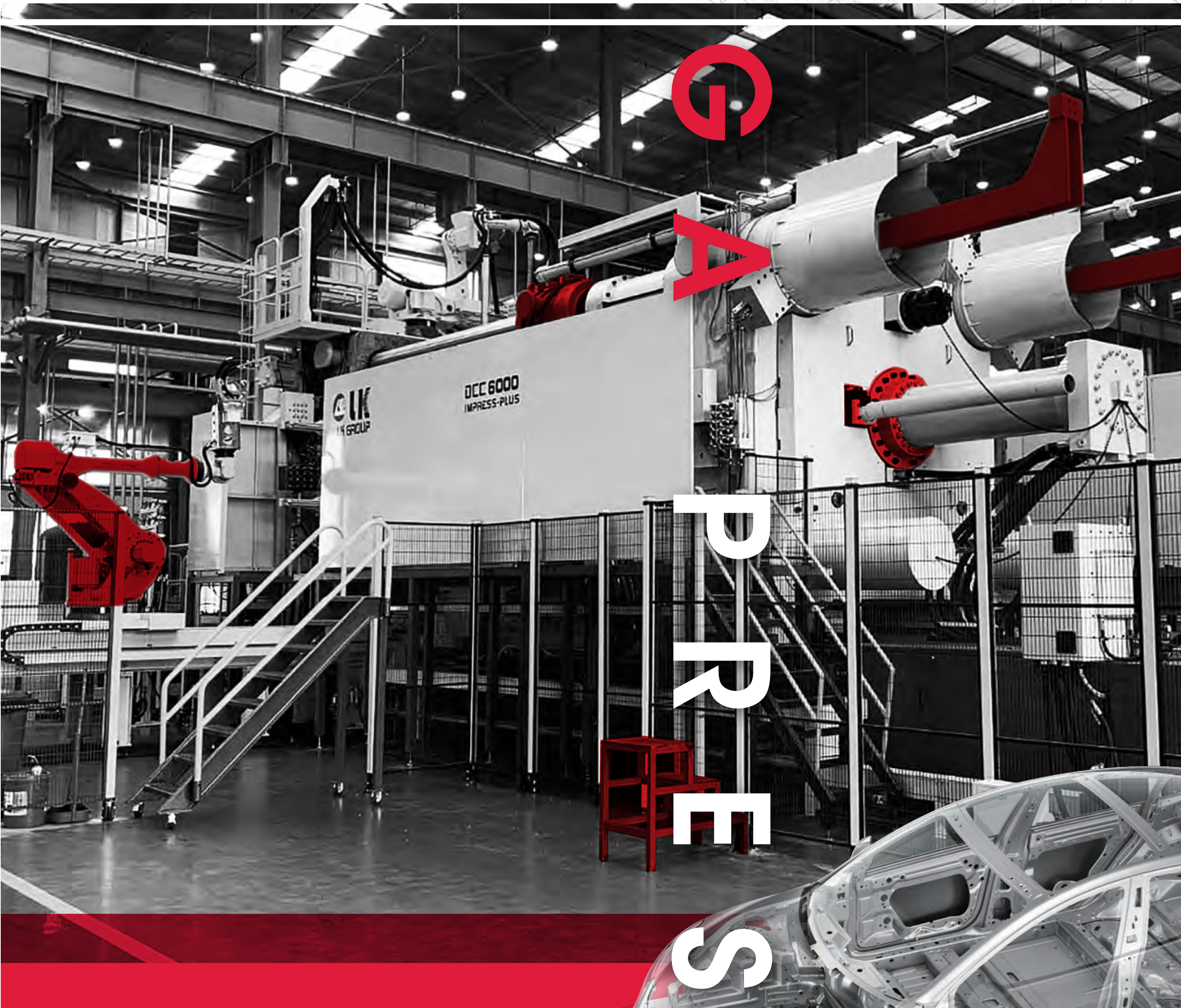
力勁科技集團有限公司
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)

GIGA PRESS



ANNUAL REPORT
2020/21 • 年報

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Miss Chung Wing Man

AUTHORISED REPRESENTATIVES

Ms. Chong Siw Yin
Miss Chung Wing Man

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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

China Construction Bank (Asia) Corporation Limited
Bank of China
Intesa Sanpaolo Spa

STOCK CODE

558

WEBSITE

www.lk.world

STRIKE FOR THE BEST

精 益 求 精

CONTENTS


CONSTANTLY
BRING FORTH NEW
IDEAS
不 斷 創 新

CORPORATE PROFILE

SINGLE-HEARTED

一絲不苟

DEVOTION

L.K. Technology Holdings Limited (the "Company") is one of the world's largest die-casting machine manufacturers. The Group engages in the design, manufacture and sale of three product lines, i.e. die-casting machine, plastic injection moulding machine and computerised numerical controlled (CNC) machining centre. The Group has manufacturing bases and R&D centres in Shenzhen, Zhongshan, Ningbo, Shanghai, Fuxin, Kunshan and Taiwan in China 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.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") 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 2021 (the "Year").

The Group recorded HK$4,021,206,000 of revenue for the Year, representing a year-on-year increase of 46.4%. Profit attributable to equity holders of the Group reached HK$343,667,000.

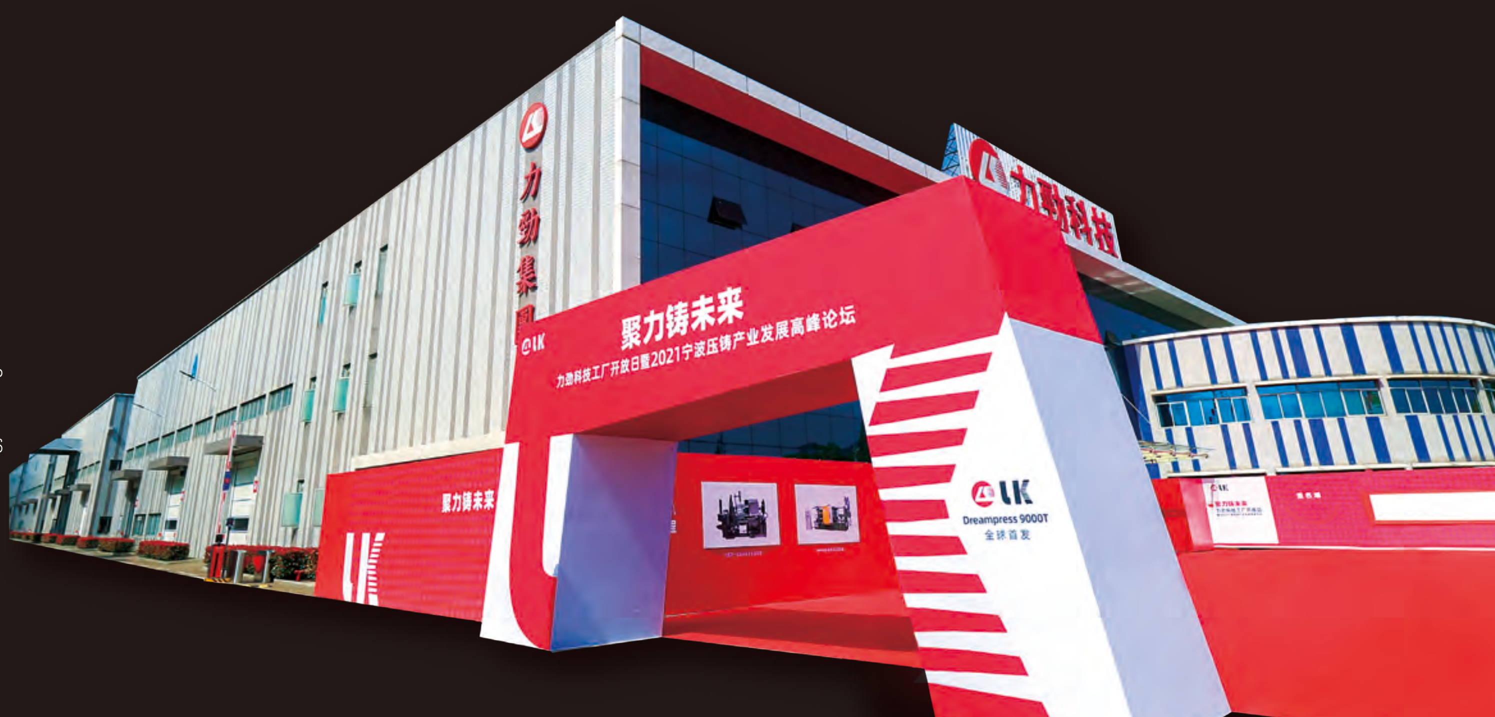
The sudden outbreak of COVID-19 in 2020 dealt a severe blow to the industrial equipment industry. The Chinese government proactively adopted stringent prevention and control measures to contain the pandemic from further spreading. With the pandemic initially come under control and driven by the policy on resumption of work and production, the Chinese economy witnessed a rapid recovery. The entire staff of the Group rose to the challenge by firmly implementing the decisions and arrangements of the management and expediting the change in our marketing approach, and achieved better-than-expected overall performance.

During the Year, we continued to deliver die-casting machines with the largest tonnage in the world to internationally leading new energy vehicle enterprises, making great contributions to advancing the production process of new energy vehicles.

Going forward, to be carbon neutral will be the core philosophy driving the accomplishment of the energy revolution across the globe. We consider that vehicle electrification offers a path to the future energy revolution, and the key indispensable solution lies in light new energy vehicles. As one of the few leading global enterprises possessing the core die-casting technology for new energy vehicles to date, we will further push forward the launch of new products promptly to boost market competitiveness and formulate multi-dimensional die-casting solutions for new energy vehicles for the entire process.

Finally, 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 2021



MANAGEMENT DISCUSSION AND ANALYSIS

專心致志

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK$4,021,206,000 for the year ended 31 March 2021 (the "Year"), representing an increase of approximately 46.4% as compared to last year. Profit attributable to owners of the Company amounted to HK$343,667,000, representing a significant increase as compared to profit of HK$3,278,000 of last year.

The Group's revenue from the China market for the Year amounted to HK$3,104,819,000, representing a year-on-year increase of 54.1%.

In 2020, the COVID-19 pandemic swept across the world, greatly affecting on the global economy, safety and development momentum. Commencing from the second quarter of 2020, in the face of the severe challenges brought about by the COVID-19 pandemic and the complex and ever-changing international and domestic environment, China's pandemic prevention and control continued to improve, the resumption of work, production, trading, and business activities accelerated, and the overall economy declined initially but recovered subsequently. According to statistics from the National Bureau of Statistics, main indicators grew restoratively, the economic operation steadily recovered, market expectation was overall positive, and the general social development was stable.

The automobile industry in China was hard hit by the pandemic, but the sales volume has shown a V-shape growth trajectory in 2020. Since the second quarter, thanks to the effective control of the pandemic, the pace of work and production resumption by enterprises has accelerated. Driven by policies of various regions to promote automobile consumption, automobile sales recovered steadily since the second quarter, and the overall performance exceeded expectation. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles in 2020 were 25.225 million and 25.311 million, respectively, representing a year-on-year decrease of 2.0% and 1.9% respectively as compared to the same period last year. However, the production and sales volume of vehicles extended upward momentum on a month-by-month basis and maintained a positive development trend.

