic body check thereafter. Appropriate measures are taken to prevent occupational deceases.

Compliance

During the Year, there were no confirmed non-compliance incidents in relation to employment and labour practices that have a significant impact on the Group.

Supply Chain Management

We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners in case they are aware of any violations of laws or regulations; abuse of job authority or misconducts. During the Year, the Group did not have significant issues relating to violations in this respect.

The Group has stringent procurement procedures and has management control over procurement contracts processing from preparation, amendment and approval. This is to ensure that the Group's interests are appropriately protected. We have also strengthened the control over execution of the procurement contracts to ensure that procurements are executed as scheduled; and to prevent unnecessary disputes and to ensure all disputes are solved timely or to get all disputes occurred can be solved timely. We have yearly goods supply contracts for all critical materials for production; while other general suppliers can be bound by formal purchase orders. Purchasing department prepares contract and contract evaluation forms; Finance department will then make assessment base on price and payment methods. All evaluation forms from different departments are properly kept by Finance Department. We have established formal procedures for supplier selection. Strict and reasonable method is used in supplier evaluation. On top of performing supplier background check and evaluation, we sign agreements with the approved suppliers to protect the legal interests of both parties and for anti-corruption purpose. In order to ensure that the goods are supplied timely with good quality; and to protect the information security and confidentiality; suppliers are required to provide written commitments. Purchasing and other departments who involve in supplier selection are responsible for carrying out examination and evaluation; conducting surveys and keeping proper record. This is to ensure that suppliers provide good quality products. The Group signs agreement with all suppliers, avoid acts that may harm the legal interests of each party.

In order to prevent procurement disputes, all approved suppliers have to sign a goods supply framework agreement. Separate agreement is signed for important project procurements. We strengthen the procurement contract control and execution and to prevent disputes. We place purchase orders for general supplier procurements. The Purchasing and Supplies Control departments make monthly assessment on supplier performance base on goods quality, price and timeliness of delivery. Annual supplier evaluation is performed jointly by Purchasing, Supplies Control, Quality Control and Finance Departments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Product Responsibility

Product quality is as important as lives. We strive for continuous innovation and improvement. Establishing a sound quality assurance system to ensure that the quality assurance process is strictly carried out and improved continuously; good product quality is consistently maintained and reliable, our employees are service-oriented. This is an all-round quality control concept and we pursue “zero-defect products”. We primarily focus on setting up prevention measures, supplemented with proper management controls and full participation by our employees. We perform annual internal audit in product quality management covering all production workflows. We follow the ISO9001 management system in the entire manufacturing process and strictly control every step involved. We get support from professionals, meticulous facilities and equipment, advanced management processes to ensure our product quality is always maintained. We actively adopt and apply the domestic and international standards. Our products are qualified for the European CE certification. And, we are the only die-casting machine company in China simultaneously met the standard of the North American Industry Association; and the standards of all developed countries in Europe, the United States, and Japan.

We have established a sound after-sales service system, clearly defined the service items and requirement. We have set up more than 60 sales and customer service centers in 20 more countries and regions. 24-hour speedy service is offered in most of the regions in China. Besides, we have also established mechanism for collecting customer feedback and carrying out data analysis so as to find out the product quality adaptability and effectiveness. We will also ensure that all customer feedback collected, such as customer satisfaction survey, are handled effectively and properly followed up; with an aim to solve problems timely and to prevent the same problem to occur again in the future. We analyze and prepare summary for the customer satisfaction survey collected and track improvement action execution. We have established product return management policies and procedures to regulate the operation of product returns; to effectively collect and follow up customer complaints relating to product quality. We share the customer feedback and the result of self-reflection in our regular product quality meetings. The departments relating to the complaints are held accountable and are responsible for proper handling of the cases; and the customer service personnel must follow up and take appropriate action prior to the assigned deadlines. We developed guidelines for collecting proposals relating to product quality improvement and innovation, effectively gathering feedbacks, and constantly carrying out product quality advancement work.

Our people work with us together to create and master every opportunity for improving our product quality; and to move towards a higher quality goal. Our manufacturing plant in Shenzhen has established a mechanism to collect quality improvement proposals and designated a month in a year for holding events relating to product quality. This can encourage their employees actively participate in product quality management and control; and to promote the craftsmen spirit of continuous pursuing excellence. At the same time, this can raise the staff awareness; and to create an atmosphere of mutual monitoring and focus; and our product quality could ultimately be improved and advanced. We have developed guidelines at different workflows for product inspection throughout the entire production process. We strengthened the processing inspection routine; established multiple quality assurance and monitoring; including surface treatment and spraying inspection, semi-finished goods processing inspection, own products processing inspection, frames and electrical appliances assembly inspection and calibration, steel hose and soft hose testing, shooting performance test, final inspection and pre-shipment inspection, etc. Regarding the problems relating to the supplied raw materials, we have developed a sub-standard goods quality control and goods return tracking method. During the Year, the Group’s products did not involve major violations and irregularities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Anti-corruption

We firmly believe fairness, honesty and integrity are the important commercial assets of the Group. We strengthen the Group's internal control system; build honesty and trust, set up operation mission with law-abiding integrity and quality services as its cores. We established management policies in fraud prevention and report, briberies and money laundering. We require all of our employees and suppliers to sign agreement to show their commitment. Our general manager office is responsible to lead and coordinate the works relating to this area; announcing the whistle-blowing telephone number, email address and correspondence address, etc.; managing the whistleblowing calls and reports received from whistle-blowers, either in real names or anonymous; preparing written records of all details and reporting to the management or the board of directors timely; investigating the incidents and submitting report of the investigation results to the management or the board of directors; and keeping proper record after completion.

During the Year, there was no legal action against the Group and our employees for corruptions.

Community Investment

We focus on sustainable business development and making contribution to the community. We are committed to our people-oriented corporate culture and to take up the corporate responsibility. We actively contribute to the society and hope to make it sustainable and harmonious. We participate in the charity fundraising walk organized by Zhongshan City every year; show our sympathy to those staff in need or with serious illness. Our factory in the Italy has made donations to various social-welfare organizations, like those engaged in protecting children and helping the disabled. The Group has paid tax in accordance with applicable law since its incorporation, and spares no effort in easing local employment pressure. We have our staff in different territories participate in retirement plan, helping them to prepare and plan for their retirement; including payment of the five social security insurance premium and public housing funds for staff in Mainland China and the mandatory provident fund contributions for staff in Hong Kong. We have maintained good manufacturing operation, environmental protection and achieve a good development order; and, to some extent, we have contributed to social stability and building a harmonious community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Honors

We were awarded the following important honors in 2016/17:

- 2016年度深圳市龍華區工業百強企業
(2016 Shenzhen Longhua District Top 100 Industrial Enterprises#)
- 2016年度深圳機械30年智慧裝備標杆產品獎
(2016 30-year Outstanding Intelligent Benchmarking Product in Shenzhen Mechanical Industry#)
- 2016 National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment
- 2016年度中國機械500強
(2016 China Mechanical Enterprises Top 500#)
- 2016年度中國塑機製造業綜合實力25強
(2016 China Plastic Machinery Enterprises 25#)
- 2016年度中國塑膠機械注射成型機行業15強企業
(2016 China Plastic Injection Moulding Machine Enterprises 15#)
- 2016年度深圳領威節水先進單位
(2016 Shenzhen Advance Water Conservation Unit#)

English names are translated for identification purposes only

Sustainable Development and Target Actions for 2017/18

In 2017/18, the Group has the following targets and action plans to strengthen the ESG performance:

Action Plan/Target	Focus
To optimize existing ESG system and procedures	<ul style="list-style-type: none">• To examine the completeness and accuracy of the existing ESG data collection procedures• To establish key performance indices of environmental protection and formulate the priorities and time table for the key performance indices of other ESG aspects• To strengthen the communication with various stakeholders (including investors, suppliers, customer and community); to collect information about the matters of concern of various stakeholders and then carry out in-depth analysis

DIRECTORS' REPORT

The Directors submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2017.

Principal Activities

The Company acts as an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled machining centres and related accessories. The Group is also engaged in steel casting. The activities of the Company's principal subsidiaries, an associate and joint ventures are set out in Notes 12, 11 and 10 respectively to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2017 are set out in the consolidated income statement on page 49.

An interim dividend of HK1.8 cents per share was paid to shareholders on 9 January 2017. The Directors recommend a payment of final dividend of HK1.6 cents per share for the year ended 31 March 2017 (2016: Nil), subject to shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 7 September 2017, payable to shareholders whose names appear on the register of members of the Company on Tuesday, 19 September 2017. The dividend will be paid on or about Tuesday, 3 October 2017.

Business Review

A review of the Group's business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Year and up to the date of this report, and an indication of likely future developments in the Group's business, are provided in sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 5 of the annual report, and the notes to the consolidated financial statements.

Compliance with Relevant Laws and Regulations

The Group recognizes the importance of compliance with the requirements of relevant laws and regulations. During the Year, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Environmental Policies

The Group is committed to building an environmental-friendly corporation and pays close attention to environmental protection laws and regulations to ensure the environmental policies are in line with domestic and international standards. All the factories are operated in strict compliance with the relevant environmental regulations and rules.

Key Relationships

The Group recognizes the importance of maintaining a good relationship with its employees, customers and suppliers so as to maintain sustainable development in the long term. During the Year, there were no material and significant disputes between the Group and its employees, customers and suppliers.

DIRECTORS' REPORT (continued)

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

Investment Properties

Details of the movements in investment properties are set out in Note 8 to the consolidated financial statements.

Shares Issued in the Year

Details of the shares issued in the year ended 31 March 2017 are set out in Note 19 to the consolidated financial statements.

Donations

During the Year, the Group made charitable or other donations totaling HK\$7,000.

Reserves

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 21 to the consolidated financial statements respectively.

Distributable Reserves of the Company

As at 31 March 2017, the Company's reserves available for distribution to shareholders of the Company were HK\$520,576,000, representing share premium of HK\$500,208,000 and retained earnings of HK\$20,368,000.

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Company's Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Equity Linked Agreements

(a) Perpetual Convertible Securities

Details of the perpetual convertible securities are set out in Note 4 under section "Substantial Shareholders' Interests and/or Short Position in the Shares and Underlying Shares of the Company" contained in this Directors' Report.

(b) Share options granted to directors and selected employees

Details of the share options granted in prior year are set out in Note 20 to the consolidated financial statements and "Share Option Schemes" section contained in this Directors' Report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out on page 142.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT (continued)

Directors

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

Executive Directors:

Ms. Chong Siw Yin (*Chairperson*)

Mr. Liu Zhuo Ming (*appointed as Chief Executive Officer with effect from 1 April 2017*)

Mr. Tse Siu Sze

Mr. Wang Xinliang

Non-executive Director:

Ms. Han Jie

Independent Non-executive Directors:

Dr. Low Seow Chay

Dr. Lui Ming Wah, *SBS, JP*

Mr. Tsang Yiu Keung, Paul

In accordance with Article 87 of the Company's Articles of Association, Mr. Liu Zhuo Ming, Mr. Wang Xinliang and Dr. Low Seow Chay shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the Executive Directors has entered into a service contract with the Company for a term of three years and is subject to retirement by rotation in accordance with the Company's Articles of Association.

The three Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul were appointed for a term of three years in September 2016. Each of the Independent Non-executive Directors or the Company may terminate the appointment at any time during the three-year term by giving the other party at least three months' notice in writing.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 6 to 8 to this annual report.

Director's Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Group's Business

No transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company, its subsidiaries or its parent 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 any time during the Year.

DIRECTORS' REPORT (continued)

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporations

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

Ordinary shares of HK\$0.10 each of the Company as at 31 March 2017.

Name of director/ chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	645,980,000 ⁽¹⁾ Long position	57.00%
	the Company	Beneficial owner	2,550,000 Long position	0.23%
	the Company	Interest of spouse	5,202,500 ⁽²⁾ Long position	0.46%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	645,980,000 ⁽³⁾ Long position	57.00%
Mr. Tse Siu Sze	the Company	Beneficial owner	1,235,000 Long position	0.11%
Mr. Chung Yuk Ming	the Company	Beneficial owner	2,000,000 Long position	0.18%

Notes:

1. These 645,980,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siong Song ("Mr. Liu"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed to be interested in the shares held by Girgio through Fullwit and Mr. Liu.
2. These 5,202,500 shares are beneficially owned by Mr. Liu.
3. Mr. Liu Zhuo Ming is deemed to be interested in the 645,980,000 shares held by Girgio as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.