The Group's revenue from the overseas market for the Year amounted to HK$916,387,000, representing a year-on-year increase of 25.4%. The COVID-19 pandemic has been under effective control in certain overseas countries since spreading. Besides, the continuous demand for super-large die-casting machine by overseas new energy automobile enterprises effectively eliminated the overall difficulties in overseas markets.

Die-casting Machine

The Group's revenue from the die-casting machine and peripheral equipment business for the Year amounted to HK$2,657,244,000, representing a year-on-year increase of 40.6%.

Specifically, the revenue from the PRC market was HK$1,865,589,000, representing an increase of 46.8% as compared to the same period last year. During the Year, the finished automobiles industry in China grew in a distinctive V-shape trajectory, driving the development of the automotive components industry. As the construction of 5G networks accelerated, investments in infrastructure increased markedly, fuelling the fast growth of the communications-related components industry. The investment by manufacturers in new equipment notably recovered.

Plastic Injection Moulding Machine

During the Year, the revenue of the plastic injection moulding machine business of the Group was HK$1,245,546,000, representing an increase of 64.7% as compared to the same period last year. Downstream industries of plastic injection moulding machine, such as medical care, packaging, small home appliances, and daily necessities, saw sound demands. The investment by manufacturers in new equipment notably recovered.

Computerised Numerical Controlled (CNC) Machining Centre

During the Year, the revenue of the Group's CNC machining centre business was HK$118,416,000, representing an increase of 19.0% as compared to the same period last year. As the Group endeavoured to reduce operating costs and enhance inventory management, the loss was further under control during the Year.

FINANCIAL REVIEW

The overall gross profit margin of the Group's business for the Year was 27.7%, representing an increase of 1.5% from the corresponding period last year, primarily attributable to the improvement in operating efficiency.

Selling and distribution expenses amounted to HK$366,475,000, representing an increase of 26.0% as compared to the corresponding period last year, which was mainly due to the increase in employee salary and transportation costs.

General and administrative expenses amounted to HK$344,468,000, representing an increase of 3.3% as compared to the corresponding period last year, which was mainly due to the increase in employee salary.

Net finance costs amounted to HK$48,570,000, representing a decrease of 39.2% as compared to the corresponding period last year, which was mainly due to a decrease in interest expense stemming from a significant decrease in bank loans.

PROSPECTS

In 2021, global economy and business environment will still be subject to harsh challenges and pressure. Lingering pandemic and sporadic occurrence of cases infected by COVID-19 variance in the short term around the world obstructed economic recovery. Overall, the economic growth is expected to pick up in the second half of 2021 with the increase of vaccination rates across various regions and the further relief of the pressure from global pandemic.

China is forging a new development landscape by continuously expanding domestic demands so that production, allocation, distribution, and spending will rely more on the domestic market, thereby creating a virtuous cycle for the national economy. Currently, the Group has strong level of orders on hand, and its production is intense yet orderly and thus it is optimistic about business sustainability.

The Group will continue to focus on the research and development of technologies for die-casting machine, plastic injection moulding machine and CNC machining centre, striving for breakthroughs to satisfy customers' ever-changing demands and establish new foundation for its sustainable development.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Ms. Chong Siw Yin, aged 65, 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 33 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 35, is the Chief Executive Officer and an Executive Director of the Company. Mr. Liu joined the Group in October 2008 and has served in 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 controlling shareholder of the Company).

Mr. Tse Siu Sze, aged 53, is an Executive Director of the Company. Mr. Tse joined the Group in July 1990 and has served in 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. and Ningbo L.K. Machinery Co. Ltd. Mr. Tse has over 30 years of experience in production management, sales and marketing.

Dr. Low Seow Chay, aged 71, 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 two publicly listed companies in Singapore, namely CASA Holdings Limited and Hor Kew Corporation Limited. Dr. Low received a Doctor of Philosophy Degree from The University of Manchester, U.K.

Dr. Lui Ming Wah, *PhD, SBS*, *JP*, aged 83, 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 and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association, Honorary President of Federation of HK Shandong Community Organisations Limited, Adviser Prof. of Shandong University. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. Dr. Lui was also member of the tenth and eleventh National Committee of the Chinese People's Political Consultative Conference, Member of standing Shandong Provincial Committee of C.P.P.C.C., Advisory board member of the Hong Kong International Arbitration Center, President of The Hong Kong Association for the Advancement of Science and Technology and Advisor of Hong Kong Affairs. He is the managing director of Keystone Electronics Co., Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited and Gold Peak Industries (Holdings) Limited (both 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. He completed the "Hong Kong Senior Staff Course No. 1, 1984". He is a Fellow of The Hong Kong Institute of Directors.

Mr. Tsang Yiu Keung, Paul, aged 67, has been an Independent Non-executive Director of the Company since 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic University. He is 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 joined KPMG in 1975 and retired as a senior banking partner in 2003. Mr. Tsang is an Independent Non-executive Director of Guotai Junan International Holdings Limited, a listed company on the Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Mr. Riccardo Ferrario, aged 64, 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 35 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 was member of the board of High Pressure Die Casting Technology of AIM (Italian Metallurgical Association). Mr. Ferrario is President of AMAFOND (Italian Foundry Supplier Association) from July 2020 and is well known in the aluminum and magnesium foundry community worldwide.

Ms. Pan Lingling, aged 50, is the general manager and a director of Shenzhen Leadwell Technology Co. Ltd. Ms. Pan joined the Group in October 2002. She has been the general manager and a director of Shenzhen Leadwell Technology Co. Ltd. since April 2017. Ms. Pan has wealth of experience in research and development management, human resources management and market development. She is currently the Vice President of China Shenzhen Machinery Association, Member of Longhua District of Shenzhen Municipal Committee of the CPPCC and Vice President of Shenzhen Women Entrepreneurs Association. Ms. Pan possesses a postgraduate qualification in Economics and Management.

Mr. Hu Zaoren, aged 49, joined the Group in April 1995 and has served in a number of positions in the Group. He is currently the general manager of Shanghai Atech Machinery Co. Ltd. Mr. Hu has rich experience in production, marketing and after-sale services management. Mr. Hu holds a Bachelor's degree in Business Administration with specialty in Mechatronic.

Mr. Zhang Jun, aged 41, is the general manager of Ningbo L.K. Technology Co. Ltd. Mr. Zhang joined the Group in July 2000 and has served in various positions including customer services supervisor, customer services manager, sales manager and marketing director. He was appointed as the general manager of Ningbo L.K. Technology Co. Ltd. in July 2019. Mr. Zhang has over 20 years of experience in customer services, sales management and market development.

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 Corporate Governance Code (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 2021.

BOARD OF DIRECTORS

The Board currently comprises three Executive Directors 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 9 to 10 of this 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 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. Liu Zhuo Ming is the Chief Executive Officer. 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 *(Chairperson)*	(i)
Mr. Liu Zhuo Ming *(Chief Executive Officer)*	(i)
Mr. Tse Siu Sze	(i)
Independent Non-executive Directors	
Dr. Low Seow Chay	(i)
Dr. Lui Ming Wah, *PhD, SBS*, *JP*	(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

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				
	Board meeting	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**Annual General 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	0/1
Independent Non-executive Directors					
Dr. Low Seow Chay	5/5	2/2	1/1	1/1	0/1*
Dr. Lui Ming Wah, *PhD, SBS, JP*	5/5	2/2	1/1	1/1	1/1
Mr. Tsang Yiu Keung, Paul	5/5	2/2	1/1	1/1	1/1

* As the COVID-19 situation continued, Dr. Low was not able to attend the annual general meeting in person.

In addition, the Chairperson of the Board met one time during the Year with all the Independent Non-executive Directors without the presence of the Executive Directors on 27 November 2020.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Dr. Lui Ming Wah, Mr. Tsang Yiu Keung, Paul and Dr. Low Seow Chay. 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 Executive Directors and made recommendations to the Board.

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 2021 is as follows:

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

Details of the remuneration of each Director for the year ended 31 March 2021 are set out in Note 27 to the financial statements.

Nomination Committee

The Nomination Committee currently comprises three Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul. 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 and recommended the renewal of the service contracts of Executive Directors. 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 three Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Dr. Low Seow Chay. 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.

During the Year, the Audit Committee held two meetings with the Executive Directors, representatives of the management, the internal auditors and the external auditor of the Company to discuss the auditing, financial reporting, operational performance 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 internal audit department 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 2021 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	Fee paid/payable HK$'000
Audit services	3,250
Non-audit services	808
	4,058

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.

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 2021.

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 pages 29 to 33.

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

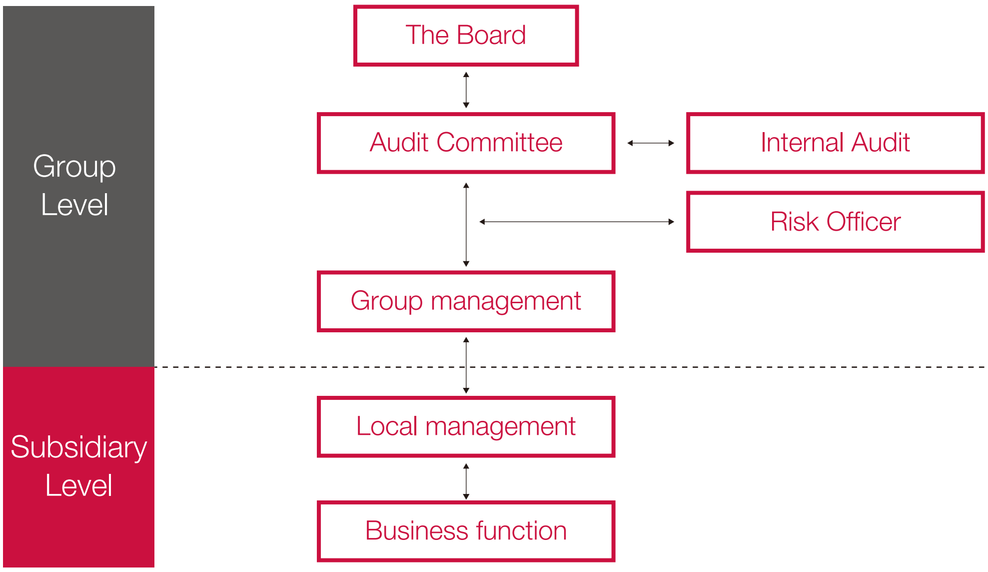
The Board acknowledges its responsibility to ensure the establishment, maintaining and review of the appropriateness and effectiveness of the Group's risk management and internal control systems, where management is responsible for the design, implementation and monitoring of these systems to manage risks.

Sound and effective risk management and internal control systems are in place to achieve the Group's strategic objectives as well as to safeguard shareholder investments and the Company 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 responsibility 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 exposure, 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 an 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 and assist management to perform an annual assessment of major risks associated with the Group's businesses and operations. The organizational structure for risk management is set out as follows:



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 that the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified several key risks that may impact the Group's strategic objectives, as a result of the changes in the business and external environment. These risks have been prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group. A risk assessment report has been submitted to the Board for oversight and monitoring of the risks. Meanwhile, risk management measures and mitigating controls have been 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 the 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 systems according to the Internal Audit Plan. The head of the IAD has attended the Audit Committee meetings and reported the work that has been done and audit findings to the Audit Committee. All recommendations from the IAD have been followed up promptly to ensure proper controls have been in place within a reasonable time.

Review of Risk Management and Internal Control Systems

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

Key or major business units are required to perform annual control self-assessments to assess the effectiveness of internal control systems. The control self-assessments are in the form of questionnaires that set out key risks and corresponding controls for each key business process. The questionnaires are required to be confirmed and signed by the management of corresponding business units upon completion. The IAD reviews the completed control self-assessment questionnaires and provides comments and recommendations for consideration by the management of business units.

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 these systems being 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, as well as their training programs 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 are required to follow the Inside Information Disclosure Policy to keep the unpublished inside information strictly confidential.

DIVIDEND POLICY

The Company has, since listing, adopted a dividend policy. The Company intends to pay dividends by way of interim and final dividends. The Directors generally intend to declare and recommend dividends which would amount in total to not less than 30% of the distributable profits generated during the year. The payment and amount of any dividends will be at the discretion of the Directors and will depend upon the Group's earnings, financial conditions, cash requirements and availability, and other factors. There is no assurance as to whether the dividend distribution will occur as intended, what the amount of dividend payment or the timing of such payment will be.

The payment of dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the laws of the Cayman Islands and the memorandum and articles of association of the Company.

COMPANY SECRETARY

The Company Secretary of the Company is a full time employee of the Company. For the year ended 31 March 2021, 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.lk.world) 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 as appropriate to provide with 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 2021, there has not been any change in the Company's constitutional documents.

DIRECTORS' REPORT

The Directors submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2021.

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, computerized 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 2021 are set out in the consolidated income statement on page 36.

An interim dividend of HK3 cents per share was paid to shareholders on 8 January 2021. The Directors recommend a payment of final dividend of HK3 cents per share for the year ended 31 March 2021 (2020: Nil), subject to shareholders' approval at the forthcoming annual general meeting to be held on Friday, 3 September 2021, payable to shareholders whose names appear on the register of members of the Company on 15 September 2021. The dividend will be paid on or about 27 September 2021.

ISSUE OF BONUS SHARES

Subject to the passing of the relevant resolution at the forthcoming annual general meeting and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in new shares, the Board proposes to make a bonus issue of one new ordinary share for every ten ordinary shares held by shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be posted on or around Monday, 27 September 2021.

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 4 and "Management Discussion and Analysis" on pages 6 to 8 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For details of the environmental related activities performed in 2021, please refer Company's 2020/21 Environmental, Social and Governance Report to be published on the Company's website and on the website of the Hong Kong Stock Exchange within three months after the publication of this annual report.

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 2021 are set out in Note 20 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable or other donations totaling HK$619,000.

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 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's reserves available for distribution to shareholders of the Company were HK$636,928,000, representing share premium of HK$579,809,000 and retained earnings of HK$57,119,000.

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

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 116.

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

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 *(Chief Executive Officer)*
Mr. Tse Siu Sze

Independent Non-executive Directors:

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Liu Zhuo Ming and Mr. Tsang Yiu Keung 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 and re-election 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 re-appointed in September 2019 for a fixed term of three years and are subject to retirement by rotation and re-election. 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 9 to 10 to this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT

Save for the transactions as disclosed in the section headed "Continuing Connected Transactions" below and the related party disclosures as disclosed in Note 35 to the financial statements of the annual report, none of the Directors had any material interests, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year ended 31 March 2021.

CONTRACTS OF SIGNIFICANCE

On 28 December 2020, L.K. Machinery (Shenzhen) Co., Ltd.* (力勁機械(深圳)有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company (the "Vendor") and Shenzhen Wanjin Investment Co., Ltd.* (深圳市萬勁投資有限公司), a company established in the PRC with limited liability (the "Purchaser") entered into the memorandum of understanding (the "MOU") in relation to the disposal of properties, pursuant to which, amongst others, the Purchaser paid a refundable earnest money of RMB10,000,000 to the Vendor in relation to the urban renewal project titled L.K. High-tech Industrial Park Urban Renewal Project* (力勁高新科技工業園城市更新項目) (the "Urban Renewal Project").

On 12 January 2021, the Vendor entered into the cooperation agreement (the "Cooperation Agreement") with the Purchaser, pursuant to which the Vendor had agreed to sell, and the Purchaser had agreed to purchase, the properties located in Shenzhen, Guangdong, the PRC, for a consideration comprising (i) the monetary consideration of RMB350 million (equivalent to approximately HK$419.1 million); and (ii) the resettlement properties, which are estimated by Vigers Appraisal and Consulting Limited, an independent valuer appointed by the Company, to have a gross development value of approximately RMB1,249 million (equivalent to approximately HK$1,495.6 million) as at 5 January 2021. Upon the entering into of the Cooperation Agreement, the refundable earnest money of RMB10,000,000 has been returned to the Purchaser without interest in accordance with the terms of the MOU. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the progress of the Urban Renewal Project is on schedule as at the date of this annual report.

On 18 January 2021 (the "Approval Date"), the Company has obtained a written shareholders' approval from Girgio Industries Limited ("Girgio"), a controlling shareholder of the Company, then holding in aggregate 770,980,000 shares of the Company, representing approximately 64.7% of the entire issued share capital of the Company as at the Approval Date, for the Cooperation Agreement and the transactions contemplated thereunder. Accordingly, the written approval from Girgio has been accepted in lieu of holding a general meeting of the Company for the approval of the Cooperation Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

* *The English translation is provided for identification purpose only.*

Details of the above disposal of properties and acquisition of resettlement properties are set out in the announcements dated 28 December 2020, 12 January 2021, 18 January 2021, 27 January 2021 and the circular dated 4 March 2021.

Save for the transactions as disclosed in the sections headed "Event After The Reporting Period" and "Continuing Connected Transaction" below and the related party disclosures as disclosed in Note 35 to the financial statements of the annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries during the year ended 31 March 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S 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 2021, the interests and short positions of the Directors and chief executive 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 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:

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)	770,980,000(1) Long position	64.72%
	the Company	Beneficial owner	2,550,000 Long position	0.21%
	the Company	Interest of spouse	5,202,500(2) Long position	0.44%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	770,980,000(3) Long position	64.72%

Notes:

1. These 770,980,000 shares are owned by 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 770,980,000 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.

Save as disclosed above, none of the Directors and chief executive 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 2021, the persons, other than the Directors or chief executive 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	770,980,000[(1)] Long position	64.72%
Mr. Liu	See Note (2)	770,980,000[(2)] Long position	64.72%
		2,550,000[(2)] Long position	0.21%
	Beneficial owner	5,202,500 Long position	0.44%
Fullwit	See Note (1)	770,980,000[(1)] Long position	64.72%
HSBC International Trustee Limited	See Note (3)	770,980,000[(3)] Long position	64.72%
Cantrust (Far East) Limited	See Note (4)	120,265,000[(4)] Long position	10.10%
Bank of America Corporation	Interest of a controlled corporation	60,368,000 Long position	5.07%
		60,368,000 Short position	5.07%
Credit Suisse Group AG	Interest of a controlled corporation	59,785,000 Long position	5.02%
		59,785,000 Short position	5.02%

Notes:

1. These 770,980,000 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. Singularity Co. Ltd., had declared an interest in 120,265,000 shares in the Company, both CloudAlpha Master Fund and CloudAlpha Concentrated Master Fund had declared interests in the same 120,265,000 shares by virtue of their interests in Singularity Co. Ltd.. CloudAlpha Capital Management Limited, had declared an interest in the same 120,265,000 shares by virtue of its shareholding in the aforesaid Master Funds. Arya Yang Family Limited, had declared an interest in the same 120,265,000 shares by virtue of its shareholding in CloudAlpha Capital Management Limited. Cantrust (Far East) Limited, a trustee of a trust, had declared an interest in the same 120,265,000 shares by virtue of its shareholding in Arya Yang Family Limited. Yang Jin had declared an interest in the same 120,265,000 shares by the virtue of his shareholding in CloudAlpha Capital Management 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 SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2016 and would remain in force for a period of 10 years. No options had been granted under the Share Option Scheme since its date of adoption.

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

(a) Purpose

The purpose of the 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 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 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 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.

(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 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 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 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 Share Option Scheme.

(i) Life of Share Option Scheme

Subject to earlier termination by the Company by ordinary resolution in general meeting, the 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 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.

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 2021, the Company has not purchased any shares of the Company through the trustee in the open market on the Stock Exchange for the purpose of the Share Award Scheme. There were no shares awarded to employees pursuant to the Share Award Scheme during the Year.

EVENT AFTER THE REPORTING PERIOD

The Top-up Placing and Subscription of Shares

On 26 April 2021, Girgio (the "Vendor") and the Company entered into the placing and subscription agreement with CLSA Limited (as the sole placing agent, the "Placing Agent"), pursuant to which, the Placing Agent had agreed to place a total of 60,000,000 then existing ordinary shares of the Company at a price of HK$9.50 per share (the "Placing Price") owned by the Vendor to no less than six independent placees on a best effort basis (the "Placing"), while the Vendor conditionally agreed to subscribe for new ordinary shares of the Company, the number of which is equal to the number of the placing shares placed by the Placing Agent at an issue price equal to the Placing Price (the "Subscription"). The Placing Price represented a discount of approximately 9.00% to the closing price of HK$10.44 per share as quoted on the Stock Exchange on the last trading date prior to the signing of the placing and subscription agreement, i.e., 26 April 2021. Completion of the Placing and the Subscription took place on 29 April 2021 and 3 May 2021, respectively.

The net proceeds from the Subscription are estimated to be approximately HK$562.23 million, net of expenses incurred by the Vendor in relation to the Placing and the Subscription. The Company intends to use the net proceeds from the Subscription for increasing production efficiency and capacity of the Group's business, and as general working capital of the Group. The net placing price, after deducting all professional fees and other out-of-pocket expenses incurred by the Vendor, which are ultimately borne by the Company, is estimated at approximately HK$9.37 per placing share.

The proceeds from the Subscription are and will be continuously used according to the plans disclosed in the announcements dated 26 April 2021 of the Company.

Details of the Placing and the Subscription are set out in the announcements dated 26 April 2021 and 3 May 2021 and Note 37 to the consolidated financial statements.

The Group is currently looking into the feasibility of corporate reorganization and possible spinning-off of subsidiaries engaged in plastic injection moulding machine business to be listed on a stock exchange in the PRC. The said possible listing exercise is still at the feasibility study stage with some professional advisers being engaged, and it may or may not proceed.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2021, the Company had the following continuing connected transaction that is subject to the Listing Rules' reporting requirement for disclosure in annual report.

Consultancy Agreement

On 1 December 2020, the Company entered into the Consultancy Agreement with Mr. Liu Siong Song to appoint him as the strategic and technical consultant of the Company for the term from 1 December 2020 to 30 November 2023 for the annual caps for the year ended 31 March 2021 and for each of the years ending 31 March 2022, 2023 and 2024 not exceeding HK$2,000,000, HK$6,000,000, HK$6,000,000 and HK$4,000,000 respectively.