DIRECTORS' REPORT (continued)

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporations (Continued)

Save as disclosed above, none of the Directors and chief executives of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company

As at 31 March 2017, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	645,980,000 ⁽¹⁾ Long position	57.00%
Mr. Liu	See Note (2)	645,980,000 ⁽²⁾ Long position	57.00%
		2,550,000 ⁽²⁾ Long position	0.23%
		5,202,500 ⁽²⁾ Long position	0.46%
Fullwit	See Note (1)	645,980,000 ⁽¹⁾ Long position	57.00%
HSBC International Trustee Limited	See Note (3)	645,980,000 ⁽³⁾ Long position	57.00%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner See Note (4)	112,000,000 ⁽⁴⁾ 58,000,000 ⁽⁴⁾	9.88% 5.12%
Mr. Kui Tang	Investment manager See Note (5)	112,000,000 ⁽⁴⁾ 58,000,000 ⁽⁴⁾	9.88% 5.12%
China High-End Equipment Investment Fund LP	Beneficial owner	67,590,000	5.96%

DIRECTORS' REPORT (continued)

Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company (Continued)

Notes:

1. These 645,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.
2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.
3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.
4. On 26 January 2011, the Company and China Machinery Investment Holdings Limited ("China Machinery") entered into an investment agreement relating to, amongst other things, the issue of new subscription shares, the issue of perpetual convertible securities at an aggregate principal amount of HK\$145,000,000 ("Perpetual Convertible Securities") and the issue of warrants entitling China Machinery to subscribe for a maximum 25,600,000 Shares ("Warrants"). China Machinery is wholly owned by FountainVest indirectly. Based on the initial conversion price of HK\$2.50 per Share and assuming full conversion of the Perpetual Convertible Securities at such conversion price, the Perpetual Convertible Securities will be convertible into 58,000,000 Shares (the "Conversion Shares"). The Warrants entitle China Machinery to subscribe for a maximum of 25,600,000 Shares (the "Warrant Shares") at the initial exercise price of HK\$3.125 per Share. The Warrants had expired on 25 August 2013. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to China Machinery.
5. Mr. Kui Tang is deemed to be interested in the shares held by FountainVest by virtue of his 34% interest in FountainVest through One Venture Limited.

Save as disclosed above, the Directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

Share Option Schemes

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2017 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			
				Outstanding as at 01/04/2016	Exercised during the year	Lapsed during the year	Outstanding as at 31/03/2017
An Employee	23/09/2006	0.666	16/04/2007 – 15/10/2016	200,000	–	200,000	–

Save as disclosed above, no further options were granted under the Pre-IPO Share Option Scheme as the right to do so had ended on the day on which the prospectus of the Company dated 29 September 2006 was registered with the Registrar of Companies in Hong Kong.

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption.

DIRECTORS' REPORT (continued)

Share Option Schemes (Continued)

At the annual general meeting held on 8 September 2016, the shareholders of the Company had approved the termination of the Share Option Scheme and the adoption of a new share option scheme ("New Share Option Scheme"). The New Share Option Scheme became effective from 8 September 2016 and will remain in force for a period of 10 years.

The principal terms of the New Share Option Scheme are summarised as follows:

(a) Purpose

The purpose of the New Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

(b) Participants

The Board may, at its absolute discretion, offers to grant options to eligible persons including any full-time or part-time employees and directors (including non-executive directors and independent non-executive directors) of any member of the Group.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 113,326,500 shares, representing 10% of the issued share capital of the Company as at the date of the approval of the New Share Option Scheme.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Group shall not exceed 30% of the shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

Subject to the provisions of the Listing Rules, no option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the shares in issue from time to time. Where any further grant of options to such an eligible person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such eligible person and his close associates (or his close associates if such eligible person is a connected person) abstaining from voting.

(e) Offer period and amount payable for options

An offer of the grant of an option shall remain open for acceptance by the eligible person concerned for a period of 14 days from the offer date. The amount payable on acceptance of an option is HK\$10.00.

Share Option Schemes *(Continued)*

(f) **Minimum holding period, vesting and performance target**

The Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the New Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the shares to which such option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the New Share Option Scheme. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised.

(g) **Subscription price**

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall be at least the higher of: (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date.

(h) **Exercise of option**

Subject to the terms and conditions upon which the option was granted, an option may be exercised by the grantee at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the New Share Option Scheme and expiring on a date to be determined and notified by the Directors to each grantee provided that such period shall not exceed the period of ten years from the date of the grant of a particular option but subject to the provisions for early termination thereof contained in the New Share Option Scheme.

(i) **Life of New Share Option Scheme**

Subject to earlier termination by the Company by ordinary resolution in general meeting, the New Share Option Scheme will remain in force for a period of ten years commencing from 8 September 2016 after such period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects.

Share Award Scheme

The Company has adopted the Share Award Scheme (the "Scheme") on 28 October 2015 (the "Adoption Date"). The purpose of the Scheme is to recognize the contributions of the employees (including without limitation employees who are also directors) of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Pursuant to the terms of the Scheme, the Board may, from time to time, at their absolute discretion select any employee for participation in the Scheme as a selected employee. The Board may determine the number of shares of the Company to be awarded to each selected employee and may impose any conditions, restrictions or limitations or waive any such conditions, restrictions or limitations from time to time in relation to the award as it may at its absolute discretion think fit.

DIRECTORS' REPORT (continued)

Share Award Scheme (Continued)

The Board shall not make any further award which will result in the total number of shares awarded by the Board under the Scheme exceeding 10 per cent. of the issued share capital of the Company as at the Adoption Date. The total number of shares which may be awarded to a selected employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1 per cent. of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

During the year ended 31 March 2017, the Company has purchased 57,512,500 shares of the Company through the trustee in the open market on the Stock Exchange for the purpose of the Scheme. There were no shares awarded to employees pursuant to the Scheme during the Year.

Arrangements to Purchase Shares or Debentures

Other than the Company's share option schemes disclosed above, at no time during the Year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

Management Contracts

No contracts concerning the management and administration of the whole or any part of the business of the Company were entered into or existed during the Year.

Competing Business

Each of Mr. Liu, Girgio, Ms. Chong, Mr. Liu Zhuo Ming (son of Mr. Liu and Ms. Chong) and Fullwit has provided a written confirmation, which has been reviewed and confirmed by the Independent Non-executive Directors of the Company, confirming compliance with the terms of the Non-competition Undertaking entered into between them and the Company.

Major Customers and Suppliers

During the Year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

Staff and Remuneration Policies

As at 31 March 2017, the Group employed approximately 3,800 full time staff. The staff costs for year amounted to HK\$546,419,000 (2016: HK\$510,190,000). The remuneration policies of the Group are determined based on market trends, future plans and the performance of individuals. In addition, the Group also provides to staff other staff benefits such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

Permitted Indemnity Provision

The Company's Articles of Association of the Company provide that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential legal actions that may be incurred in the course of performing their duties.

DIRECTORS' REPORT (continued)

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries, fellow subsidiaries and holding company has purchased, sold or redeemed any of the listed securities of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the Share Award Scheme, purchased an aggregate of 57,512,500 shares of the Company at a total consideration of approximately HK\$31,473,000.

Continuing Disclosure Requirement Under Rule 13.21 of Chapter 13 of the Listing Rules

In accordance with the requirement of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of a facility agreement (the "Facility Agreement") with a covenant relating to specific performance of the controlling shareholder of the Company at 31 March 2017:

On 28 August 2015, L.K. Machinery Company Limited (a wholly-owned subsidiary of the Company) as borrower, and the Company as a guarantor, entered into a facility agreement with a group of banks as lenders for a three-year term loan facilities of up to HK\$316,940,000 and US\$42,700,000.

The Facility Agreement provides that it would constitute an event of default under the Facility Agreement if (i) Mr. Liu Siong Song (a controlling shareholder of the Company held as to approximately 57.6% of equity interests in the Company as at the date of the Facility Agreement) and his family (the "Major Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security; (ii) the Major Shareholders collectively are not or cease to be the single largest shareholder of the Company; (iii) the Major Shareholders collectively do not or cease to have control over the board of directors of the Company; and (iv) Ms. Chong Siw Yin (spouse of Mr. Liu Siong Song) is not or ceases to be the Chairman of the Company.

The aforesaid obligation continued to exist at 31 March 2017.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

Chong Siw Yin

Chairperson

Hong Kong, 29 June 2017

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of L.K. Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of L.K. Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 141, which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We 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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INDEPENDENT AUDITOR'S REPORT (continued)

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:

- Provision for impairment of trade receivables
- Provision for inventories write-down

Key Audit Matters

How our audit address the Key Audit Matters

Provision for impairment of trade receivables

Refer to Note 4(b) (critical accounting estimates and judgement) and Note 14 to the consolidated financial statements.

As at 31 March 2017, the gross trade receivables recognised by the Group amounted to HK\$878,603,000. The related provision for impairment of trade receivables recognised by the Group amounted to HK\$94,694,000.

Our audit procedures in relation to management's estimation of recoverability of trade receivables included:

- Circularised independent confirmations to debtors on a sample basis to verify the balances as at 31 March 2017 and reconciled the confirmed amounts with those recorded by the Group where applicable;
- Tested the accuracy of the ageing reports for trade receivables prepared by management; and

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key Audit Matters

Management performed individual credit evaluations on all customers. The evaluations included review of customers' settlement history and their current ability to pay, taking into account of information specific to the customers and pertaining to the economic environment in which the customers operated.

We focused on this area because the determination of the recoverable amounts of trade receivables requires the use of judgement and estimates.

How our audit address the Key Audit Matters

- Evaluated management's assessment in relation to the recoverability of trade receivables. Where impairment was provided, we discussed with management to understand the business operation status, and financial stability of the counterparties corroborating explanations, on a sample basis, with evidence including subsequent settlements record and overdue period of those customers and checked whether adequate provision was made in the proper period. For those customers which have not been identified by management as potentially impaired, we evaluated management's judgment based on risk-based criteria through:
 - reviewing the aging profile of those balances and examined the historical payment record in respect of those customers; and
 - checking the subsequent settlements made by the debtors to relevant bank records, and if applicable, obtaining the agreed settlement plans with debtors and comparing the actual receipts against the settlement plans up to the report date.

Based on the results of our procedures, we found the management's judgement and estimates used in the recoverability assessment on trade receivables were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key Audit Matters

Provision for inventories write-down

Refer to Note 4(a) (critical accounting estimates and judgements) and Note 17 to the consolidated financial statements.

The Group held inventories of HK\$1,061,871,000 as at 31 March 2017. Inventories are carried at the lower of cost and net realisable value ("NRV"). The cost of inventories may not be recoverable if those inventories' selling prices declined or they have become obsolete or damaged. For the year ended 31 March 2017, the Group has provided provision for inventories write-down of HK\$122,684,000

Management determines the lower of cost and NRV of inventories by considering the estimated selling price of individual inventory items less selling expenses, their ageing profile and their obsolescence.

Significant judgements and assumptions are required to be made to determine the estimated selling price of individual product, including historical sales record of selling products of similar nature and expectation of future sales based on current market conditions and sales backlog.

How our audit address the Key Audit Matters

Our audit procedures in relation to management's estimation of provision for inventories write-down and assessment of NRV included:

- Understood and validated the control procedures performed by management, including its procedures in estimating the NRV of the inventories, inventory counts, conducting periodic review on inventory obsolescence and methodology applied in making provision for slow moving inventories;
- Tested, on a sample basis, the NRV of selected inventory items by comparing the selling price less selling expenses subsequent to the year end, against the carrying values of these individual finished goods. Where there are no subsequent sales of the respective finished goods after the year end, we discussed with management as to the realisable value of the products, corroborating explanations with inventory aging, sales backlog, historical margins, and current market conditions by using our industry knowledge and external market analysis, as appropriate;
- Observed management's inventory counts to identify any obsolete inventories;
- Assessed whether management had consistently applied the methodology in making provision; and

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key Audit Matters	How our audit address the Key Audit Matters
<p>Management consistently applies a methodology to make provision for slow moving inventories based on their ageing profile and makes specific provision for long aged inventories. Management also conducted periodic review on inventory obsolescence, including performance of periodic inventory counts and subsequent usage and sales of individual inventory items.</p> <p>We focused on this area due to the fact that estimation of provision for inventories write-down requires the use of judgement and estimates.</p>	<ul style="list-style-type: none">• Evaluated management's methodology in making provision for slow moving inventories and management's assessment on provision for inventories write-down by:<ul style="list-style-type: none">– reviewing the ageing profile of the inventories;– testing, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices;– testing, on a sample basis, the subsequent usage of significant inventory items by obtaining the subsequent usage report as a basis to identify inventory obsolescence in respect of selected raw materials and work in progress; and– testing, on a sample basis, the subsequent sales of selected finished goods by obtaining subsequent sales report as a basis to identify finished goods obsolescence. Where there are no subsequent usages and sales of the respective items after the year end, we discussed with management its assessment on estimated future utilisation, corroborating explanations with inventory ageing, sales backlog and marketability of the relevant finished goods by using our industry knowledge and external market analysis, as appropriate. <p>Based on the procedures described, we found the management's judgement and estimates in relation to the provision for inventories write-down were supported by available evidence.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

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 is 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, 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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 SZE, To Wai.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 June 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Intangible assets	6	10,562	21,064
Property, plant and equipment	7	1,055,978	1,187,301
Investment properties	8	242,200	139,100
Land use rights	9	278,202	301,750
Interests in joint ventures	10	–	–
Interest in an associate	11	28,434	29,332
Other receivables and deposits	15	20,476	7,202
Deferred income tax assets	13	80,890	60,728
Trade and bills receivables	14	10,808	27,868
Available-for-sale financial assets	16	7,665	7,422
Restricted bank balances	18(b)	20,454	8,949
Total non-current assets		1,755,669	1,790,716
Current assets			
Inventories	17	1,061,871	1,100,119
Trade and bills receivables	14	1,080,316	959,472
Other receivables, prepayments and deposits	15	174,217	156,456
Restricted bank balances	18(b)	67,038	67,682
Cash and cash equivalents	18(a)	422,655	330,404
Total current assets		2,806,097	2,614,133
Total assets		4,561,766	4,404,849
Equity			
Share capital	19	113,327	113,327
Shares held for share award scheme	20(c)	(32,446)	(973)
Reserves	21	808,734	898,079
Retained earnings	21	847,039	742,248
Equity attributable to owners of the Company		1,736,654	1,752,681
Non-controlling interests		1,992	2,140
Total equity		1,738,646	1,754,821