Details of the abovementioned continuing connected transaction are set out in the announcement dated 1 December 2020.

The independent non-executive directors have reviewed the transactions and confirmed to the Board of Directors that, in their opinion, the transactions, and the arrangements governing those transactions, are entered into by the Company in the ordinary and usual course of business and on normal commercial terms, and are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transaction for the year ended 31 March 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transaction disclosed by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

The Directors confirmed that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of the continuing connected transaction during the year ended 31 March 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme 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 benefits 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 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 2021, the Group employed approximately 4,000 full time staff. The staff costs for the Year amounted to HK$614,622,000 (2020: HK$537,257,000). 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 other staff benefits such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

PERMITTED INDEMNITY PROVISION

The 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.

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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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 2021

pwc 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 34 to 114, which comprise:

- the consolidated statement of financial position as at 31 March 2021;
- 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 2021, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables Refer to Note 3.1(b)(ii) (impairment of financial assets), Note 4(b) (critical accounting estimates and judgements) and Note 14 (trade and bills receivable) to the consolidated financial statements. As at 31 March 2021, the gross trade receivables recognised by the Group was HK$1,195,060,000 (2020: HK$1,035,885,000). The related provision for impairment of trade receivables recognised by the Group amounted to HK$135,297,000 (2020: HK$128,474,000). Management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. Management judgements are required in assessing the expected credit losses for trade receivables. The judgements included review of customers settlement history, their current ability to pay and forward-looking information. We focused on this area because the estimation of the expected credit loss assessment for trade receivable is subject to high degree of estimation uncertainty. The inherent risk in relation to the expected credit loss assessment for trade receivable is considered significant due to its complexity, subjectivity and significant judgement involved.	Our procedures in relation to trade receivables included: • Obtaining an understanding of the management's internal control and assessment process of the expected credit loss for trade receivable and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • Assessing the appropriateness of the credit loss provisioning methodology used by the Group; • Testing the expected credit losses by checking to the customers past repayment pattern and historical credit loss experience, subsequent settlement and forward-looking information used; • Testing, on a sample basis, the accuracy of the ageing reports for trade receivables prepared by management; and • Circularising independent confirmations to debtors on a sample basis to confirm the balances as at 31 March 2021 and reconciled the confirmed amounts with those recorded by the Group where applicable. Based on the results of our procedures, we found the management's judgements and estimates used in the recoverability assessment on trade receivables were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Provision for inventories write-down

Refer to Note 4(a) (critical accounting estimates and judgements) and Note 18 (inventories) to the consolidated financial statements.

As at 31 March 2021, the Group held inventories of HK$1,147,324,000 (2020: HK$1,128,346,000), net of provision for impairment of HK$147,108,000 (2020: HK$128,045,000). 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.

Management consistently applies a methodology to make provision for inventories write-down. 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 any obsolescence identified from periodic inventory counts conducted by the entity.

We focused on this area because the estimation of determining 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, is subject to high degree of estimation uncertainty. The inherent risk in relation to this assessment is considered significant due to its complexity, subjectivity and significant judgement involved.

How our audit addressed the Key Audit Matter

We have performed the following procedures in relation to management's estimation of provision for inventories write-down:

- Obtaining an understanding of the management's internal control and assessment process of the determination of the estimated price of individual product and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- Evaluating reasonableness of the methodology which took into account inventory ageing profile, historical and post year-end sales data;
- Testing controls over estimation of NRV of inventories and related provision;
- Testing, on a sample basis, the inventory ageing by comparing the inventory records with the underlying documents;
- Testing, on a sample basis, the NRV of selected inventory items by comparing the estimated selling price less selling expenses with post year-end sales data, sales backlog, or current market analysis; and
- Observing management's inventory counts to identify any obsolete inventories.

Based on the procedures described, we found the management's judgements and estimates in relation to the provision for inventories write-down were supported by available evidence.

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.

OTHER INFORMATION *(Continued)*

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 THE 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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, actions taken to eliminate threats or safeguards applied.

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 Wong, Wai Bong, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Intangible assets	6	**14,941**	12,887
Property, plant and equipment	7	**1,173,530**	907,429
Investment properties	8	**342,822**	314,825
Right-of-use assets	9	**357,202**	347,616
Interests in joint ventures	10	**–**	–
Interests in associates	11	**16,495**	27,915
Other receivables and deposits	15	**56,821**	29,054
Deferred income tax assets	13	**92,966**	96,309
Trade and bills receivables	14	**14,397**	14,962
Insurance policy investments	17	**–**	12,438
Financial asset at fair value through other comprehensive income	16	**5,952**	5,555
Restricted bank balances	19(b)	**880**	329
Total non-current assets		**2,076,006**	1,769,319
Current assets			
Insurance policy investments	17	**12,840**	–
Inventories	18	**1,147,324**	1,128,346
Trade and bills receivables	14	**1,387,926**	1,143,069
Other receivables, prepayments and deposits	15	**201,960**	164,611
Restricted bank balances	19(b)	**63,929**	79,867
Cash and cash equivalents	19(a)	**588,391**	713,793
Total current assets		**3,402,370**	3,229,686
Total assets		**5,478,376**	4,999,005
Equity			
Share capital	20	**119,127**	119,127
Reserves	21	**1,014,472**	833,428
Retained earnings	21	**1,327,673**	1,034,097
Total equity		**2,461,272**	1,986,652

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Deferred income tax liabilities	13	49,709	31,921
Borrowings	22	76,776	9,710
Lease liabilities	9	20,569	25,289
Other payables and deposit	23	62,293	6,265
Total non-current liabilities		209,347	73,185
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	23	1,678,841	1,160,616
Borrowings	22	1,088,776	1,755,797
Lease liabilities	9	10,213	8,559
Current income tax liabilities		29,927	14,196
Total current liabilities		2,807,757	2,939,168
Total liabilities		3,017,104	3,012,353
Total equity and liabilities		5,478,376	4,999,005

The consolidated financial statements on pages 34 to 114 were approved by the Board of Directors on 29 June 2021 and were signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

The notes on pages 41 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	*24*	**4,021,206**	2,746,099
Cost of sales	*26*	**(2,905,923)**	(2,027,618)
Gross profit		**1,115,283**	718,481
Other income	*24*	**74,920**	69,718
Other gains/(losses) – net	*25*	**58,924**	(11,179)
Selling and distribution expenses	*26*	**(366,475)**	(290,901)
General and administrative expenses	*26*	**(344,468)**	(333,605)
Provision for impairment of trade receivables – net	*26*	**(23,404)**	(21,515)
Operating profit		**514,780**	130,999
Finance income	*28*	**7,722**	5,305
Finance costs	*28*	**(56,292)**	(85,220)
Finance costs – net	*28*	**(48,570)**	(79,915)
Share of losses of associates	*11*	**(8,258)**	(970)
Profit before income tax		**457,952**	50,114
Income tax expenses	*29*	**(114,285)**	(46,836)
Profit attributable to owners of the Company		**343,667**	3,278
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	*30(a)*	**28.8**	0.3
– Diluted	*30(b)*	**28.8**	0.3

The notes on pages 41 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Profit attributable to owners of the Company		**343,667**	3,278
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss			
Currency translation differences			
Gains/(losses) arising during the year	*21*	**166,288**	(139,269)
Change in fair value of insurance policy investments	*17*	**402**	291
Total comprehensive income/(loss) attributable to owners of the Company, net of tax		**510,357**	(135,700)

The notes on pages 41 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2020	119,127	579,809	13,771	(67,662)	11,116	251,506	45,118	(598)	368	1,034,097	1,986,652
Profit for the year	-	-	-	-	-	-	-	-	-	343,667	343,667
Other comprehensive income											
Currency translation differences	-	-	-	166,288	-	-	-	-	-	-	166,288
Change in fair value of insurance policy investments	-	-	-	-	-	-	-	402	-	-	402
Total comprehensive income	-	-	-	166,288	-	-	-	402	-	343,667	510,357
Transfer to statutory reserve	-	-	-	-	-	14,354	-	-	-	(14,354)	-
Transaction with owners in their capacity as owners:											
Interim dividend paid *(Note 31)*	-	-	-	-	-	-	-	-	-	(35,737)	(35,737)
At 31 March 2021	119,127	579,809	13,771	98,626	11,116	265,860	45,118	(196)	368	1,327,673	2,461,272

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2019	119,127	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	1,067,676	2,148,560
Profit for the year	–	–	–	–	–	–	–	–	–	3,278	3,278
Other comprehensive (loss)/income											
Currency translation differences	–	–	–	(139,269)	–	–	–	–	–	–	(139,269)
Change in fair value of insurance policy investments	–	–	–	–	–	–	–	291	–	–	291
Total comprehensive (loss)/income	–	–	–	(139,269)	–	–	–	291	–	3,278	(135,700)
Transfer to statutory reserve	–	–	–	–	–	10,649	–	–	–	(10,649)	–
Transaction with owners in their capacity as owners:											
Final dividend paid *(Note 31)*	–	–	–	–	–	–	–	–	–	(26,208)	(26,208)
At 31 March 2020	119,127	579,809	13,771	(67,662)	11,116	251,506	45,118	(598)	368	1,034,097	1,986,652

The notes on pages 41 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	*32*	**905,248**	314,825
Interest paid		**(60,442)**	(81,400)
Income tax paid		**(73,743)**	(62,901)
Net cash generated from operating activities		**771,063**	170,524
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment	*32(a)*	**3,705**	15,122
Proceeds from disposal of a right-of-use asset	*32(a)*	**2,236**	–
Payments for intangible assets		**(6,530)**	(5,513)
Purchases of property, plant and equipment		**(263,246)**	(69,996)
Investment in an associate	*11*	**–**	(74)
Deposits for acquisition of property, plant and equipment		**(18,617)**	(22,220)
Deposit received for Urban Renewal Project	*23*	**41,667**	–
Dividend received from an associate	*11*	**4,545**	2,222
Interest received	*28*	**7,722**	5,305
Net cash used in investing activities		**(228,518)**	(75,154)
Cash flows from financing activities			
Inceptions of new bank borrowings	*32(b)*	**957,777**	972,858
Repayments of bank borrowings	*32(b)*	**(1,525,731)**	(966,732)
Net (decrease)/increase in trust receipt loans	*32(b)*	**(90,755)**	40,951
Principal elements of lease payments	*32(b)*	**(11,582)**	(9,932)
Dividend paid	*31*	**(35,737)**	(26,208)
Net cash (used in)/generated from financing activities		**(706,028)**	10,937
Net (decrease)/increase in cash and cash equivalents		**(163,483)**	106,307
Cash and cash equivalents at beginning of year		**713,793**	634,699
Exchange difference on cash and cash equivalents		**38,081**	(27,213)
Cash and cash equivalents at end of year	*19(a)*	**588,391**	713,793

The notes on pages 41 to 114 are an integral part of these consolidated financial statements.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure 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 insurance policy investments, financial asset at fair value through other comprehensive income ("FVOCI") 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.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 March 2021. The Group has not early adopted these new accounting standards and interpretations in current reporting period and is in the process of assessing their impact on the Group's future reporting periods and on foreseeable future transactions.

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.

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 HKFRS 9 in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(a) Business combinations (Continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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$, 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated income statement.

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

Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(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 consolidated 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment

Land and buildings comprise mainly factories and offices. 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.

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.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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%

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 property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is 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 a valuation gain or loss in 'other gains/(losses) – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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 (included in right-of-use assets)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Impairment of investments in subsidiaries and non-financial assets

Goodwill is not subject to amortisation and is 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 (CGUs). Non-financial assets other than goodwill 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

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses) – net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'other (losses)/gains, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains/(losses) – net' and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other gains/(losses) – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other income', in consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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.

2.15 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 and obsolete inventories.

2.16 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 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.

2.19 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.

2.20 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 consolidated 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 judgement of management of the Group.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 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 prepayment 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.

2.22 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 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.

2.25 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 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.

2.27 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.

2.28 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised goods and service to a customer, which is when the customer obtains control of a goods and service, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that goods and service. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provision for impairment of the receivable and the contract asset based on ECL; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognising revenue. The incremental cost incurred by the Group of obtaining a contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Group recognises it in profit and loss. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognising revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Revenue recognition *(Continued)*

The Group recognises revenue for each of its activities in the consolidated income statement in accordance with below policies:

(a) Sales of goods

Sales of goods are recognised when a group entity has transferred control over products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sales contracts. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale. A receivable is recognised when the goods are accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of services

Service income is recognised when the Group satisfied the performance obligation in accordance with the substance of the relevant agreements. Service income is recognised at that point in time.

(c) Rental income

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

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.29 Government subsidies and value added tax refund

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.

2.30 Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.32 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.

2.33 Insurance policy investments

Insurance policy investments are non-derivative which measured in FVOCI. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the consolidated statement of financial position date. When the investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

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 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 19 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 2021 and 2020.

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 2021 would decrease/increase by HK$7,918,000/HK$11,656,000 (2020: pre-tax profit decrease/increase by HK$11,419,000/HK$17,655,000).

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 2021, 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$5,053,000 lower/higher (2020: HK$5,098,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of RMB denominated current account with group companies.

For companies with RMB as their functional currency

As at 31 March 2021, 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$1,013,000 lower/higher (2020: HK$1,342,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US$ 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

(i) Risk management

The Group's credit risk is primarily attributable to its trade and other receivables, 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets

Trade receivables

The trade receivables of the Group are subject to the ECL model. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, the Group categorises its trade receivables based on the nature of customer accounts and shared credit risk characteristics.

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 March 2021 and 2020 was determined as follows for trade receivables:

	Gross carrying amount HK$'000	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
As at 31 March 2021			
Provision on individual basis	**131,971**	**(124,595)**	**7,376**
Provision on collective basis *(Note)*	**1,063,089**	**(10,702)**	**1,052,387**
	1,195,060	**(135,297)**	**1,059,763**

	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
As at 31 March 2020			
Provision on individual basis	167,196	(113,985)	53,211
Provision on collective basis *(Note)*	868,689	(14,489)	854,200
	1,035,885	(128,474)	907,411

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) *Impairment of financial assets (Continued)*

Trade receivables *(Continued)*

Note:

	Current HK$'000	Within 90 days past due HK$'000	91–180 days past due HK$'000	181–365 days past due HK$'000	More than 365 days past due HK$'000	Total HK$'000
As at 31 March 2021						
Expected credit losses rate	**0.33%**	**0.93%**	**1.40%**	**2.37%**	**7.91%**	
Gross carrying amount – trade receivables	**606,634**	**244,056**	**115,023**	**51,485**	**45,891**	**1,063,089**
Loss allowance on collective basis	**1,973**	**2,264**	**1,616**	**1,219**	**3,630**	**10,702**

	Current HK$'000	Within 90 days past due HK$'000	91–180 days past due HK$'000	181–365 days past due HK$'000	More than 365 days past due HK$'000	Total HK$'000
As at 31 March 2020						
Expected credit losses rate	0.38%	1.11%	1.75%	3.69%	13.26%	
Gross carrying amount – trade receivables	446,065	246,480	77,978	45,026	53,140	868,689
Loss allowance on collective basis	1,691	2,730	1,364	1,659	7,045	14,489

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables *(Continued)*

The loss allowances for trade receivables as at 31 March 2021 and 2020 reconcile to the opening loss allowances as follows:

	2021 **HK$'000**	2020 HK$'000
Opening loss allowance	**128,474**	118,790
Provision for impairment of trade receivables – net	**23,404**	21,515
Receivables written off during the year as uncollectible	**(23,386)**	(8,040)
Exchange realignment	**6,805**	(3,791)
Closing loss allowance	**135,297**	128,474

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits and bills receivables. Management considered that these have a low credit risk and did not make any provision for these other financial assets at amortised cost based on the historical settlement pattern of these other financial assets and the forward-looking recoverability analysis of the counterparties. The ECL is assessed to be close to zero.

Cash and bank balances

Cash and bank balances are also subject to impairment requirement of HKFRS 9. Management is of the view that the Group's cash and bank balances are placed in those banks which are independently rated with a high credit rating. Management does not expect any material losses from non-performance by these banks as they have no default history in the past.

(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 Group 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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 2021						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause *(Note i)*	**1,145,527**	**–**	**–**	**–**	**–**	**1,145,527**
Other bank borrowings *(Note i)*	**–**	**21,979**	**41,593**	**1,187**	**–**	**64,759**
Trade and bills payables, other payables, deposits and accruals	**–**	**1,509,042**	**–**	**14,408**	**–**	**1,523,450**
Lease liabilities	**–**	**11,037**	**9,994**	**9,355**	**2,728**	**33,114**
	1,145,527	**1,542,058**	**51,587**	**24,950**	**2,728**	**2,766,850**
Financial guarantees issued						
Maximum amount guaranteed *(Note 34)*	**–**	**19,857**	**–**	**–**	**–**	**19,857**
As at 31 March 2020						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause *(Note i)*	1,258,044	–	–	–	–	1,258,044
Other bank borrowings *(Note i)*	–	539,347	8,678	1,086	–	549,111
Trade and bills payables, other payables, deposits and accruals	–	1,034,343	–	–	–	1,034,343
Lease liabilities	–	9,461	8,524	15,293	3,097	36,375
	1,258,044	1,583,151	17,202	16,379	3,097	2,877,873
Financial guarantees issued						
Maximum amount guaranteed *(Note 34)*	–	24,538	–	–	–	24,538

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Note:

(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2021 and 2020, 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 2021 (2020: same).

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				
	Within 1 year	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total outflows**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2021	1,058,655	12,436	12,369	62,067	1,145,527
At 31 March 2020	1,152,530	105,514	–	–	1,258,044

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 the year ended 31 March 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2021	2020
	HK$'000	HK$'000
Total borrowings *(Note 22)*	**1,165,552**	1,765,507
Less: cash and cash equivalents *(Note 19(a))*	**(588,391)**	(713,793)
Net debt	**577,161**	1,051,714
Total equity	**2,461,272**	1,986,652
Gearing ratio *(Note)*	**23.4%**	52.9%

Note: The decrease in gearing ratio was resulted mainly from the net profit generated and repayment of bank borrowings during the year.

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 2021 and 2020.

As at 31 March 2021

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Financial asset at fair value through other comprehensive income *(Note 16)*	**–**	**–**	**5,952**	**5,952**
Insurance policy investments *(Note 17)*	**–**	**–**	**12,840**	**12,840**
	–	**–**	**18,792**	**18,792**

As at 31 March 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial asset at fair value through other comprehensive income *(Note 16)*	–	–	5,555	5,555
Insurance policy investments *(Note 17)*	–	–	12,438	12,438
	–	–	17,993	17,993

There were no transfers of financial assets and liabilities between all levels of the value hierarchy classifications.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial asset at fair value through other comprehensive income HK$'000	Insurance policy investments HK$'000	Total HK$'000
Financial assets			
Balance at 1 April 2020	**5,555**	**12,438**	**17,993**
Net gains recognised in the consolidated statement of comprehensive income *(Note 21)*	**–**	**402**	**402**
Exchange difference	**397**	**–**	**397**
Balance at 31 March 2021	**5,952**	**12,840**	**18,792**
Total unrealised gains recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	**–**	**402**	**402**
Balance at 1 April 2019	5,882	12,147	18,029
Net gains recognised in the consolidated statement of comprehensive income *(Note 21)*	–	291	291
Exchange difference	(327)	–	(327)
Balance at 31 March 2020	5,555	12,438	17,993
Total unrealised gains recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	–	291	291

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 31 March 2021 and 2020, the carrying values of these financial assets and liabilities approximated their respective fair values.

3.4 Offsetting financial assets and financial liabilities

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Financial instruments by category

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through other comprehensive income		
– Unlisted equity investment	**5,952**	5,555
– Insurance policy investments	**12,840**	12,438
Financial assets at amortised cost		
– Other receivables and deposits	**154,666**	124,089
– Trade and bills receivables	**1,402,323**	1,158,031
– Restricted bank balances	**64,809**	80,196
– Cash and cash equivalents	**588,391**	713,793
Total	**2,228,981**	2,094,102
Financial liabilities at amortised cost		
– Trade and bills payables, other payables, deposits and accruals	**1,523,450**	1,034,343
– Borrowings	**1,165,552**	1,765,507
Lease liabilities	**30,782**	33,848
	2,719,784	2,833,698

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 judgement, inventories that are obsolete, and considering their physical conditions, age, market conditions and market price for similar items. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventories and the impairment losses on inventories in the period in which such estimate is changed.

(b) Provision for impairment of trade receivables

The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime ECL, i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of provision for ECL, taking into account the credit risk characteristics of customers, the likelihood of recovery assessed on a combination of collective and individual basis as relevant and the forward-looking information on macroeconomic factors. While the provision is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to consolidated income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(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, the current market condition and the forward-looking information on macroeconomic factors; and requires the use of judgements and estimates. Management reassesses the provisions at each financial position date. Different judgements or estimates could significantly affect the provision amounts and materially impact the results of operations.

(e) Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets 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 judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continual 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) 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.

(g) Fair value of investment properties

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

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 from operations for the year before corporate expenses 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, share of losses of associates 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) CNC machining centre

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 March 2021 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	**2,657,244**	**1,245,546**	**118,416**	**4,021,206**	**–**	**4,021,206**
Inter-segments sales	**42,956**	**–**	**–**	**42,956**	**(42,956)**	**–**
	2,700,200	**1,245,546**	**118,416**	**4,064,162**	**(42,956)**	**4,021,206**
Results						
Segment results	**433,639**	**130,929**	**(15,204)**	**549,364**	**–**	**549,364**
Administrative expenses						**(34,584)**
Finance income						**7,722**
Finance costs						**(56,292)**
Share of losses of associates						**(8,258)**
Profit before income tax						**457,952**

The segment results for the year ended 31 March 2020 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	1,890,234	756,390	99,475	2,746,099	–	2,746,099
Inter-segments sales	18,623	–	–	18,623	(18,623)	–
	1,908,857	756,390	99,475	2,764,722	(18,623)	2,746,099
Results						
Segment results	179,742	1,523	(18,095)	163,170	–	163,170
Administrative expenses						(32,171)
Finance income						5,305
Finance costs						(85,220)
Share of losses of associates						(970)
Profit before income tax						50,114

5 SEGMENT INFORMATION *(Continued)*

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.