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Non-current liabilities			
Deferred income tax liabilities	13	17,468	6,610
Borrowings	22	458,561	736,548
Other payables		7,740	9,228
Total non-current liabilities		483,769	752,386
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	23	1,333,590	1,053,348
Borrowings	22	959,304	820,242
Current income tax liabilities		46,457	24,052
Total current liabilities		2,339,351	1,897,642
Total liabilities		2,823,120	2,650,028
Total equity and liabilities		4,561,766	4,404,849

The consolidated financial statements on page 47 to 141 were approved by the Board of Directors on 29 June 2017 and were signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

The notes on pages 54 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Revenue	24	3,224,781	2,822,824
Cost of sales	27	(2,407,112)	(2,123,122)
Gross profit		817,669	699,702
Other income	24	42,582	67,509
Other gains – net	25	9,241	4,397
Gain/(loss) on disposal of a subsidiary/subsidiaries	26	45,712	(3,506)
Selling and distribution expenses	27	(302,566)	(345,440)
General and administrative expenses	27	(353,620)	(330,219)
Operating profit		259,018	92,443
Finance income	29	3,274	2,807
Finance costs	29	(65,881)	(71,458)
Finance costs – net	29	(62,607)	(68,651)
Share of profit/(loss) of an associate	11	767	(483)
Profit before income tax		197,178	23,309
Income tax expense	30	(60,537)	(23,086)
Profit for the year		136,641	223
Profit attributable to:			
Owners of the Company		136,789	710
Non-controlling interests		(148)	(487)
		136,641	223
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	31(a)	12.3	0.06
– Diluted	31(b)	11.7	0.06

The notes on pages 54 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Profit for the year		136,641	223
Other comprehensive income/(loss) for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation difference			
Losses arising during the year		(118,000)	(112,751)
Transferred from exchange translation reserve to the consolidated income statement upon disposal of a subsidiary	26	1,339	–
Change in value of available-for-sale financial assets	16	243	253
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Change in value of property, plant and equipment	8	16,518	21,041
Total comprehensive income/(loss) for the year, net of tax		36,741	(91,234)
Attributable to:			
– Owners of the Company		36,889	(90,747)
– Non-controlling interests		(148)	(487)
		36,741	(91,234)

The notes on pages 54 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company													
	Shares held for share award		Share premium	Share option reserve	Exchange translation reserve		Statutory reserve	Property revaluation reserve	Perpetual convertible securities	Available-for-sale financial assets reserve	Retained earnings	Non-controlling interests		Total equity
	Share capital	scheme			Share reserve	reserve						reserve	reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	113,327	(973)	500,208	138	13,771	75,914	197,994	25,788	85,401	(1,135)	742,248	1,752,681	2,140	1,754,821
Profit for the year	-	-	-	-	-	-	-	-	-	-	136,789	136,789	(148)	136,641
Other comprehensive income														
Currency translation differences	-	-	-	-	-	(118,000)	-	-	-	-	-	(118,000)	-	(118,000)
Change in value of property, plant and equipment (Note 8)	-	-	-	-	-	-	-	16,518	-	-	-	16,518	-	16,518
Realisation upon disposal of a subsidiary (Note 26)	-	-	-	-	-	1,339	-	-	-	-	-	1,339	-	1,339
Change in value of available-for-sale financial assets (Note 16)	-	-	-	-	-	-	-	-	-	243	-	243	-	243
Total comprehensive income	-	-	-	-	-	(116,661)	-	16,518	-	243	136,789	36,889	(148)	36,741
Transfer to retained earnings upon lapsed of share options	-	-	-	(138)	-	-	-	-	-	-	138	-	-	-
Transferred upon disposal of a subsidiary	-	-	-	-	-	-	(1,183)	-	-	-	1,183	-	-	-
Shares purchased for share award scheme	-	(31,473)	-	-	-	-	-	-	-	-	-	(31,473)	-	(31,473)
Transfer to reserve	-	-	-	-	-	-	11,876	-	-	-	(11,876)	-	-	-
Interim dividend paid (Note 32)	-	-	-	-	-	-	-	-	-	-	(20,398)	(20,398)	-	(20,398)
Distribution to perpetual convertible securities owner	-	-	-	-	-	-	-	-	-	-	(1,045)	(1,045)	-	(1,045)
Transactions with owners	-	(31,473)	-	(138)	-	-	10,693	-	-	-	(31,998)	(52,916)	-	(52,916)
At 31 March 2017	113,327	(32,446)	500,208	-	13,771	(40,747)	208,687	42,306	85,401	(892)	847,039	1,736,654	1,992	1,738,646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 March 2017

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital	Shares held for share award	Share premium	Share option reserve	Share reserve	Exchange translation reserve	Statutory reserve	Property revaluation reserve	Perpetual convertible securities	Available-for-sale financial assets	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	113,177	-	498,607	889	13,771	188,665	191,968	4,747	85,401	(1,388)	747,564	1,843,401	204	1,843,605
Profit for the year	-	-	-	-	-	-	-	-	-	-	710	710	(487)	223
Other comprehensive income														
Currency translation differences	-	-	-	-	-	(112,751)	-	-	-	-	-	(112,751)	-	(112,751)
Change in value of property, plant and equipment (Note 8)	-	-	-	-	-	-	-	21,041	-	-	-	21,041	-	21,041
Change in value of available-for-sale financial assets (Note 16)	-	-	-	-	-	-	-	-	-	253	-	253	-	253
Total comprehensive income	-	-	-	-	-	(112,751)	-	21,041	-	253	710	(90,747)	(487)	(91,234)
Issued of shares upon exercise of share options	150	-	850	-	-	-	-	-	-	-	-	1,000	-	1,000
Transfer to share premium upon exercise of share options	-	-	751	(751)	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	2,423	2,423
Shares purchased for share award scheme	-	(973)	-	-	-	-	-	-	-	-	-	(973)	-	(973)
Transfer to reserve	-	-	-	-	-	-	6,026	-	-	-	(6,026)	-	-	-
Transactions with owners	150	(973)	1,601	(751)	-	-	6,026	-	-	-	(6,026)	27	2,423	2,450
At 31 March 2016	113,327	(973)	500,208	138	13,771	75,914	197,994	25,788	85,401	(1,135)	742,248	1,752,681	2,140	1,754,821

The notes on pages 54 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Cash generated from operations	33	445,677	348,576
Interest paid		(67,634)	(86,171)
Income tax paid		(54,161)	(40,354)
Net cash generated from operating activities		323,882	222,051
Cash flow from investing activities			
Net proceeds/(cash outflow) on disposal of a subsidiary/subsidiaries	26	39,123	(24)
Payments for intangible assets		(4,537)	(4,146)
Purchases of property, plant and equipment		(94,246)	(209,030)
Deposits for acquisition of property, plant and equipment		(1,114)	(4,224)
Proceeds from disposals of other property, plant and equipment	33	1,392	1,640
Interest received		3,274	2,807
Net cash used in investing activities		(56,108)	(212,977)
Cash flow from financing activities			
Inception of new bank borrowings		367,215	1,187,192
Repayment of bank borrowings		(534,572)	(1,135,458)
Net increase/(decrease) in trust receipt loans		57,185	(20,996)
Purchase of shares for share award scheme		(31,473)	(973)
Proceeds from issuance of ordinary shares		–	1,000
Dividend paid	32	(20,398)	–
Distribution to perpetual convertible securities owner		(1,045)	–
Net cash (used in)/generated from financing activities		(163,088)	30,765
Net increase in cash and cash equivalents		104,686	39,839
Cash and cash equivalents at beginning of year		330,404	297,082
Exchange losses on cash and cash equivalents		(12,435)	(6,517)
Cash and cash equivalents at end of year	18(a)	422,655	330,404

The notes on pages 54 to 141 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1 General information

L.K. Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 October 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The immediate and ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

The Company and its subsidiaries (the “Group”) are principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled (“CNC”) machining centre and related accessories.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 June 2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of L.K. Technology Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures

(a) Effect of adopting new standard and amendments to existing standards

The following new standard and amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2016:

Standards	Subject of amendment
Annual improvements 2014	Annual improvements 2012 – 2014 Cycle
Amendments to HKAS 1 (Revised)	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27 (2011)	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operation
HKFRS 14	Regulatory deferral accounts

The adoption of these new standard and amendments to existing standards does not have any significant impact on the results and financial position of the Group.

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 7	Disclosure initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9 (Note (i))	Financial instruments	1 January 2018
HKFRS 15 (Note (ii))	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15 (Note (iii))	Clarifications to HKFRS 15	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) HKFRS 9, "Financial instruments"

The new standard 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.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, financial assets that are currently classified as available-for-sale would appear to satisfy the conditions for classification at fair value through other comprehensive income ("FVOCI") and hence there will be no change in the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses 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. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

(i) HKFRS 9, "Financial instruments" (Continued)

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) HKFRS 15, "Revenue from contracts with customers"

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. 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 adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return – HKFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months. HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

(iii) HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, 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.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$68,255,000 (Note 34). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3.2 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.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.4 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits and losses of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.5 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.7 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 HK dollars ("HK\$"), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within 'other gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (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:

- (i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average 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
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.7 Foreign currency translation (Continued)

(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, a disposal involving loss of joint control over a joint venture 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 the consolidated income statement.

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 the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

2.8 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

Land and buildings	Over the shorter of the unexpired lease term and their estimated useful lives of no more than 50 years
Leasehold improvements	5%–20% or over the lease term, whichever is shorter
Plant and machinery	10%–20%
Furniture, fixtures and office equipment	5%–20%
Motor vehicles	20%–25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated income statement.

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

2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields are not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of valuation gain or loss in 'other gains – net'.

2.10 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

(b) Trademarks

Trademarks are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives of not more than ten years.

(c) Patents

Patents are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their remaining useful lives of sixteen years.

(d) Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life of not more than five years, and carried at cost less subsequent accumulated amortisation and accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the consolidated income statement in the period in which it is incurred.

2.11 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 44 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.12 Impairment of investments in subsidiaries and non-financial assets

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 or depreciation 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 asset's 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 (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries 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.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables' (Note 2.17), 'other receivables and deposits', 'restricted bank balances', and 'cash and cash equivalents' (Note 2.18) in the consolidated statement of financial position.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group has designated its unlisted insurance policy investments as available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

2.13.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'gain or loss on disposal of available-for-sale financial assets' in 'other gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.14 Offsetting financial instrument

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 events 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 the consolidated income statement. 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 the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Write down is made for deteriorated, damaged, obsolete and slow moving inventories.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.19 Share capital

Ordinary shares are classified as equity.

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.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Perpetual convertible securities

Perpetual convertible securities issued by the Group gives the right to the holder to convert these securities into a fixed number of the Company's shares at any time at a fixed exercise price per share. The perpetual convertible securities have no maturity date and are not redeemable. These securities are classified as equity instruments.

2.22 Financial liabilities

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee is given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date and the initial measurement, less amortisation calculated to recognise in the consolidated income statement the fee income earned on a straight-line basis over the life of the guarantee. These estimates are determined based on experience of similar transactions and debtors' payment history, supplemented by the judgment of management of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.22 Financial liabilities (Continued)

(ii) Other financial liabilities

Other financial liabilities of the Group are measured at amortised cost, using the effective interest method.

Subsequent to initial recognition, the financial liability is carried at amortised cost using the effective interest method. The accretion of the discount on the financial liability and any adjustments to estimated amounts of the final redemption amount are recognised as a finance charge in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference is recognised in the consolidated income statement.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position 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 the consolidated income statement 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 end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.24 Borrowing costs (Continued)

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, 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.

(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 reporting period in the countries where the Company's subsidiaries, associates and joint ventures 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, the deferred income tax is 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 substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.25 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Deferred income tax is not recognised only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

Pension obligations

The Group operates various defined contribution plans for its employees in Hong Kong and The People's Republic of China (the "PRC"). A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the relevant regulations of the PRC government, the subsidiaries in the PRC participate in local municipal government retirement benefits schemes (the "Schemes"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of those employees of the subsidiaries in the PRC. Contributions under the Schemes are charged to the consolidated income statement as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.27 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, 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 (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The Group has adopted a share award scheme. Under the scheme, directors and employees of the Group are entitled to receive shares in the Company. Details of the scheme and the outstanding shares are set out in Note 20(c) to the consolidated financial statements.

2.28 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 rate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.29 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.30 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

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

(a) Sales of goods

Sales of goods are recognised when the significant risks and title of the goods have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised using the effective interest method. When a loan and 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 loan and receivables are recognised using the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.31 Government subsidies and value added tax refunded

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and all the attaching conditions will be complied with. Subsidies relating to expenses incurred by the Group are deferred and recognised in the consolidated income statement over the period necessary to match them with the expenses they are intended to compensate. Subsidies relating to the purchase of property, plant and equipment are deducted from the carrying amount of the asset so that the subsidies are recognised as income over the lives of the corresponding depreciable assets by way of a reduced depreciation charge.

Value added tax refund is recognised when there is reasonable assurance that it will be received and the Group will comply with the conditions attaching to it.

2.32 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.33 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain properties out under an operating lease and lease income is recognised over the term of the lease on a straight-line basis.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.34 Dividend distribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2 Summary of significant accounting policies (Continued)

2.35 Sales and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

3 Financial risk management

3.1 Financial risk factors

(a) Market risk

The Group's activities expose it to the financial risks in relation to changes in interest rates and foreign currency exchange rates, as well as credit risk and Liquidity risk as discussed below. There has been no material change in the Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank balances, cash and cash equivalents and borrowings which are carried at prevailing market interest rates as shown in Notes 18 and 22. Management will consider hedging significant interest rate exposure should the need arise.

The Group did not have any interest rate swap as at 31 March 2017 and 31 March 2016.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits and borrowings at the end of the reporting period. For variable rate borrowings and bank deposits, the analysis is prepared assuming the amount of liability/asset outstanding at the end of reporting period was outstanding for the whole year. A 100 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year ended 31 March 2017 would decrease/increase by HK\$10,777,000/HK\$12,664,000 (2016: pre-tax profit decrease/increase by HK\$11,445,000/HK\$13,287,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Foreign exchange risk

The functional currencies of the Group's respective principal subsidiaries are Renminbi ("RMB"), Euro ("EUR") and HK\$. Majority of the purchases and sales of the local operations are transacted in local functional currency and therefore foreign exchange transactional risks are minimal.

For companies with HK\$ as their functional currency

As at 31 March 2017, if RMB had weakened/strengthened by 5% against HK\$ with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK\$2,153,000 lower/higher (2016: HK\$2,261,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of a RMB denominated loan to a subsidiary.

For companies with RMB as their functional currency

As at 31 March 2017, if US\$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK\$28,000 lower/higher (2016: HK\$497,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US\$ denominated cash and bank deposits.

The Group does not have a foreign currency hedging policy. However management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, available-for-sale assets, deposits placed with banks and guarantees given by the Group for its customers. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, the Group has policies in place to ensure that sales are made and guarantees are granted to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its requirements in the short and longer term. If breach of loan covenants is anticipated, the Group will communicate with the lenders to obtain waiver and/or rectify the breach in due course. The Company also monitors closely the cash flows of its subsidiaries. Generally, the Company's subsidiaries are required to obtain the Company's approval for activities such as raising of loans and investment of surplus cash.

The following table details the Group's contractual maturities of its financial liabilities at the end of reporting period. The table has been drawn up based on the undiscounted cash flows and the earliest date on which the Group can be required to pay:

	On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
As at 31 March 2017						
Non-derivative financial liabilities						
Bank borrowings subject to a repayment on demand clause	643,830	-	-	-	-	643,830
Other bank borrowings (Note i)	-	327,857	410,712	68,413	-	806,982
Trade and bills payables, other payables, deposits and accruals	-	1,192,139	-	-	-	1,192,139
	643,830	1,519,996	410,712	68,413	-	2,642,951
Financial guarantees issued						
Maximum amount guaranteed (Note 35)	-	311,428	-	-	-	311,428

- (i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2017, without taking into account any subsequent changes in the amount of borrowings. Floating rate interest is based on current interest rate as at 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
As at 31 March 2016						
Non-derivative financial liabilities						
Bank borrowings subject to a repayment on demand clause	794,540	-	-	-	-	794,540
Other bank borrowings (Note i)	-	26,885	284,248	466,789	16,727	794,649
Trade and bills payables, other payables, deposits and accruals	-	908,144	-	-	-	908,144
	794,540	935,029	284,248	466,789	16,727	2,497,333
Financial guarantees issued						
Maximum amount guaranteed (Note 35)	-	231,962	-	-	-	231,962

- (i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2016, without taking into account any subsequent changes in the amount of borrowings. Floating rate interest is based on current interest rate as at 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Maturity Analysis - Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				Total outflows HK\$'000
	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	
At 31 March 2017	621,612	30,297	549	–	652,458
At 31 March 2016	784,219	22,709	21,542	–	828,470

The Group's contractual undiscounted cash flows of its financial liabilities approximate the carrying amount of other payables and accruals included in current liabilities, which are payable within one year, as the effect of discounting is insignificant. The amount of guarantees issued by the Group is disclosed in Note 35.

3.2 Capital risk 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 equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is shown in the consolidated statement of financial position.

During 2017, the Groups' strategy, which was unchanged from 2016, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2017 HK\$'000	2016 HK\$'000
Total borrowings (Note 22)	1,417,865	1,556,790
Less: cash and cash equivalents	(422,655)	(330,404)
Net debt	995,210	1,226,386
Total equity	1,738,646	1,754,821
Gearing ratio	57.2%	69.9%

The decrease in the gearing ratio is resulted primarily from the decrease in net debt during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3 Financial risk management (Continued)

3.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined 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 and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2017 and 2016.

As at 31 March 2017

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Available-for-sale financial assets (Note 16)	–	–	7,665	7,665

As at 31 March 2016

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Available-for-sale financial assets (Note 16)	–	–	7,422	7,422

There were no transfers of financial assets and liabilities between levels 1 and 2 value hierarchy classifications.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and liabilities:

	As at 31 March 2017 HK\$'000	As at 31 March 2016 HK\$'000
Financial assets		
Balance at 1 April	7,422	7,169
Net gains recognised in the consolidated statement of comprehensive income (Note 21)	243	253
Balance at 31 March	7,665	7,422
Total gains recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	243	253
Changes in unrealised gains in the consolidated statement of comprehensive income relating to those instruments held at the end of year	243	253

There were no transfers into or out of Level 3 value hierarchy during the year.

The Group's and the Company's "trade, bills and other receivables", "deposits", "restricted bank balances", "cash and cash equivalents" and "trade, bills and other payables" are financial assets and liabilities not carried at fair value. As at both 31 March 2017 and 31 March 2016, the carrying values of these financial assets and liabilities approximated their respective fair values. For such fair value determination, except for "restricted bank balances" and "cash and cash equivalents" which are under Level 1 of the fair value hierarchy, all the other financial assets and liabilities as mentioned above are under Level 3 of the fair value hierarchy.

3.4 Offsetting financial assets and financial liabilities

There are no material offsetting, enforceable master netting arrangements and similar agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

4 Critical accounting estimates and judgments

Estimates and judgments 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. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgment, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

(b) Provision for impairment of receivables

Trade and bills receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Impairment loss on trade receivables is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The Group adopts a prudent approach in selecting its customers in order to minimise its credit risk. All new customer accounts with credit terms are reviewed by the finance department in areas including credit ratings, credit history, and sales amount, etc. for the purpose of making an assessment of the payment term or assigning a credit limit if applicable.

The Group has implemented a credit policy with an aim to maintain trade receivables at an acceptable level. Trade receivables will be reviewed by the Group's senior management of the finance department on a monthly basis. Impairment loss is recognised and estimated when the recoverability of the outstanding debts is uncertain after taking into account various consideration including the aging of the debts, the current creditworthiness, the historical loss experience for debts with similar credit risk characteristics and the current market condition. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and bills receivables and the impairment losses on receivables in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

4 Critical accounting estimates and judgments (Continued)

(c) Income taxes and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred income tax liabilities relating to undistributed profits of subsidiaries incorporated in Mainland China are recognised when management expects to recover investments in those subsidiaries through dividends, unless it is estimated that such dividends will not be distributed in the foreseeable future. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax liabilities and income tax charges in the period in which such estimates are changed.

(d) Provision for loss on guarantees

The Group provides guarantees for loans granted by the PRC banks and leasing financial providers to some of the Group's end-user customers in connection with their purchases of the Group's products. If an end-user customer defaults on a loan, the Group is obliged to settle the payable amounts. The Group's management determines the provision for loss on the guarantees based on assessment of the possibility of default payments by individual end-user customers. This assessment is based on the credit history of its customers and the current market condition; and requires the use of judgments and estimates. Management reassesses the provisions at each financial position date. Different judgments or estimates could significantly affect the provision amounts and materially impact the results of operations.

(e) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on forecast business performance and the respective market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

4 Critical accounting estimates and judgments *(Continued)*

(f) Impairment of property, plant and equipment, land use rights and intangible assets

Property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount.

Management judgment 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 to sell or net present value of future cash flows which are estimated based upon the continue use of the asset in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount; (iv) whether any assets have become obsolete or any plan to discontinue or restructure; and (v) 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 affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(g) Estimate of useful lives of property, plant and equipment

The Group has significant property, plant and equipment. The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(h) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5 Segment information

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. Segment results represent the profit/(loss) for the year in each reportable segment. This is the measurement reported to the Group’s management for the purpose of resource allocation and assessment of segment performance.

The measurement used for reporting segment results is “profit from operations”, i.e. profit before finance income, finance costs and income tax expense. To arrive at profit from operations, the Group’s profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

- (i) Die-casting machine
- (ii) Plastic injection moulding machine
- (iii) Computerised numerical controlled (“CNC”) machining centre

The segment results for the year ended 31 March 2017 are as follows:

	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
External sales	2,241,147	848,573	135,061	3,224,781	–	3,224,781
Inter-segments sales	115,022	–	–	115,022	(115,022)	–
	2,356,169	848,573	135,061	3,339,803	(115,022)	3,224,781
Results						
Segment results	255,720	75,653	(39,496)	291,877	–	291,877
Administrative expenses						(32,859)
Finance income						3,274
Finance costs						(65,881)
Share of profit of an associate						767
Profit before income tax						197,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5 Segment information (Continued)

The segment results for the year ended 31 March 2016 are as follows:

	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
External sales	2,184,813	498,525	139,486	2,822,824	–	2,822,824
Inter-segments sales	60,827	–	–	60,827	(60,827)	–
	2,245,640	498,525	139,486	2,883,651	(60,827)	2,822,824
Results						
Segment results	144,283	21,967	(39,202)	127,048	–	127,048
Administrative expenses						(34,605)
Finance income						2,807
Finance costs						(71,458)
Share of loss of an associate						(483)
Profit before income tax						23,309

Sales between segments are carried out at arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5 Segment information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	As at 31 March 2017			
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
Assets				
Segment assets	2,711,284	1,268,224	548,556	4,528,064
Unallocated assets				33,702
Consolidated total assets				4,561,766
Liabilities				
Segment liabilities	2,071,963	615,328	106,244	2,793,535
Unallocated liabilities				29,585
Consolidated total liabilities				2,823,120
	As at 31 March 2016			
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
Assets				
Segment assets	2,735,698	1,038,120	598,623	4,372,441
Unallocated assets				32,408
Consolidated total assets				4,404,849
Liabilities				
Segment liabilities	1,946,929	413,838	268,066	2,628,833
Unallocated liabilities				21,195
Consolidated total liabilities				2,650,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5 Segment information (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets and available-for-sale financial assets.
- all liabilities are allocated to reportable segments other than corporate liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

The following amounts are included in the measure of segment results or assets:

	For the year ended 31 March 2017				
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets ¹	53,836	56,635	1,498	1,782	113,751
Depreciation and amortisation	82,715	27,791	17,434	1,591	129,531
Provision for inventories write-down	21,858	5,090	11,768	–	38,716
Provision for impairment of trade receivables – net	24,171	2,454	728	–	27,353

	For the year ended 31 March 2016				
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets ¹	53,874	184,418	7,314	1,336	246,942
Depreciation and amortisation	85,704	16,849	17,515	1,867	121,935
Provision for inventories write-down	3,605	4,179	3,729	–	11,513
Provision for impairment of trade receivables – net	8,272	1,069	915	–	10,256

¹ Non-current assets exclude interests in joint ventures, interest in an associate, deferred income tax assets, available-for-sale financial assets and deposits and receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

5 Segment information (Continued)

Other segment information (Continued)

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2017 and 31 March 2016.