Segment assets and liabilities

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

	As at 31 March 2021			
	Die-casting machine HK$'000	**Plastic injection moulding machine HK$'000**	**CNC machining centre HK$'000**	**Total HK$'000**
Assets				
Segment assets	**3,531,273**	**1,244,248**	**662,434**	**5,437,955**
Unallocated assets				**40,421**
Consolidated total assets				**5,478,376**
Liabilities				
Segment liabilities	**2,070,187**	**744,750**	**154,083**	**2,969,020**
Unallocated liabilities				**48,084**
Consolidated total liabilities				**3,017,104**

	As at 31 March 2020			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	3,203,315	1,215,106	535,134	4,953,555
Unallocated assets				45,450
Consolidated total assets				4,999,005
Liabilities				
Segment liabilities	2,288,893	592,479	98,063	2,979,435
Unallocated liabilities				32,918
Consolidated total liabilities				3,012,353

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, insurance policy investments and financial asset at FVOCI (2020: same).
- 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 2021				
	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 *(Note)*	251,605	2,369	81,096	973	336,043
Depreciation and amortisation	77,141	41,319	13,645	1,820	133,925
Provision for/(reversal of provision for) inventories write-down	5,749	6,059	(1,202)	–	10,606
Provision for impairment of trade receivables – net	16,485	4,605	2,314	–	23,404
Reversal of provision for impairment of other receivables	(39,773)	–	–	–	(39,773)

5 SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	For the year ended 31 March 2020				
	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 *(Note)*	39,614	2,416	41,343	942	84,315
Depreciation and amortisation	78,545	43,577	13,757	1,919	137,798
Reversal of provision for inventories write-down	(19,820)	(4,904)	(9,893)	–	(34,617)
Provision for/(reversal of provision for) impairment of trade receivables – net	12,338	9,201	(24)	–	21,515

Note: Non-current assets exclude interests in joint ventures, interests in associates, deferred income tax assets, insurance policy investments, financial asset at FVOCI and deposits and receivables.

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 2021 and 2020.

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[i]**	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Mainland China	**3,104,819**	2,015,235	**1,811,855**	1,476,156
Hong Kong	**–**	–	**19,231**	19,764
Europe	**291,740**	261,296	**43,778**	45,115
North America	**325,237**	232,207	**12,540**	14,058
Central America and South America	**162,394**	73,838	**–**	–
Other countries	**137,016**	163,523	**57,912**	56,718
	4,021,206	2,746,099	**1,945,316**	1,611,811

Note i: Non-current assets exclude interests in joint ventures, interests in associates, insurance policy investments, financial asset at FVOCI, non-current portion of trade and bills receivables, non-current portion of restricted bank balances and deferred income tax assets.

6 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks HK$'000	Patents HK$'000	Development costs and others HK$'000	Total HK$'000
At 1 April 2019					
Cost	2,800	5,582	3,590	52,850	64,822
Accumulated amortisation	–	(5,244)	(3,321)	(44,795)	(53,360)
Net book amount	2,800	338	269	8,055	11,462
Year ended 31 March 2020					
Opening net book amount	2,800	338	269	8,055	11,462
Additions	–	–	–	5,513	5,513
Amortisation	–	(51)	(44)	(3,823)	(3,918)
Exchange difference	–	(7)	–	(163)	(170)
Closing net book amount	2,800	280	225	9,582	12,887
At 31 March 2020					
Cost	2,800	5,420	3,590	56,982	68,792
Accumulated amortisation	–	(5,140)	(3,365)	(47,400)	(55,905)
Net book amount	2,800	280	225	9,582	12,887
Year ended 31 March 2021					
Opening net book amount	**2,800**	**280**	**225**	**9,582**	**12,887**
Additions	**–**	**28**	**–**	**6,502**	**6,530**
Amortisation	**–**	**(55)**	**(44)**	**(4,955)**	**(5,054)**
Exchange difference	**–**	**18**	**–**	**560**	**578**
Closing net book amount	**2,800**	**271**	**181**	**11,689**	**14,941**
At 31 March 2021					
Cost	**2,800**	**5,789**	**3,590**	**67,004**	**79,183**
Accumulated amortisation	**–**	**(5,518)**	**(3,409)**	**(55,315)**	**(64,242)**
Net book amount	**2,800**	**271**	**181**	**11,689**	**14,941**

Note: Goodwill is allocated to the Group's CGU identified according to operating segments.

6 INTANGIBLE ASSETS *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Die-casting machine	**2,800**	2,800

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% (2020: 5%). Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% (2020: 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 17% (2020: 17%) 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 (2020: same).

There was no impairment provision for intangible assets for the year ended 31 March 2021 (2020: Nil).

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 2019							
Cost	952,066	30,125	72,566	998,507	118,646	32,121	2,204,031
Accumulated depreciation	(327,207)	–	(57,799)	(689,241)	(95,490)	(22,578)	(1,192,315)
Net book amount	624,859	30,125	14,767	309,266	23,156	9,543	1,011,716
Year ended 31 March 2020							
Opening net book amount	624,859	30,125	14,767	309,266	23,156	9,543	1,011,716
Additions	2,373	51,767	384	15,497	4,211	1,303	75,535
Disposals	–	–	(538)	(10,949)	(224)	(2,315)	(14,026)
Depreciation	(43,652)	–	(2,313)	(58,960)	(7,586)	(3,069)	(115,580)
Reclassification	464	(20,815)	10,818	8,414	1,119	–	–
Exchange difference	(30,750)	(1,672)	(769)	(15,786)	(828)	(411)	(50,216)
Closing net book amount	553,294	59,405	22,349	247,482	19,848	5,051	907,429
At 31 March 2020							
Cost	906,783	59,405	79,806	953,419	117,768	28,309	2,145,490
Accumulated depreciation	(353,489)	–	(57,457)	(705,937)	(97,920)	(23,258)	(1,238,061)
Net book amount	553,294	59,405	22,349	247,482	19,848	5,051	907,429
Year ended 31 March 2021							
Opening net book amount	**553,294**	**59,405**	**22,349**	**247,482**	**19,848**	**5,051**	**907,429**
Additions	**203**	**279,334**	**3,664**	**26,455**	**8,706**	**4,474**	**322,836**
Disposals	**(117)**	**–**	**(736)**	**(4,117)**	**(160)**	**(469)**	**(5,599)**
Depreciation	**(45,722)**	**–**	**(2,890)**	**(50,861)**	**(8,323)**	**(2,008)**	**(109,804)**
Reclassification	**946**	**(10,300)**	**648**	**8,706**	**–**	**–**	**–**
Exchange difference	**36,608**	**4,243**	**1,436**	**15,118**	**1,038**	**225**	**58,668**
Closing net book amount	**545,212**	**332,682**	**24,471**	**242,783**	**21,109**	**7,273**	**1,173,530**
At 31 March 2021							
Cost	**967,388**	**332,682**	**86,377**	**1,032,486**	**133,096**	**30,601**	**2,582,630**
Accumulated depreciation	**(422,176)**	**–**	**(61,906)**	**(789,703)**	**(111,987)**	**(23,328)**	**(1,409,100)**
Net book amount	**545,212**	**332,682**	**24,471**	**242,783**	**21,109**	**7,273**	**1,173,530**

Depreciation of HK$92,153,000 (2020: HK$95,128,000) has been charged in 'cost of sales', HK$1,974,000 (2020: HK$1,957,000) in 'selling and distribution expenses' and HK$15,677,000 (2020: HK$18,495,000) in 'general and administrative expenses'.

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

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Urban Renewal Project

On 12 January 2021, L.K. Machinery (Shenzhen) Co., Ltd. ("L.K. (Shenzhen)"), an wholly-owned subsidiary of the Group, entered into a cooperation agreement ("Cooperation Agreement") with Shenzhen Wanjin Investment Co., Ltd. ("Shenzhen Wanjin"/the "Purchaser"), pursuant to which L.K. (Shenzhen) agreed to sell, and Shenzhen Wanjin agreed to purchase, primarily the land use rights of certain industrial lands and properties (the "disposal properties") located in Shenzhen Longhua, the PRC, for a total consideration comprising monetary consideration of RMB350 million and certain resettlement properties. The Purchaser will be responsible for obtaining approval from relevant government authorities for the redevelopment and reconstruction works contemplated under the Urban Renewal Project. As at 31 March 2021, the aforementioned Urban Renewal Project had not been approved by the relevant government authorities.

As at 31 March 2021, the disposal properties comprised of property, plant and equipment and right-of-use assets of approximately HK$8,372,000 and HK$9,653,000, respectively. These disposal properties were still in use for production and not vacated; having considered the progress of the Urban Renewal Project, management do not expect the disposal of the disposal properties to be completed within one year from 31 March 2021. Management is of the view that the disposal properties do not meet the held for sale definition as per HKFRS 5 'Non-current assets held for sale and discontinued operations', hence, the disposal properties were not classified as assets held-for-sale as at 31 March 2021.

8 INVESTMENT PROPERTIES

	HK$'000
At fair value	
At 1 April 2019	328,614
Increase in fair value during the year *(Note 25)*	3,537
Exchange difference	(17,326)
At 31 March 2020 and 1 April 2020	314,825
Increase in fair value during the year *(Note 25)*	6,490
Exchange difference	21,507
At 31 March 2021	342,822

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

	2021 **HK$'000**	2020 HK$'000
Rental income	**19,847**	21,030
Direct operating expenses from properties that generated rental income	**(2,446)**	(2,335)
	17,401	18,695

8 INVESTMENT PROPERTIES *(Continued)*

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

As at 31 March 2021, the Group had no unprovided contractual obligations for future repairs and maintenance (2020: Nil).

The revaluation gain is included in 'other gains/(losses) – net' in the consolidated income statement (Note 25). The following table analyses the investment properties carried at fair value, by level.

Fair value hierarchy

	Fair value measurements at 31 March 2021 using		
Description	**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	**–**	**–**	**342,822**

	Fair value measurements at 31 March 2020 using		
Description	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	–	–	314,825

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

8 INVESTMENT PROPERTIES *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Properties		
	Hong Kong HK$'000	**PRC** HK$'000	**Total** HK$'000
At 1 April 2019	17,420	311,194	328,614
Increase in fair value during the year	60	3,477	3,537
Exchange difference	–	(17,326)	(17,326)
At 31 March 2020	17,480	297,345	314,825
Total unrealised gains for the year included in the consolidated income statement for investment properties held at the end of the year, under 'other gains/(losses) – net'	60	3,477	3,537
At 1 April 2020	**17,480**	**297,345**	**314,825**
Increase in fair value during the year	**840**	**5,650**	**6,490**
Exchange difference	**–**	**21,507**	**21,507**
At 31 March 2021	**18,320**	**324,502**	**342,822**
Total unrealised gains for the year included in the consolidated income statement for investment properties held at the end of the year, under 'other gains/(losses) – net'	**840**	**5,650**	**6,490**

Valuation processes of the Group

As at both 31 March 2021 and 2020, the fair values of the investment properties have been arrived at on the basis of valuations carried out by LCH (Asia-Pacific) Surveyors Limited ("LCH") and Valor Appraisal & Advisory Limited ("Valor"), independent professional surveyor and valuer. LCH and Valor are members of the Hong Kong Institute of Surveyors ("HKIS"), and have 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 valuers 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.