	2017 HK\$'000	2016 HK\$'000
Analysis of revenue by category		
Sales of die-casting machine	2,241,147	2,184,813
Sales of plastic injection moulding machine	848,573	498,525
Sales of CNC machining centre	135,061	139,486
	3,224,781	2,822,824

Geographical information

The Group's revenue by geographical location is determined by the final destination of delivery of the products and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers		Non-current assets ¹	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Mainland China	2,490,736	1,866,582	1,470,504	1,549,643
Hong Kong	–	–	22,516	21,637
Europe	358,651	407,075	18,296	19,480
Central America and South America	69,557	111,431	–	–
North America	226,379	338,574	22,897	8,045
Other countries	79,458	99,162	57,118	57,612
	3,224,781	2,822,824	1,591,331	1,656,417

¹ Non-current assets exclude interests in joint ventures, interest in an associate, available-for-sale financial assets, non-current portion of trade and bills receivables, non-current portion of consideration receivables, restricted bank balances and deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

6 Intangible assets

	Goodwill HK\$'000 (Note)	Trademarks HK\$'000	Patents HK\$'000	Development costs and others HK\$'000	Total HK\$'000
At 1 April 2015					
Cost	12,406	5,264	3,420	34,808	55,898
Accumulated amortisation and impairment losses	–	(4,856)	(1,248)	(28,155)	(34,259)
Net book amount	12,406	408	2,172	6,653	21,639
Year ended 31 March 2016					
Opening net book amount	12,406	408	2,172	6,653	21,639
Exchange difference	–	30	–	305	335
Additions	–	264	–	3,882	4,146
Amortisation	–	(132)	(214)	(4,710)	(5,056)
Closing net book amount	12,406	570	1,958	6,130	21,064
At 31 March 2016					
Cost	12,406	5,497	3,420	39,164	60,487
Accumulated amortisation and impairment losses	–	(4,927)	(1,462)	(33,034)	(39,423)
Net book amount	12,406	570	1,958	6,130	21,064
Year ended 31 March 2017					
Opening net book amount	12,406	570	1,958	6,130	21,064
Exchange difference	–	(28)	–	(216)	(244)
Additions	–	15	–	4,522	4,537
Disposal of a subsidiary (Note 26)	(9,606)	–	–	–	(9,606)
Amortisation	–	(136)	(214)	(4,839)	(5,189)
Closing net book amount	2,800	421	1,744	5,597	10,562
At 31 March 2017					
Cost	2,800	5,211	3,420	41,547	52,978
Accumulated amortisation and impairment losses	–	(4,790)	(1,676)	(35,950)	(42,416)
Net book amount	2,800	421	1,744	5,597	10,562

Note:

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

6 Intangible assets (Continued)

An operating segment level summary of the goodwill allocation is presented below:

	2017 HK\$'000	2016 HK\$'000
Die-casting machine	2,800	12,406

The recoverable amount of a CGU is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5%. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 13% (2016: 13%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill. There was no impairment provision for intangible assets for the year ended 31 March 2017 (2016: HK\$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

7 Property, plant and equipment

	Land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2015							
Cost	700,126	293,960	70,869	786,060	98,679	39,851	1,989,545
Accumulated depreciation and impairment losses	(192,543)	–	(52,204)	(524,907)	(70,517)	(27,332)	(867,503)
Net book amount	507,583	293,960	18,665	261,153	28,162	12,519	1,122,042
Year ended 31 March 2016							
Opening net book amount	507,583	293,960	18,665	261,153	28,162	12,519	1,122,042
Additions	4,110	200,311	1,213	22,809	8,466	5,887	242,796
Transferred to investment properties (Note 8)	(17,106)	–	–	–	–	–	(17,106)
Disposals	(341)	–	(111)	(712)	(281)	(703)	(2,148)
Depreciation	(34,153)	–	(488)	(61,210)	(9,323)	(4,163)	(109,337)
Exchange difference	(21,896)	(13,997)	(941)	(10,856)	(800)	(456)	(48,946)
Reclassification	208,898	(241,945)	–	28,535	4,512	–	–
Closing net book amount	647,095	238,329	18,338	239,719	30,736	13,084	1,187,301
At 31 March 2016							
Cost	859,435	238,329	70,289	797,364	105,425	35,756	2,106,598
Accumulated depreciation and impairment losses	(212,340)	–	(51,951)	(557,645)	(74,689)	(22,672)	(919,297)
Net book amount	647,095	238,329	18,338	239,719	30,736	13,084	1,187,301
Year ended 31 March 2017							
Opening net book amount	647,095	238,329	18,338	239,719	30,736	13,084	1,187,301
Additions	–	56,092	633	43,445	5,870	3,174	109,214
Transferred to investment properties (Note 8)	(61,001)	–	–	–	–	–	(61,001)
Disposals	–	–	(438)	(1,330)	(449)	(1,079)	(3,296)
Disposal of a subsidiary (Note 26)	–	–	(130)	(693)	(495)	(932)	(2,250)
Depreciation	(46,588)	–	(2,961)	(55,048)	(9,195)	(3,803)	(117,595)
Exchange difference	(28,913)	(13,354)	(901)	(12,197)	(571)	(459)	(56,395)
Reclassification	173,814	(242,613)	3,153	61,498	4,148	–	–
Closing net book amount	684,407	38,454	17,694	275,394	30,044	9,985	1,055,978
At 31 March 2017							
Cost	925,162	38,454	69,516	846,909	106,803	31,019	2,017,863
Accumulated depreciation and impairment losses	(240,755)	–	(51,822)	(571,515)	(76,759)	(21,034)	(961,885)
Net book amount	684,407	38,454	17,694	275,394	30,044	9,985	1,055,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

7 Property, plant and equipment (Continued)

Depreciation of HK\$87,568,000 (2016: HK\$85,960,000) has been charged in "cost of sales", HK\$2,322,000 (2016: HK\$2,667,000) in "selling and distribution expenses" and HK\$27,705,000 (2016: HK\$20,710,000) in "general and administrative expenses".

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in Note 22.

8 Investment properties

	HK\$'000
At fair value	
At 1 April 2015	69,950
Transferred from property, plant and equipment (Note 7)	17,106
Transferred from land use right (Note 9)	15,125
Increase in fair value on date of change in use (Note a)	26,669
Increase in fair value during the year (Note 25)	13,229
Exchange difference	(2,979)
<hr/>	
At 31 March 2016 and 1 April 2016	139,100
Transferred from property, plant and equipment (Note 7)	61,001
Increase in fair value on date of change in use (Note b)	20,599
Increase in fair value during the year (Note 25)	29,141
Exchange difference	(7,641)
<hr/>	
At 31 March 2017	242,200

Note a: During the year ended 31 March 2016, land and buildings and land use rights with net book value of HK\$17,106,000 and HK\$15,125,000, respectively were reclassified as investment properties with a revaluation surplus of HK\$21,041,000 (net of deferred tax of HK\$5,628,000) being credited to other comprehensive income on the date of change in use. The valuation as at date of transfer was carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer.

Note b: During the year ended 31 March 2017, buildings with net book value of HK\$61,001,000 were reclassified as investment properties with a revaluation surplus of HK\$16,518,000 (net of deferred tax of HK\$4,081,000) being credited to other comprehensive income on the date of change in use. The valuation as at date of transfer was carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

8 Investment properties (Continued)

The following amounts have been recognised in the consolidated statement of comprehensive income for investment properties:

	2017 HK\$'000	2016 HK\$'000
Rental income	9,216	6,715
Direct operating expenses from property that generated rental income	(900)	(740)
	8,316	5,975

The Group's interests in investment properties at their carrying values are analysed as follows:

	2017 HK\$'000	2016 HK\$'000
Land and buildings in Hong Kong under leases of between 10 to 50 years	15,700	14,100
Land and buildings in the PRC under leases of between 10 to 50 years	226,500	125,000
	242,200	139,100

Certain investment properties are pledged to secure bank borrowings of the Group as detailed in Note 22.

As at 31 March 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: Nil).

The revaluation gain is included in "Other gains – net" in the consolidated income statement (Note 25). The following table analyses the investment properties carried at fair value, by valuation method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

8 Investment properties (Continued) Fair value hierarchy

Description	Fair value measurements at 31 March 2017 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties	–	–	242,200

Description	Fair value measurements at 31 March 2016 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties	–	–	139,100

There were no transfers between Levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

8 Investment properties (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Properties		Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	
At 1 April 2016	14,100	125,000	139,100
Transferred from property, plant and equipment (Note 7)	–	61,001	61,001
Increase in fair value on date of change in use	–	20,599	20,599
Increase in fair value during the year	1,600	27,541	29,141
Exchange difference	–	(7,641)	(7,641)
At 31 March 2017	15,700	226,500	242,200
Total gains for the year included in the consolidated income statement for assets held at the end of the year, under 'Other gains – net'	1,600	27,541	29,141
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the year	1,600	27,541	29,141

	Properties		Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	
At 1 April 2015	13,900	56,050	69,950
Transferred from property, plant and equipment (Note 7)	–	17,106	17,106
Transferred from land use right (Note 9)	–	15,125	15,125
Increase in fair value on date of change in use	–	26,669	26,669
Increase in fair value during the year	200	13,029	13,229
Exchange difference	–	(2,979)	(2,979)
At 31 March 2016	14,100	125,000	139,100
Total gains for the year included in the consolidated income statement for assets held at the end of the year, under 'Other gains – net'	200	13,029	13,229
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the year	200	13,029	13,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

8 Investment properties (Continued)

Valuation processes of the Group

As at both 31 March 2017 and 31 March 2016, the fair values of the investment properties have been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer. LCH (Asia-Pacific) Surveyors Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation technique

The valuations, which conform to the HKIS valuation standards, 2012 Edition, were based on the income approach which largely used unobservable inputs (e.g. unit rate, yield, etc.) and taking into account the significant adjustment on yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

There were no changes to the valuation technique during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

8 Investment properties (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Mar 2017 (HK\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	15,700	Income approach	Unit rate	HK\$3,400/ saleable area	The higher the unit rate, the higher the fair value
			Yield	3.00%	The higher the yield, the lower the fair value
PRC properties except for Kunshan property	196,900	Income approach	Unit rate	From HK\$3,065/sq.m. to HK\$17,454/sq.m.	The higher the unit rate, the higher the fair value
			Yield	2.9% to 8%	The higher the yield, the lower the fair value
Kunshan property	29,600	Sale comparison approach	Unit rate	HK\$331/sq.m.	The higher the unit rate, the higher the fair value
			Yield	6.5% to 7%	The higher the yield, the lower the fair value
Description	Fair value at 31 Mar 2016 (HK\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	14,100	Income approach	Unit rate	HK\$3,000/ saleable area	The higher the unit rate, the higher the fair value
			Yield	3.2%	The higher the yield, the lower the fair value
PRC properties	125,000	Income approach	Unit rate	From HK\$3,520/sq.m. to HK\$17,377/sq.m.	The higher the unit rate, the higher the fair value
			Yield	2.9% to 8%	The higher the yield, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

9 Land use rights

	HK\$'000
Cost	
At 1 April 2015	375,946
Transferred to investment properties (Note 8)	(16,846)
Exchange difference	(17,904)
At 31 March 2016 and 1 April 2016	341,196
Exchange difference	(19,168)
At 31 March 2017	322,028
Amortisation	
At 1 April 2015	35,498
Amortisation	7,542
Transferred to investment properties (Note 8)	(1,721)
Exchange difference	(1,873)
At 31 March 2016 and 1 April 2016	39,446
Amortisation	6,747
Exchange difference	(2,367)
At 31 March 2017	43,826
Net book value	
At 31 March 2017	278,202
At 31 March 2016	301,750

Amortisation charge of HK\$812,000 (2016: HK\$1,048,000) in "cost of sales" and HK\$5,935,000 (2016: HK\$6,494,000) has been charged in "general and administrative expenses".

The Group's interest in land use rights at their carrying values are analysed as follows:

	2017 HK\$'000	2016 HK\$'000
Land use rights in the PRC under leases of between 10 to 50 years	278,202	301,750

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

10 Interests in joint ventures

	2017 HK\$'000	2016 HK\$'000
At 1 April 2015, 31 March 2016 and 31 March 2017	–	–

As at both 31 March 2017 and 31 March 2016, the Group has interests in three joint ventures, namely Charm Energy Limited, L.K. Japan Co. Ltd. and Thai Prex Engineering Co. Ltd.. These companies did not have significant operations during the year ended 31 March 2017 and the Group did not share any profit or loss from these joint ventures. The directors of the Company consider that these are not significant joint ventures.

Particulars of joint ventures, which are unlisted and not significant to the Group, are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Issued and fully paid up share capital	Interest held	Measurement method	Proportionate interest in joint venture's commitment HK\$'000
Charm Energy Limited	Hong Kong	Research and development in Hong Kong	HK\$1,000,000	50%	Equity	–
L.K. Japan Co. Ltd.	Japan	Manufacture and sales of peripheral equipment in Japan	JPY40,000,000	70%	Equity	–
Thai Prex Engineering Co., Ltd.	Thailand	Manufacture and sales of peripheral equipment in Thailand	THB 6,000,000	70%	Equity	–

Charm Energy Limited, L.K. Japan Co. Ltd. and Thai Prex Engineering Co., Ltd. are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

11 Interest in an associate

	2017 HK\$'000	2016 HK\$'000
At 1 April	29,332	31,294
Share of profit/(loss)	767	(483)
Exchange difference	(1,665)	(1,479)
At 31 March	28,434	29,332

Particulars of the associate, which is unlisted, as at 31 March 2017 and 31 March 2016 are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of registered share capital	Assets	Liabilities	Revenue	Profit/(loss)	Interest held
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	
31 March 2017								
深圳市精工小額貸款 有限公司 (Shenzhen Jinggong Microcredit Limited)	PRC	Microcredit business in PRC	RMB101,000,000	142,929	761	36,376	3,835	20%
31 March 2016								
深圳市精工小額貸款 有限公司 (Shenzhen Jinggong Microcredit Limited)	PRC	Microcredit business in PRC	RMB101,000,000	147,951	1,290	33,888	(2,413)	20%

Shenzhen Jinggong Microcredit Limited is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

12 Principal subsidiaries

Details of the principal subsidiaries as at 31 March 2017 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/ registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries directly held by the Company					
Best Truth Enterprises Limited	Corporation	British Virgin Islands, limited liability company	US\$2	100%	Investment holding in Hong Kong
Cyberbay Pte Ltd.	Corporation	Singapore, limited liability company	S\$2	100%	Investment holding in Hong Kong
World Force Limited	Corporation	British Virgin Islands, limited liability company	US\$1	100%	Investment holding in Hong Kong
Subsidiaries indirectly held by the Company					
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd. ¹	Wholly Foreign-owned ("WFOE")	PRC, limited liability company	US\$3,000,000	100%	Sale of die-casting machines in PRC
阜新力勁北方機械有限公司 Fuxin L.K. Northern Machinery Co. Ltd. ¹	WFOE	PRC, limited liability company	HK\$30,000,000	100%	Manufacture and sale of steel casting in PRC
Gold Millennium Ltd.	Corporation	British Virgin Islands, limited liability company	US\$1	100%	Investment holding in Hong Kong
Gold Progress Limited	Corporation	Hong Kong, limited liability company	HK\$1	100%	Investment holding in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