8 INVESTMENT PROPERTIES *(Continued)*

Valuation technique

The valuations, which conform to the HKIS valuation standards, were based on the income approach and market approach which largely used unobservable inputs (e.g. unit rate, discount rate, etc.) and taking into account the significant adjustment on discount rate 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.

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

Description	Fair value at 31 March 2021 HK$'000	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	18,320	Income approach	Unit rate	HK$4,604/sq.ft.	The higher the unit rate, the higher the fair value
			Discount rate	2.8% to 3.8%	The higher the discount rate, the lower the fair value
PRC properties	273,902	Income approach	Unit rate	HK$3,218/sq.m. to HK$19,318/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.5% to 9.8%	The higher the discount rate, the lower the fair value
PRC property under development	50,600	Market approach	Unit rate	HK$14,702/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.8%	The higher the discount rate, the lower the fair value

Description	Fair value at 31 March 2020 HK$'000	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	17,480	Income approach	Unit rate	HK$4,341/sq.ft.	The higher the unit rate, the higher the fair value
			Discount rate	2.9%	The higher the discount rate, the lower the fair value
PRC properties	251,645	Income approach	Unit rate	HK$4,013/sq.m. to HK$17,874/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	3.5% to 9.4%	The higher the discount rate, the lower the fair value
PRC property under development	45,700	Market approach	Unit rate	HK$14,290/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.8%	The higher the discount rate, the lower the fair value

9 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Land use rights	327,095	314,119
Premises	26,008	32,160
Motor vehicles	4,099	1,337
	357,202	347,616
Lease liabilities		
Current	10,213	8,559
Non-current	20,569	25,289
	30,782	33,848

Additions to the right-of-use assets during the year were HK$6,677,000 (2020: HK$3,267,000).

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

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets		
Land use rights	8,070	8,006
Premises	8,676	8,772
Motor vehicles	2,321	1,522
	19,067	18,300
Interest expense (included in finance cost)	1,050	1,194
Expenses relating to leases of short-term leases	3,537	4,367

The total cash outflow for leases (including short-term leases) during the year ended 31 March 2021 was HK$16,169,000 (2020: HK$15,493,000).

9 LEASES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various properties, lands and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 50 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets, except land use rights, may not be used as security for borrowing purposes.

10 INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
At 1 April 2019, 31 March 2020 and 31 March 2021	**–**	–

As at 31 March 2021 and 31 March 2020, 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 2021 and the carrying amounts of the interests in joint ventures were reduced to zero due to accumulated losses shared by the Group up to its cost of investment. The Group consider that these joint ventures are not significant.

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**
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	THB6,000,000	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 and commitments to provide funding relating to the Group's interest in the joint ventures.

11 INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
At 1 April	**27,915**	32,848
Addition	**–**	74
Share of loss	**(8,258)**	(970)
Dividend received	**(4,545)**	(2,222)
Exchange difference	**1,383**	(1,815)
At 31 March	**16,495**	27,915

Particulars of the associate, which is unlisted and in the opinion of the directors is not significant to the Group, as at 31 March 2021 and 2020, are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of registered share capital	Interest held
深圳市精工小額貸款有限公司 Shenzhen Jinggong Microcredit Limited[1]	PRC	Microcredit business in the PRC	RMB101,000,000	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 associates.

1 The English name is made for identification purpose only.

12 PRINCIPAL SUBSIDIARIES

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
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 Enterprise ("WFOE")	PRC, limited liability company	US$8,800,000	100%	Sale of die-casting machines in PRC
阜新力勁機械有限公司 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
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 in Hong Kong
力勁機械股份有限公司 L.K. Machinery Corp.	Corporation	Taiwan, limited liability company	TWD211,000,000	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 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

12 PRINCIPAL SUBSIDIARIES *(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
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	RMB211,365,007	100%	Manufacture and sale of plastic injection moulding machines in PRC
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$31,072,774	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.

13 DEFERRED INCOME TAX

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

	2021 HK$'000	2020 HK$'000
Deferred income tax assets	**92,966**	96,309
Deferred income tax liabilities	**(49,709)**	(31,921)
Deferred income tax assets, net	**43,257**	64,388

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

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**64,388**	62,775
(Charged)/credited to the consolidated income statement *(Note 29)*	**(26,076)**	4,502
Exchange difference	**4,945**	(2,889)
At the end of the year	**43,257**	64,388

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			
	Impairment allowances and others HK$'000	**Decelerated tax depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2019	78,122	28,067	–	106,189
Credited to the consolidated income statement	11,735	2,811	2,574	17,120
Exchange difference	(3,567)	(1,411)	(28)	(5,006)
At 1 April 2020	86,290	29,467	2,546	118,303
(Charged)/credited to the consolidated income statement	(11,387)	2,141	(2,604)	(11,850)
Exchange difference	5,493	1,977	58	7,528
At 31 March 2021	80,396	33,585	–	113,981
Set-off of deferred tax liabilities				(21,015)
				92,966

13 DEFERRED INCOME TAX *(Continued)*

	Deferred income tax liabilities		
	Revaluation of investment properties HK$'000	**Dividend withholding tax** HK$'000	**Total** HK$'000
At 1 April 2019	(38,161)	(5,253)	(43,414)
Charged to the consolidated income statement	(1,251)	(11,367)	(12,618)
Exchange difference	2,117	–	2,117
At 1 April 2020	(37,295)	(16,620)	(53,915)
Credited/(charged) to the consolidated income statement	1,224	(15,450)	(14,226)
Exchange difference	(2,583)	–	(2,583)
At 31 March 2021	(38,654)	(32,070)	(70,724)
Set-off of deferred tax assets			21,015
			(49,709)

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.

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:

	2021 **HK$'000**	2020 HK$'000
Tax losses expiring:		
Within 5 years	**68,587**	98,628
Over 5 years	**168,995**	147,562
Without expiry date	**87,913**	94,646
	325,495	340,836

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$10,053,000 (2020: HK$30,738,000) 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$201,059,000 at 31 March 2021 (2020: HK$614,750,000). 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 the Group have an intention to distribute their respective retained earnings, the Group have recognised deferred tax liabilities of HK$32,070,000 (2020: HK$16,620,000) for the withholding tax as at 31 March 2021 that would be payable upon such distribution.

14 TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	1,195,060	1,035,885
Less: Provision for impairment	(135,297)	(128,474)
	1,059,763	907,411
Bills receivables	342,560	250,620
	1,402,323	1,158,031
Less: Balance due after one year shown as non-current assets	(14,397)	(14,962)
Trade and bills receivables, net	1,387,926	1,143,069

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

	2021 HK$'000	2020 HK$'000
Within 90 days	654,625	464,039
91–180 days	197,838	175,116
181–365 days	119,945	121,068
Over one year	222,652	275,662
	1,195,060	1,035,885

The maturity date of the bills receivables is generally between one 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 terms ranging from one to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six to twelve months.

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

	2021 HK$'000	2020 HK$'000
RMB	1,001,289	888,185
US$	129,106	92,034
EUR	254,322	163,163
Other currencies	17,606	14,649
Trade and bills receivables, net	1,402,323	1,158,031

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

15 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 HK$'000	2020 HK$'000
Non-current		
Deposits for acquisition of property, plant and equipment	**34,080**	29,054
Other assets *(Note i)*	**22,741**	–
	56,821	29,054
Current		
Value added tax refund receivable from government	**10,078**	3,554
Value added tax receivable	**38,858**	33,262
Trade deposits	**65,443**	53,922
Prepayments	**32,438**	32,760
Advances to staff for business purpose	**6,960**	6,149
Sundry, rental and utility deposits	**3,213**	2,952
Others deposits and receivables	**44,970**	32,012
	201,960	164,611
Total	**258,781**	193,665

Note i: As at 31 March 2021, the other assets represent the estimated agency fee of HK$22,741,000 capitalised in relation to the Urban Renewal Project located in the PRC.

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
Unlisted equity investment	**5,952**	5,555

Financial asset at FVOCI is unlisted equity investment which is denominated in RMB.

Movement of the financial asset at FVOCI is as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**5,555**	5,882
Exchange difference	**397**	(327)
End of the year	**5,952**	5,555

The fair value of the unlisted equity investment has been arrived at on the basis of valuation carried out by Valor, an independent valuer, using market approach.

17 INSURANCE POLICY INVESTMENTS

	2021 HK$'000	2020 HK$'000
Non-current assets		
Insurance policy investments	**–**	12,438
Current assets		
Insurance policy investments	**12,840**	–

17 INSURANCE POLICY INVESTMENTS *(Continued)*

Movement of the insurance policy investments is as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the year	**12,438**	12,147
Change in fair value recognised to other comprehensive income	**402**	291
End of the year	**12,840**	12,438

The fair value of insurance policy investments that is not traded in an active market is determined by reference to the expected return from the insurance policy investments.

The insurance policy investments are denominated in US$.

18 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**593,443**	534,286
Work in progress	**398,139**	399,792
Finished goods	**302,850**	322,313
	1,294,432	1,256,391
Less: Provision for impairment of inventories	**(147,108)**	(128,045)
	1,147,324	1,128,346

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$2,334,456,000 (2020: HK$1,570,421,000).

For the year ended 31 March 2021, the Group recognised HK$10,606,000 write-downs of inventories to net realisable value. For the year ended 31 March 2020, the Group reversed HK$34,617,000 of inventories write-downs, as the Group sold the relevant goods that had been written down in prior years.

The amount recognised/reversed has been included in 'cost of sales' in the consolidated income statement.

19 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

(a) Cash and cash equivalents

	2021 HK$'000	2020 HK$'000
Cash at banks and on hand	578,391	629,745
Short-term bank deposits	10,000	84,048
Cash and cash equivalents	588,391	713,793

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

	2021 HK$'000	2020 HK$'000
US$	52,579	72,819
HK$	31,806	55,020
RMB	399,922	488,924
EUR	97,478	92,853
Other currencies	6,606	4,177
	588,391	713,793

The effective interest rate on short-term bank deposits was 0.25% (2020: 1.86%) per annum and these deposits have an average maturity period of 30 days (2020: same).

As at 31 March 2021, the Group's cash and bank balances of approximately HK$380,456,000 (2020: HK$476,295,000) 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 mainly 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 3.00% (2020: 0.00% to 2.20%) per annum.

20 SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,191,265,000	119,127

(a) 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 ("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.