12 Principal subsidiaries (Continued)

Details of the principal subsidiaries as at 31 March 2017 are as follows: (Continued)

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/ registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries indirectly held by the Company (Continued)					
L.K. Machinery Company Limited	Corporation	Hong Kong, limited liability company	HK\$60,835,418	100%	Investment holding in Hong Kong
L.K. Machinery International Limited	Corporation	Hong Kong, limited liability company	HK\$151,417,696	100%	Sale of die-casting machines and plastic injection moulding machines in Hong Kong
力勁機械股份有限公司 L.K. Machinery Corp.	Corporation	Taiwan, limited liability company	NT\$211,000,000	100%	Manufacture and sale of CNC machines in Taiwan
L.K. Machinery, Inc.	Corporation	USA, limited liability company	US\$10,000	100%	Sale of die-casting machines and plastic injection moulding machines in USA
力勁機械(深圳)有限公司 L.K. Machinery (Shenzhen) Co. Ltd. ¹	WFOE	PRC, limited liability company	HK\$69,500,000	100%	Manufacture and sale of die-casting machines in PRC
力勁精密機械(昆山)有限公司 L.K. Precision Machinery (Kunshan) Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$20,000,000	100%	Manufacture and sale of CNC machines in PRC
力勁科技(天津)有限公司 L.K. Tech (Tianjin) Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$2,000,000	100%	Sale of die-casting machines in PRC
Lucky Prosper Limited	Corporation	Hong Kong, limited liability company	HK\$1	100%	Investment holding in Hong Kong
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$33,660,000	100%	Manufacture and sale of plastic injection moulding machines in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

12 Principal subsidiaries (Continued)

Details of the principal subsidiaries as at 31 March 2017 are as follows: (Continued)

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/ registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries indirectly held by the Company (Continued)					
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$20,400,000	100%	Manufacture and sale of die-casting machines in PRC
Power Excel International Limited	Corporation	Hong Kong, limited liability company	HK\$291,080,002	100%	Investment holding in Hong Kong
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$4,900,000	100%	Manufacture and sale of die-casting machines in PRC
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd. ¹	Sino-foreign Equity Joint Venture	PRC, limited liability company	RMB127,000,000	100%	Manufacture and sale of die-casting machines in PRC
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$13,580,000	100%	Manufacture and sale of plastic injection moulding machines in PRC
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd. ¹	WFOE	PRC, limited liability company	HK\$140,000,000	100%	Steel casting in PRC
Idra S.r.l	Corporation	Italy, limited liability company	EUR5,032,661	100%	Design, manufacture and sale of die-casting machines and equipment in Italy

¹ The English name is made for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results, assets, or liabilities of the Group. To give details of all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

13 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	2017 HK\$'000	2016 HK\$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	80,890	60,728
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(17,468)	(6,610)
Deferred income tax assets, net	63,422	54,118

The gross movement on the deferred income tax account is as follows:

	2017 HK\$'000	2016 HK\$'000
At the beginning of the year	54,118	65,999
Exchange difference	(2,644)	(1,625)
Credited/(charged) to the consolidated income statement (Note 30)	16,029	(4,628)
Charged to the consolidated statement of comprehensive income (Note 8)	(4,081)	(5,628)
At the end of the year	63,422	54,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

13 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred income tax assets			Total HK\$'000
	Tax losses HK\$'000	Impairment losses and other allowances HK\$'000	Decelerated tax depreciation HK\$'000	
At 1 April 2015	16,740	31,651	26,963	75,354
(Charged)/credited to the consolidated income statement	(12,476)	3,536	1,379	(7,561)
Exchange difference	721	(1,406)	(1,164)	(1,849)
At 1 April 2016	4,985	33,781	27,178	65,944
(Charged)/credited to the consolidated income statement	(2,862)	27,393	2,150	26,681
Disposal of a subsidiary (Note 26)	–	(1,184)	–	(1,184)
Exchange difference	(128)	(528)	(1,395)	(2,051)
At 31 March 2017	1,995	59,462	27,933	89,390

	Deferred income tax liabilities		
	Revaluation of investment properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2015	(3,049)	(6,306)	(9,355)
(Charged)/credited to the consolidated income statement	(2,168)	5,101	2,933
Charged to the consolidated statement of comprehensive income	(5,628)	–	(5,628)
Exchange difference	196	28	224
At 1 April 2016	(10,649)	(1,177)	(11,826)
Charged to the consolidated income statement	(4,522)	(6,130)	(10,652)
Charged to the consolidated statement of comprehensive income	(4,081)	–	(4,081)
Exchange difference	384	207	591
At 31 March 2017	(18,868)	(7,100)	(25,968)

Deferred income tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

13 Deferred income tax (Continued)

At the end of the reporting period, the Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax asset is recognised:

	2017 HK\$'000	2016 HK\$'000
Tax losses expiring:		
Within 5 years	72,754	60,389
Over 5 years	65,662	36,349
Without expiry date	79,487	78,569
	217,903	175,307

No deferred tax asset has been recognised in respect of the above tax losses due to unpredictability of future profit streams.

Dividends out of profits earned on or after 1 January 2008 for the PRC subsidiaries distributed to the Group will be subject to dividend withholding tax.

Deferred income tax liabilities of HK\$46,698,000 (2016: HK\$46,986,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings that are subject to withholding tax totalled HK\$1,075,953,000 at 31 March 2017 (2016: HK\$939,711,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China. For those subsidiaries that have an intention to distribute their respective retained earnings, deferred tax liabilities of HK\$7,100,000 (2016: Nil) have been recognised for the withholding tax as at 31 March 2017 that would be payable upon such distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

14 Trade and bills receivables

	2017 HK\$'000	2016 HK\$'000
Trade receivables	878,603	903,507
Less: Provision for impairment	(94,694)	(74,781)
	783,909	828,726
Bills receivables	307,215	158,614
	1,091,124	987,340
Less: Balance due after one year shown as non-current assets	(10,808)	(27,868)
Trade and bills receivables, net	1,080,316	959,472

The amount of provision for impairment of trade receivables was HK\$94,694,000 (2016: HK\$74,781,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

The ageing analysis of gross trade receivables based on invoice date at the end of reporting date is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 90 days	502,619	467,060
91-180 days	94,949	109,456
181-365 days	105,750	138,980
Over one year	175,285	188,011
	878,603	903,507

The maturity date of the bills receivables is generally between one month to six months.

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. Majority of customers are granted with credit term ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six months to twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

14 Trade and bills receivables (Continued)

The following is an analysis of trade receivables net of provision for impairment:

	2017 HK\$'000	2016 HK\$'000
Not past due	500,605	511,948
Past due:		
Within 90 days	133,342	143,837
91 – 180 days	69,785	61,398
181 – 365 days	34,808	58,245
Over one year	45,369	53,298
Balances past due but not impaired	283,304	316,778
Total trade receivables net of provision for impairment	783,909	828,726

Movements in provision for impairment of trade receivables:

	2017 HK\$'000	2016 HK\$'000
Beginning of the year	74,781	79,043
Exchange realignment	(3,035)	(1,680)
Receivables written off	(3,208)	(12,838)
Disposal of a subsidiary	(1,197)	–
Provision for impairment losses (Note 27)	27,353	10,256
End of the year	94,694	74,781

The Group has recognised a provision of HK\$27,353,000 (2016: HK\$10,256,000) for impairment of trade receivables for the year ended 31 March 2017. The Group has written off impaired receivables of HK\$3,208,000 (2016: HK\$12,838,000) against prior year provision during the year ended 31 March 2017. The provision for impairment of trade receivables has been included in “general and administrative expenses” in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

14 Trade and bills receivables (Continued)

The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
RMB	903,907	664,987
US\$	39,806	69,947
EUR	145,176	249,674
Other currencies	2,235	2,732
Trade and bills receivables, net	1,091,124	987,340

Certain bills receivables are pledged to secure bank borrowings of the Group as detailed in Note 22.

15 Other receivables, prepayments and deposits

	2017 HK\$'000	2016 HK\$'000
Non-current		
Deposits for acquisition of property, plant and equipment	4,389	7,202
Consideration receivables	16,087	–
	20,476	7,202
Current		
Value added tax refund receivable from government	6,919	3,251
Value added tax receivable	33,269	44,337
Trade deposits	60,949	40,639
Advances to staff for business purpose	5,320	7,163
Sundry, rental and utility deposits	3,049	4,105
Consideration receivables	16,842	–
Others	47,869	56,961
	174,217	156,456
Total	194,693	163,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

16 Available-for-sale financial assets

	2017 HK\$'000	2016 HK\$'000
As at 1 April	7,422	7,169
Net gains (Note 21)	243	253
As at 31 March	7,665	7,422

Available-for-sale financial assets are unlisted insurance policy investments which are denominated in US\$.

The fair value of unlisted insurance policy investments that is not traded in an active market is determined by reference to the expected return from the insurance policy investments which in turn is mainly derived from the cash surrender value of the insurance policy.

17 Inventories

	2017 HK\$'000	2016 HK\$'000
Raw materials	513,588	446,957
Work in progress	432,264	412,404
Finished goods	238,703	333,250
	1,184,555	1,192,611
Less: Provision for impairment of inventories	(122,684)	(92,492)
	1,061,871	1,100,119

The cost of inventories recognised as an expense and included in cost of sales amounted to HK\$1,886,706,000 (2016: HK\$1,645,605,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

18 Cash and cash equivalents and restricted bank balances

(a) Cash and cash equivalents

	2017 HK\$'000	2016 HK\$'000
Cash at banks and on hand	399,807	295,773
Short-term bank deposits	22,848	34,631
Cash and bank deposits (excluding bank overdrafts)	422,655	330,404

The Group's cash and cash equivalents and bank deposits are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
US\$	13,790	27,258
HK\$	48,384	38,152
RMB	320,942	186,151
EUR	35,765	77,692
Other currencies	3,774	1,151
	422,655	330,404

The effective interest rate on short-term bank deposits was 0.78% (2016: 0.44%) per annum; these deposits have an average maturity period of 90 days (2016: 90 days).

The Group's cash and bank balances of approximately HK\$298,761,000 and HK\$179,355,000 as at 31 March 2017 and 2016, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

(b) Restricted bank balances

Restricted bank balances of the Group represent deposits placed in banks to secure banking facilities granted by banks to certain customers, and the finance facilities for issuing letters of credit and acceptance bill by banks.

At the end of reporting period, the restricted bank balances carried interest at market rates which ranged from 0.00% to 3.50% (2016: 0.00% to 3.30%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

19 Share capital

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 1 April 2015	1,131,765,000	113,177
Share issued upon exercise of share options	1,500,000	150
At 31 March 2016 and 31 March 2017	1,133,265,000	113,327

Note: On 26 January 2011, the Company and an investor (the "Investor") entered into an agreement (the "Investment Agreement"), pursuant to which the Investor agreed to subscribe for the HK\$255 million "Subscription Shares" and the HK\$145 million "Perpetual Convertible Securities", at a total cash consideration of HK\$400 million. The Company has also issued the "Warrants" and the "Subscription Options" to the Investor at nil consideration as part of the transaction. The Investment Agreement was completed on 25 February 2011.

Pursuant to the terms of Subscription Shares as stipulated in the Investment Agreement, the Company allotted and issued a total of 102,000,000 ordinary shares at HK\$2.5 each to the Investor. The Subscription Shares were issued and fully paid and rank pari passu with the other ordinary shares of the Company.

Pursuant to the terms of Perpetual Convertible Securities as stipulated in the Investment Agreement, the Company issued the Perpetual Convertible Securities to the Investor. The Investor has the right to convert the Perpetual Convertible Securities into 58,000,000 ordinary shares of the Company at any time at the exercise price of HK\$2.5 per share. The Perpetual Convertible Securities has no maturity date and is not redeemable. If the Company declares any dividend, each holder of Perpetual Convertible Securities shall be entitled to receive distributions in an amount equal to the aggregate amount of the dividends attributable to the relevant financial year which would have been paid (based on a dividend per share equal to that which the Company has declared) in respect of the number of shares into which the securities held by the holder would have been converted as at the record date for determining the shareholders of the Company eligible to receive such dividend.

Pursuant to the terms of the Warrants as stipulated in the Investment Agreement, the Company issued a total of 25,600,000 Warrants to the Investor, enabling the Investor to subscribe for a maximum of HK\$80,000,000 worth of the Company's shares at an initial exercise price of HK\$3.125 per share. The Warrants expired on 25 August 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

19 Share capital (Continued)

Pursuant to the terms of the Subscription Options as stipulated in the Investment Agreement, the Investor has been granted the Subscription Options to acquire from the Group any of its existing subsidiaries' equity interests for up to HK\$240,000,000, except for those subsidiaries engaged in the die-casting machines business. The Investor may exercise the Subscription Options at any time until 24 February 2016. In addition, the aggregate of the subsidiaries' equity interests to be acquired by the Investor at any one time shall never exceed 30% of the ordinary share capital of the relevant subsidiary of the Group. The investment amount pursuant to an exercise of the Subscription Options shall be determined by a multiple of 10 times of the net income of the to be acquired subsidiary for the financial year immediately preceding the exercise date. The Subscription Options expired on 24 February 2016.

Upon the completion of the transaction, the Group received cash consideration of HK\$400,000,000 and also recorded the following in its consolidated statement of financial position:

- Share capital of HK\$10,200,000;
- Share premium of HK\$244,800,000;
- Perpetual convertible securities of HK\$85,401,000; and
- Derivative financial instruments arising from the Warrants and the Subscription Options of HK\$22,569,000 and HK\$37,030,000, respectively.

20 Share option schemes

(a) Pre-IPO Share option scheme

A Pre-IPO Share option scheme (further details of which are set out in the Company's directors' report) was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Details of the movements of options granted under the Pre-IPO Share option scheme during the year are as follows:

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding as at 1 April 2016	Lapsed during the year	Outstanding as at 31 March 2017
Employees	0.666	16 April 2007 – 15 October 2016	200,000	200,000	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

20 Share option schemes (Continued) (a) Pre-IPO Share option scheme (Continued)

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding as at 1 April 2015	Exercised during the year	Outstanding as at 31 March 2016
Directors	0.666	16 April 2007 – 15 October 2016	1,500,000	1,500,000	–
Employees	0.666	16 April 2007 – 15 October 2016	200,000	–	200,000
			1,700,000	1,500,000	200,000

200,000 share options were lapsed during the year (2016: Nil).

Each of the grantees to whom options were granted under the Pre-IPO Share option scheme would be subject to the following restrictions on the exercise of the options granted to him/her:

Period (as from 16 October 2006, the date on which the shares of the Company commenced trading on the Stock Exchange)	Maximum cumulative percentage of the shares under option exercisable by the grantee
First six months	0%
Second six months	33%
Third six months	66%
For the remaining option period	100%

The fair value of the options granted under the Pre-IPO Share option scheme amounting to HK\$18,480,000 was determined at the grant date under the Binominal Option Pricing Model.

Save as disclosed above, no further options were granted under the Pre-IPO Share option scheme as the right to do so had ended on the day on which the prospectus of the Company dated 29 September 2006 was registered with the Registrar of Companies in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

20 Share option schemes (Continued)

(b) Share option scheme

A share option scheme (the "Share Option Scheme") was adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. At the annual general meeting held on 8 September 2016, the shareholders of the Company had approved the termination of the Share Option Scheme and the adoption of a new share option scheme (the "New Share Option Scheme"). The New Share Option Scheme became effective from 8 September 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors and employees of the Group. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme. No option had been granted under the New Share Option Scheme since its date of adoption.

(c) Share award scheme

A share award scheme was adopted by the Board of Directors on 28 October 2015. Core Pacific-Yamaichi International (H.K.) Limited was the Trustee for the benefit of the directors and employees.

The share award scheme shall be valid and effective for a term of 10 years commencing on 28 October 2015.

Shares held by the Trustee under the share award scheme are listed below:

	Number of shares	Amount HK\$'000
As at 1 April 2015 and 2016	2,277,500	973
Shares purchased	57,512,500	31,473
As at 31 March 2017	59,790,000	32,446

None of the shares held by the Trustee has been granted to any of the directors or employees of the Group during the year ended 31 March 2017 and 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

21 Reserves

	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000 (Note i)	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Perpetual Convertible Securities HK\$'000	Available- for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016	500,208	138	13,771	75,914	197,994	25,788	85,401	(1,135)	742,248	1,640,327
Profit for the year	-	-	-	-	-	-	-	-	136,789	136,789
Currency translation difference	-	-	-	(118,000)	-	-	-	-	-	(118,000)
Change in value of available- for-sale financial assets (Note 16)	-	-	-	-	-	-	-	243	-	243
Change in fair value of property, plant and equipment (Note 8)	-	-	-	-	-	16,518	-	-	-	16,518
Realisation upon disposal of a subsidiary (Note 26)	-	-	-	1,339	-	-	-	-	-	1,339
Transfer to retained earnings upon lapse of share options	-	(138)	-	-	-	-	-	-	138	-
Transferral upon disposal of a subsidiary	-	-	-	-	(1,183)	-	-	-	1,183	-
Interim dividend paid (Note 32)	-	-	-	-	-	-	-	-	(20,398)	(20,398)
Distribution to perpetual convertible securities owner	-	-	-	-	-	-	-	-	(1,045)	(1,045)
Transfer to reserve	-	-	-	-	11,876	-	-	-	(11,876)	-
At 31 March 2017	500,208	-	13,771	(40,747)	208,687	42,306	85,401	(892)	847,039	1,655,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

21 Reserves (Continued)

	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000 (Note i)	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Perpetual Convertible Securities HK\$'000	Available- for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	498,607	889	13,771	188,665	191,968	4,747	85,401	(1,388)	747,564	1,730,224
Profit for the year	-	-	-	-	-	-	-	-	710	710
Currency translation difference	-	-	-	(112,751)	-	-	-	-	-	(112,751)
Change in value of available- for-sale financial assets (Note 16)	-	-	-	-	-	-	-	253	-	253
Change in fair value of property, plant and equipment (Note 8)	-	-	-	-	-	21,041	-	-	-	21,041
Issue of shares upon exercise of share options	850	-	-	-	-	-	-	-	-	850
Transfer to share premium upon exercise of share options	751	(751)	-	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	6,026	-	-	-	(6,026)	-
At 31 March 2016	500,208	138	13,771	75,914	197,994	25,788	85,401	(1,135)	742,248	1,640,327

Notes:

- (i) Share reserve represents the difference between the share capital and reserves of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition of subsidiaries at the time of corporate reorganisation.
- (ii) The statutory reserve is the reserve of the Company's subsidiaries operating as foreign investment enterprises in the PRC. The use of this reserve is governed by relevant regulations of the PRC and the articles of association of these subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

22 Borrowings

The borrowings of the Group comprise:

	2017 HK\$'000	2016 HK\$'000
Non-current		
Bank borrowings	458,561	736,548
Current		
Bank borrowings	806,957	724,995
Trust receipt loans	152,347	95,247
	959,304	820,242
	1,417,865	1,556,790
Secured:		
Bank borrowings	354,296	366,995
Trust receipt loans	30,754	14,976
	385,050	381,971
Unsecured:		
Bank borrowings	911,222	1,094,548
Trust receipt loans	121,593	80,271
	1,032,815	1,174,819
	1,417,865	1,556,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

22 Borrowings (Continued)

At 31 March 2017 and 2016, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Within 1 year	152,347	95,247	777,104	682,094	929,451	777,341
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	–	–	423,794	295,432	423,794	295,432
After 2 years but within 5 years	–	–	64,620	468,350	64,620	468,350
After 5 years	–	–	–	15,667	–	15,667
	–	–	488,414	779,449	488,414	779,449
	152,347	95,247	1,265,518	1,461,543	1,417,865	1,556,790

Note:

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 March	
	2017 HK\$'000	2016 HK\$'000
HK\$	556,739	476,623
US\$	411,641	460,048
RMB	362,807	453,748
EUR	56,156	114,987
Other currencies	30,522	51,384
	1,417,865	1,556,790

The borrowings of approximately HK\$362,807,000 and HK\$453,747,000 as at 31 March 2017 and 31 March 2016, respectively, were borrowed from banks in The People's Republic of China ("PRC") by subsidiaries of the Group that are incorporated or established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

22 Borrowings (Continued)

The effective interest rates at the statement of financial position date are as follows:

	As at 31 March 2017					As at 31 March 2016				
	US\$	HK\$	RMB	EUR	TWD	US\$	HK\$	RMB	EUR	TWD
Bank borrowings	4.13%	3.60%	5.62%	5.38%	3.00%	3.46%	3.32%	6.19%	5.10%	2.86%
Trust receipt bank loans	3.45%	3.23%	5.22%	2.34%	2.66%	3.22%	2.90%	5.22%	3.20%	2.82%

The carrying amount of the assets of the Group is pledged to secure its borrowings and financial guarantees are as follows:

	2017 HK\$'000	2016 HK\$'000
Restricted bank balances	87,493	76,631
Land use rights	114,726	127,222
Investment properties	15,700	14,100
Property, plant and equipment	284,015	325,066
Bills receivables	229,999	–
Available-for-sale financial assets	7,665	7,422
	739,598	550,441

23 Trade and bills payables, other payables, deposits and accruals

	2017 HK\$'000	2016 HK\$'000
Trade payables	631,232	527,495
Bills payables	223,446	52,497
Trade and other deposits and receipts in advance	181,151	195,988
Accrued salaries, bonuses and staff benefits	74,688	77,732
Accrued sales commission	32,408	28,443
Value added tax payable	34,356	39,029
Others	156,309	132,164
	1,333,590	1,053,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

23 Trade and bills payables, other payables, deposits and accruals (Continued)

The following is the ageing analysis of the trade payables:

	2017 HK\$'000	2016 HK\$'000
Within 90 days	554,723	394,052
91 – 180 days	61,204	102,213
181 – 365 days	7,928	22,480
Over one year	7,377	8,750
	631,232	527,495

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
US\$	4,513	3,003
HK\$	9,942	8,789
RMB	662,417	337,363
EUR	161,946	221,609
Taiwan dollars	15,854	9,218
Other currencies	6	10
	854,678	579,992

The maturity dates of the bills payables are generally between one month to six months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

24 Revenue and other income

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sales of die-casting machine	2,241,147	2,184,813
Sales of plastic injection moulding machine	848,573	498,525
Sales of CNC machining centre	135,061	139,486
	3,224,781	2,822,824
Other income		
Value added tax refund	19,657	16,814
Other subsidies from government	8,542	36,700
Rental income	9,216	6,715
Sundry income	5,167	7,280
	42,582	67,509
Total revenue and other income	3,267,363	2,890,333

25 Other gains – net

	2017 HK\$'000	2016 HK\$'000
Net foreign exchange loss	(15,177)	(8,324)
Increase in fair value of investment properties (<i>Note 8</i>)	29,141	13,229
Loss on disposals of property, plant and equipment	(1,904)	(508)
Others	(2,819)	–
	9,241	4,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

26 Gain/(loss) on disposal of a subsidiary/subsidiaries

During the year ended 31 March 2017, the Group disposed of its entire equity interest in Shanghai Prex Mfg. Co., Ltd. ("Shanghai Prex") at a consideration of RMB76,000,000 (equivalent to approximately HK\$88,372,000), payable in five instalments. Shanghai Prex is principally engaged in the provision of advisory services, manufacturing and sales of peripheral equipment in the PRC. As a result of the disposal, a gain of approximately HK\$45,712,000 has been recognised in the consolidated income statement. The effect of the disposal is summarised as follows:

	HK\$'000
Property, plant and equipment (<i>Note 7</i>)	2,250
Deferred tax assets (<i>Note 13</i>)	1,184
Inventories	9,656
Trade and other receivables	25,995
Cash and cash equivalents	6,626
Bank borrowings	(323)
Trade payables, other payables and accruals	(22,328)
Tax payables	(1,131)
Net assets disposed	21,929
Goodwill (<i>Note 6</i>)	9,606
Expenses attributable to the disposal	199
Exchange translation reserve transferred to the consolidated income statement (<i>Note 21</i>)	1,339
Tax on disposal gain	7,274
Net gain on disposal	45,712
Total consideration to be satisfied by cash, discounted at present value (before tax)	86,059
Tax on disposal gain	(7,274)
Total consideration to be satisfied by cash (after tax)	78,785
Consideration receivable, included in other receivables and deposits	(33,036)
Consideration received	45,749
Cash and cash equivalents disposed of	6,626
Net proceeds on disposal of a subsidiary	39,123

During the year ended 31 March 2016, the Group disposed of its 53.5% equity interest in Expresso Satellite Navigation Limited at a consideration of HK\$1. Expresso Satellite Navigation Limited had a 100% equity interest in Expresso Satellite Navigation Inc., a company principally engaged in sales of global positioning system devices. As a result of the disposal, a loss of approximately HK\$3,506,000 had been recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

27 Expenses by nature

	2017 HK\$'000	2016 HK\$'000
Raw materials and consumables used	1,812,019	1,459,938
Change in inventories of finished goods and work in progress	74,687	185,667
Staff costs (Note 28)	546,419	510,190
Amortisation of land use rights	6,747	7,542
Amortisation of trademarks ¹	136	132
Amortisation of patents ¹	214	214
Amortisation of development costs and others ²	4,839	4,710
Depreciation of property, plant and equipment (Note 7)	117,595	109,337
Research costs	20,759	22,802
Transportation expenses	60,538	89,334
Auditor's remuneration		
– Audit services	3,161	3,011
– Non-audit services	612	525
Provision for impairment of trade receivables – net (Note 14)	27,353	10,256
Provision for inventories write-down ²	38,716	11,513
Loss on financial guarantee contracts (Note 35)	113	5,992
Other expenses	349,390	377,618
	3,063,298	2,798,781
Represented by:		
Cost of sales	2,407,112	2,123,122
Selling and distribution expenses	302,566	345,440
General and administrative expenses	353,620	330,219
	3,063,298	2,798,781

¹ Included in general and administrative expenses

² Included in cost of sales

28 Employee benefit expenses (including directors' emoluments)

	2017 HK\$'000	2016 HK\$'000
Wages and salaries	481,358	435,857
Compensation for loss of office	1,211	5,366
Retirement scheme contributions	46,553	46,252
Other allowances and benefits	17,297	22,715
	546,419	510,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

28 Employee benefit expenses (including directors' emoluments) (Continued)

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2017:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits (Note (i)) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remuneration paid or receivable in respect of accepting office as director HK\$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK\$'000	Total HK\$'000
Executive Directors									
Chong Siw Yin	-	3,900	-	-	-	18	-	-	3,918
Liu Zhuo Ming	-	600	-	-	-	18	-	-	618
Tse Siu Sze	-	1,484	-	-	-	18	-	-	1,502
Wang Xinliang	-	1,555	747	-	-	88	-	-	2,390
	-	7,539	747	-	-	142	-	-	8,428
Non-Executive Director									
Han Jie	220	-	-	-	-	-	-	-	220
Independent Non-Executive Directors									
Low Seow Chay	310	-	-	-	-	-	-	-	310
Lui Ming Wah	310	-	-	-	-	-	-	-	310
Tsang Yiu Keung	310	-	-	-	-	-	-	-	310
	930	-	-	-	-	-	-	-	930
Total	1,150	7,539	747	-	-	142	-	-	9,578

Note: Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

Note (i): Other benefits include leave pay, share options and insurance premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

28 Employee benefit expenses (including directors' emoluments) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2016:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits (Note (i)) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remuneration paid or receivable in respect of accepting office as director HK\$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK\$'000	Total HK\$'000
Executive Directors									
Chong Siw Yin	-	3,900	-	-	-	18	-	-	3,918
Cao Yang (Resigned with effect on 1 April 2016)	-	1,952	-	-	-	248	-	-	2,200
Liu Zhuo Ming	-	600	-	-	-	18	-	-	618
Tse Siu Sze	-	1,495	-	-	-	18	-	-	1,513
Wang Xinliang	-	1,539	1,146	-	-	96	-	-	2,781
	-	9,486	1,146	-	-	398	-	-	11,030
Non-Executive Director									
Han Jie	220	-	-	-	-	-	-	-	220
Independent Non-Executive Directors									
Low Seow Chay	310	-	-	-	-	-	-	-	310
Lui Ming Wah	310	-	-	-	-	-	-	-	310
Tsang Yiu Keung	310	-	-	-	-	-	-	-	310
	930	-	-	-	-	-	-	-	930
Total	1,150	9,486	1,146	-	-	398	-	-	12,180

Note: Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

Note (i): Other benefits include leave pay, share options and insurance premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

28 Employee benefit expenses (including directors' emoluments) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings HK\$'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK\$'000	Total HK\$'000
For the year ended 31 March 2017	1,150	8,428	9,578
For the year ended 31 March 2016	1,150	11,030	12,180

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial year ended 31 March 2017.

On 30 March 2016, the Board announced the termination of the appointment of Mr. Cao Yang as a director of the Company and a subsidiary. The payments to Mr. Cao Yang as compensation for the early termination of the appointment are as follows:

	Payable by:		Total HK\$'000
	the Company HK\$'000	the subsidiary of the Company HK\$'000	
For the year ended 31 March 2016			
For the loss of office as a director	3,317	2,049	5,366
For the loss of any other office in connection with the management of the affairs of the Company and its subsidiary	–	–	–
	3,317	2,049	5,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

28 Employee benefit expenses (including directors' emoluments) (Continued)

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

During the year ended 31 March 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

(d) 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 2017, there was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2016: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company'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 (2016: Nil).

(f) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2016: four) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2016: one) individuals were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other allowances	4,305	2,597
Retirement scheme contributions	948	954
	5,253	3,551

The emoluments fell within the following bands:

	2017	2016
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	–
HK\$3,500,001 – HK\$4,000,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

29 Finance costs – net

	2017 HK\$'000	2016 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(3,274)	(2,807)
Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	66,060	83,915
Charges on bills receivables discounted without recourse	1,574	2,256
Less: Capitalised in property, plant and equipment (<i>Note i</i>)	(1,753)	(14,713)
	65,881	71,458
	62,607	68,651

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.10% (2016: 4.28%) to expenditure on qualifying assets.

30 Income tax expense

	2017 HK\$'000	2016 HK\$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	52,687	12,432
– Overseas tax	23,879	5,551
– Hong Kong profits tax	–	–
– Under-provision in prior years	–	475
Deferred income tax (<i>Note 13</i>)	76,566	18,458
	(16,029)	4,628
Tax charge	60,537	23,086

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2016: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai, Kunshan and Fuxin were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

30 Income tax expense (Continued)

Under the Corporate Income Tax Law of the PRC, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. The implementation rules of the Corporate Income Tax Law of the PRC provide for the withholding income tax on such dividend to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. Provision for such withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2017 as the subsidiaries established in Hong Kong have no assessable profits for the current year (2016: Nil).

For the year ended 31 March 2017, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operates.

A reconciliation of the tax charge applicable to profit before income taxes using the applicable tax rates for relevant tax jurisdictions to the tax expense is as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	197,178	23,309
Tax calculated at applicable tax rates in the respective jurisdictions	65,274	15,981
Effect of preferential tax rates applicable to relevant jurisdictions	(26,913)	(9,247)
Tax effects of:		
– Tax concession	(2,627)	(2,447)
– Income not subject to tax	(11,292)	(2,945)
– Expenses not deductible for tax purposes	11,465	11,661
– Undistributed profits of subsidiaries in the PRC	7,100	–
Tax effect of unrecognised tax losses	17,530	9,608
Under-provision in prior years	–	475
Tax charge	60,537	23,086

The weighted average tax rate was 19.5% (2016: 28.9%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

There was no tax charge relating to components of other comprehensive income for the years ended 31 March 2017 and 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

31 Earnings per share

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company of HK\$136,789,000 (2016: HK\$710,000) and on the weighted average number of approximately 1,112,318,000 (2016: 1,132,679,000) ordinary shares in issue excluding own shares held during the year.

	2017	2016
Profit attributable to owners of the Company (HK\$'000)	136,789	710
Weighted average number of ordinary shares in issue (thousands)	1,112,318	1,132,679
Basic earnings per share (HK cents)	12.3	0.06

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and excluding own shares held during the year. The Company has one (2016: two) category of dilutive potential ordinary shares: perpetual convertible securities (2016: perpetual convertible securities and share options). The perpetual convertible securities are assumed to have been converted into ordinary shares. Shares issuable under the share option schemes of the Company are the dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

31 Earnings per share (Continued)

(b) Diluted (Continued)

	2017	2016
Profit attributable to owners of the Company (HK\$'000)	136,789	710
Weighted average number of ordinary shares in issue (thousands)	1,112,318	1,132,679
Assumed conversion of perpetual convertible securities (thousands)	58,000	58,000
Adjustment for share options (thousands) (Note)	–	–
Weighted average number of ordinary shares of diluted earnings per share (thousands)	1,170,318	1,190,679
Diluted earnings per share (HK cents)	11.7	0.06

Note:

There was no outstanding share option as at 31 March 2017. During the year ended 31 March 2016, the conversion of share options outstanding would have an anti-dilutive effect.

32 Dividends

The dividend paid in the year ended 31 March 2017 was HK\$20,398,000 (HK1.8 cents per ordinary share) (2016: Nil). A final dividend in respect of the year ended 31 March 2017 of HK1.6 cents per ordinary share, amounting to a total dividend of HK\$18,132,000, are to be proposed at the forthcoming annual general meeting on 7 September 2017 (2016: Nil). These consolidated financial statements do not reflect these dividends payables.

	2017 HK\$'000	2016 HK\$'000
Proposed final dividend	18,132	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

33 Cash generated from operations

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	197,178	23,309
Adjustments for:		
Depreciation and amortisation	129,531	121,935
Increase in fair value of investment properties	(29,141)	(13,229)
Bank interest income	(3,274)	(2,807)
Interests on bank borrowings	65,881	71,458
Provision for impairment of trade receivables – net	27,353	10,256
Provision for inventories write-down	38,716	11,513
Loss on disposals of other property, plant and equipment	1,904	508
(Gain)/loss on disposal of a subsidiary/subsidiaries	(45,712)	3,506
Share of (profit)/loss of an associate	(767)	483
Operating profit before changes in working capital	381,669	226,932
(Increase)/decrease in inventories	(16,059)	227,129
(Increase)/decrease in trade and bills receivables	(148,684)	42,476
(Increase)/decrease in other receivables, prepayments and deposits	(6,332)	42,789
Increase/(decrease) in trade and bills payables, other payables, deposits and accruals	249,737	(180,053)
Increase in restricted bank balances	(14,654)	(10,697)
Cash generated from operations	445,677	348,576

In the statement of cash flows, proceeds from disposals of other property, plant and equipment comprise:

	2017 HK\$'000	2016 HK\$'000
Net book amount (<i>Note 7</i>)	3,296	2,148
Loss on disposals of other property, plant and equipment (<i>Note 25</i>)	(1,904)	(508)
Proceeds from disposals of other property, plant and equipment	1,392	1,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

34 Commitments

(a) Capital commitments

	2017 HK\$'000	2016 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	8,098	19,080
Other commitments	225	238
	8,323	19,318

(b) Operating lease commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of buildings under non-cancellable operating leases which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Leases payable:		
Within one year	12,110	12,602
In the second to fifth year inclusive	42,254	36,840
After the fifth year	13,891	29,946
	68,255	79,388

The Group leases a number of properties under operating leases. The leases generally run for an initial period of one to five years, and the majority of lease agreements are renewable at the end of the lease period at market rate. None of the leases includes contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

34 Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group as lessor

The Group leases out the investment properties and certain machinery under operating leases. The leases generally run for an initial period of one to five years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	2017 HK\$'000	2016 HK\$'000
Leases receivable:		
Within one year	8,953	11,913
In the second to fifth year inclusive	11,515	19,584
After the fifth year	203	981
	20,671	32,478

35 Financial guarantees

	2017 HK\$'000	2016 HK\$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	311,428	231,962

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$1,026,188,000 (31 March 2016: HK\$749,862,000) which are granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks. Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products. The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

35 Financial guarantees (Continued)

During the year ended 31 March 2017, the Group recognised a loss of approximately HK\$113,000 (31 March 2016: HK\$5,992,000), as a result of the default positions of certain of these customers. As at 31 March 2017, there was no provision for loss on financial guarantee contracts (31 March 2016: provision for loss on financial guarantee contracts amounted to approximately HK\$75,000).

The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 31 March 2017 amounted to approximately HK\$39,658,000 (31 March 2016: HK\$32,274,000).

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK\$1,706,978,000 (31 March 2016: HK\$1,703,760,000). The facilities utilised by the subsidiaries as at 31 March 2017 amounted to HK\$1,217,812,000 (31 March 2016: HK\$1,194,120,000).

36 Related party transactions Key management compensation

The remuneration of directors and other members of key management personnel during the year were as follows:

	2017 HK\$'000	2016 HK\$'000
Wages and salaries, other allowances and benefits	22,102	22,178
Retirement scheme contributions	1,219	1,459
Compensation for loss of office	–	5,366
	23,321	29,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

37 Statement of financial position and reserve movement of the Company Statement of financial position of the Company

	Note	As at 31 March	
		2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investments in subsidiaries		65,000	65,000
Current assets			
Other receivables, prepayments and deposits		208	129
Amounts due from subsidiaries		693,849	632,849
Cash and cash equivalents		8,812	4,160
Total current assets		702,869	637,138
Total assets		767,869	702,138
Equity			
Share capital		113,327	113,327
Shares held for share award scheme	20(c)	(32,446)	(973)
Reserves	(a)	605,977	582,308
Total equity		686,858	694,662
Current liabilities			
Other payables, deposits and accruals		4,113	7,476
Amount due to a subsidiary		76,898	–
		81,011	7,476
Total equity and liabilities		767,869	702,138

The statement of financial position of the Company was approved by the Board of Directors on 29 June 2017 and was signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

37 Statement of financial position and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Perpetual convertible securities HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	498,607	889	85,401	14,155	599,052
Loss for the year	-	-	-	(17,594)	(17,594)
Exercise of share option	850	-	-	-	850
Transfer from share option reserve to share premium	751	(751)	-	-	-
At 1 April 2016	500,208	138	85,401	(3,439)	582,308
Profit for the year	-	-	-	45,112	45,112
Lapse of share option	-	(138)	-	138	-
Interim dividend paid	-	-	-	(20,398)	(20,398)
Distribution to perpetual Convertible securities owner	-	-	-	(1,045)	(1,045)
At 31 March 2017	500,208	-	85,401	20,368	605,977

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	3,224,781	2,822,824	3,145,258	2,653,436	2,559,969
Profit before income tax	197,178	23,309	130,133	84,966	51,382
Income tax expense	(60,537)	(23,086)	(25,049)	(14,964)	(18,051)
Profit for the year	136,641	223	105,084	70,002	33,331
Profit attributable to:					
Owners of the Company	136,789	710	105,159	70,624	33,706
Non-controlling interests	(148)	(487)	(75)	(622)	(375)
	136,641	223	105,084	70,002	33,331
	As at 31 March				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Assets and liabilities					
Total assets	4,561,766	4,404,849	4,637,374	4,334,283	4,109,800
Total liabilities	(2,823,120)	(2,650,028)	(2,793,769)	(2,580,124)	(2,390,602)
	1,738,646	1,754,821	1,843,605	1,754,159	1,719,198
Equity attributable to owners of the Company	1,736,654	1,752,681	1,843,401	1,753,880	1,718,297
Non-controlling interests	1,992	2,140	204	279	901
	1,738,646	1,754,821	1,843,605	1,754,159	1,719,198