21 RESERVES

	Share premium HK$'000	Share reserve HK$'000 *(Note i)*	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000 *(Note ii)*	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2020	579,809	13,771	(67,662)	11,116	251,506	45,118	(598)	368	1,034,097	1,867,525
Profit for the year	-	-	-	-	-	-	-	-	343,667	343,667
Currency translation difference	-	-	166,288	-	-	-	-	-	-	166,288
Change in fair value of insurance policy investments *(Note 17)*	-	-	-	-	-	-	402	-	-	402
Transfer to statutory reserve	-	-	-	-	14,354	-	-	-	(14,354)	-
Interim dividend paid *(Note 31)*	-	-	-	-	-	-	-	-	(35,737)	(35,737)
At 31 March 2021	579,809	13,771	98,626	11,116	265,860	45,118	(196)	368	1,327,673	2,342,145

21 RESERVES *(Continued)*

	Share premium HK$'000	Share reserve HK$'000 *(Note i)*	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000 *(Note ii)*	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2019	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	1,067,676	2,029,433
Profit for the year	–	–	–	–	–	–	–	–	3,278	3,278
Currency translation difference	–	–	(139,269)	–	–	–	–	–	–	(139,269)
Change in fair value of insurance policy investments *(Note 17)*	–	–	–	–	–	–	291	–	–	291
Transfer to statutory reserve	–	–	–	–	10,649	–	–	–	(10,649)	-
Final dividend paid *(Note 31)*	–	–	–	–	–	–	–	–	(26,208)	(26,208)
At 31 March 2020	579,809	13,771	(67,662)	11,116	251,506	45,118	(598)	368	1,034,097	1,867,525

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 in 2006.

(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.

22 BORROWINGS

The borrowings of the Group comprise:

	2021 HK$'000	2020 HK$'000
Non-current		
Bank borrowings	**76,776**	9,710
Current		
Bank borrowings	**1,055,991**	1,632,565
Trust receipt loans	**32,785**	123,232
	1,088,776	1,755,797
	1,165,552	1,765,507
Secured:		
Bank borrowings	**225,213**	283,041
Trust receipt loans	**–**	26,923
	225,213	309,964
Unsecured:		
Bank borrowings	**907,554**	1,359,234
Trust receipt loans	**32,785**	96,309
	940,339	1,455,543
	1,165,552	1,765,507

22 BORROWINGS *(Continued)*

At 31 March 2021 and 2020, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within 1 year	**32,785**	123,232	**1,008,265**	1,531,565	**1,041,050**	1,654,797
Bank borrowings due for repayment after one year *(Note)*:						
After 1 year but within 2 years	**–**	–	**51,928**	109,631	**51,928**	109,631
After 2 years but within 5 years	**–**	–	**12,978**	1,079	**12,978**	1,079
After 5 years	**–**	–	**59,596**	–	**59,596**	–
	–	–	**124,502**	110,710	**124,502**	110,710
	32,785	123,232	**1,132,767**	1,642,275	**1,165,552**	1,765,507

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	
	2021	2020
	HK$'000	HK$'000
RMB	**673,606**	621,956
HK$	**308,765**	827,338
EUR	**112,242**	134,172
US$	**35,265**	147,122
TWD	**35,674**	34,919
	1,165,552	1,765,507

22 BORROWINGS *(Continued)*

As at 31 March 2021, the borrowings of approximately HK$708,690,000 (2020: HK$663,156,000) were borrowed from banks in the PRC by subsidiaries of the Group in the PRC.

	As at 31 March 2021					As at 31 March 2020				
	HK$	**US$**	**RMB**	**EUR**	**TWD**	HK$	US$	RMB	EUR	TWD
Bank borrowings	**3.85%**	**4.06%**	**4.49%**	**0.56%**	**2.70%**	4.85%	4.71%	4.86%	0.48%	3.06%
Trust receipt bank loans	**4.15%**	**N/A**	**5.22%**	**2.50%**	**2.49%**	4.24%	4.04%	5.07%	2.50%	2.68%

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

	2021 HK$'000	2020 HK$'000
Restricted bank balances	**64,809**	80,196
Right-of-use assets	**181,405**	137,511
Investment properties	**151,301**	87,480
Property, plant and equipment	**252,156**	246,233
Bills receivables	**35,554**	47,935
Insurance policy investments	**–**	12,438
	685,225	611,793

23 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Current portion		
Trade payables	**738,003**	490,902
Bills payables	**198,041**	157,437
Trade and bills payables	**936,044**	648,339
Other deposits	**6,465**	4,628
Trade deposits and receipts in advance *(Note i)*	**351,399**	203,654
Accrued salaries, bonuses and staff benefits	**91,945**	73,126
Accrued sales commission	**63,375**	42,289
Value added tax payable	**14,479**	10,858
Others	**215,134**	177,722
	1,678,841	1,160,616
Non-current portion		
Deposit *(Note ii)*	**41,667**	–
Others	**20,626**	6,265
	62,293	6,265

Notes:

(i) The Group recognised its contract liabilities under 'trade and bills payables, other payables, deposits and accruals' as 'trade deposits and receipts in advance' in the consolidated statement of financial position. The revenue recognised in the current reporting period is HK$198,678,000 (2020: HK$217,208,000) related to carried forward contract liabilities.

The Group applied the practical expedient and does not disclose the information relating to the remaining performance obligations that have original expected durations of one year or less.

(ii) As at 31 March 2021, the deposit received represents the initial deposit of RMB35,000,000 (equivalent to approximately HK$41,667,000) received in relation to the Urban Renewal Project located in the PRC (Note 7).

23 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS *(Continued)*

The following is the ageing analysis of the trade payables based on invoice date:

	2021 HK$'000	2020 HK$'000
Within 90 days	637,076	365,532
91–180 days	82,449	99,625
181–365 days	4,951	14,046
Over one year	13,527	11,699
	738,003	490,902

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

	2021 HK$'000	2020 HK$'000
RMB	807,225	525,457
EUR	106,517	111,029
TWD	19,647	9,064
HK$	1,573	1,250
US$	1,082	1,539
	936,044	648,339

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

Zhongshan L.K. Machinery Co. Ltd. ("Zhongshan L.K."), a subsidiary of the Group in the PRC was involved in litigation with a former distributor which alleged that Zhongshan L.K. breached certain terms of a distribution agreement. A ruling with damages of approximately RMB15,448,000 (equivalent to approximately HK$18,390,000) was issued by a local people's court against Zhongshan L.K.. Zhongshan L.K. had lodged an appeal against the ruling, and the relevant legal process was undergoing as at the date of this report. A full provision was made in these financial statements by management of the Group as at 31 March 2021 and 2020.

24 REVENUE AND OTHER INCOME

	2021 HK$'000	2020 HK$'000
Revenue for sales of goods recognised under HKFRS 15		
Sales of die-casting machine	**2,657,244**	1,890,234
Sales of plastic injection moulding machine	**1,245,546**	756,390
Sales of CNC machining centre	**118,416**	99,475
	4,021,206	2,746,099
Other income		
Value added tax refund	**21,872**	11,364
Other subsidies from government *(Note)*	**22,724**	20,744
Rental income	**19,847**	21,030
Sundry income	**10,477**	16,580
	74,920	69,718

The Group derived revenue from the sales of goods at a point in time.

Note: Other subsidies from government recognised was related to grant from government in relation to sales and research and development of self-developed products in the PRC and employment support scheme in the PRC and in Hong Kong. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

25 OTHER GAINS/(LOSSES) – NET

	2021 HK$'000	2020 HK$'000
Reversal of provision for impairment of other receivables *(Note)*	**39,773**	–
Net foreign exchange gain/(loss)	**13,325**	(15,812)
Increase in fair value of investment properties *(Note 8)*	**6,490**	3,537
Net (loss)/gain on disposals of property, plant and equipment	**(1,894)**	1,096
Gain on disposal of a right-of-use asset	**1,230**	–
	58,924	(11,179)

Note: During the year, Fuxin Lida Steel Casting Co. Ltd. ("Fuxin Lida"), a wholly owned subsidiary of the Group, recovered RMB35,000,000 out of the total RMB50,908,000 previously impaired outstanding consideration receivable from 阜新金達鋼鐵鑄造有限公司 ("阜新金達"), the purchaser of the disposal, in connection with the disposal of 35% equity interest in 阜新力昌鋼鐵鑄造有限公司 ("阜新力昌") completed during the year ended 31 March 2012. As stipulated in a tri-partite agreement entered into between 阜新金達, Fuxin Lida and Fuxin County government, 阜新金達 agreed to pay RMB35,000,000 on behalf of Fuxin Lida to a local contractor for construction of a factory site of Fuxin Lida in lieu of settlement of the RMB35,000,000 outstanding consideration receivable. As at 31 March 2021, outstanding consideration receivable of RMB15,908,000 remain unsettled by 阜新金達 and was fully impaired in prior years.

26 EXPENSES BY NATURE

	2021 HK$'000	2020 HK$'000
Raw materials and consumables used	**2,313,340**	1,503,156
Changes in inventories of finished goods and work in progress	**21,116**	67,265
Staff costs *(Note 27)*	**614,622**	537,257
Amortisation of intangible assets *(Note 6)*	**5,054**	3,918
Depreciation of property, plant and equipment *(Note 7)*	**109,804**	115,580
Depreciation of right-of-use assets *(Note 9)*	**19,067**	18,300
Research costs	**22,062**	21,403
Transportation expenses	**89,973**	48,543
Auditor's remuneration		
– Audit services	**3,250**	3,200
– Non-audit services	**808**	630
Provision for impairment of trade receivables – net *(Note 3.1(b)(ii))*	**23,404**	21,515
Provision for/(reversal of provision for) inventories write-down *(Note 18)*	**10,606**	(34,617)
Reversal of loss on financial guarantee contracts *(Note 34)*	**(6,334)**	(3,367)
Other expenses	**413,498**	370,856
	3,640,270	2,673,639
Represented by:		
Cost of sales	**2,905,923**	2,027,618
Selling and distribution expenses	**366,475**	290,901
General and administrative expenses	**344,468**	333,605
Provision for impairment of trade receivables – net	**23,404**	21,515
	3,640,270	2,673,639

27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000
Wages and salaries	562,632	477,213
Retirement scheme contributions	34,037	44,983
Other allowances and benefits	17,953	15,061
	614,622	537,257

(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 2021:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors					
Chong Siw Yin	–	3,900	–	18	3,918
Liu Zhuo Ming	–	1,400	–	18	1,418
Tse Siu Sze	–	1,931	602	18	2,551
	–	7,231	602	54	7,887
Independent Non-Executive Directors					
Low Seow Chay	310	–	–	–	310
Lui Ming Wah	310	–	–	–	310
Tsang Yiu Keung	310	–	–	–	310
	930	–	–	–	930
Total	930	7,231	602	54	8,817

27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

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

For the year ended 31 March 2020:

Name	Fees	Salary	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Termination benefits for loss of office	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Chong Siw Yin	–	3,900	–	18	–	3,918
Liu Zhuo Ming	–	1,400	–	18	–	1,418
Tse Siu Sze	–	1,914	–	18	–	1,932
Wang Xinliang *(Note (i))*	–	563	1,798	37	814	3,212
	–	7,777	1,798	91	814	10,480
Independent Non-Executive Directors						
Low Seow Chay	310	–	–	–	–	310
Lui Ming Wah	310	–	–	–	–	310
Tsang Yiu Keung	310	–	–	–	–	310
	930	–	–	–	–	930
Total	930	7,777	1,798	91	814	11,410

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

During the year ended 31 March 2021, there was no allowances and benefits in kind, or 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 (2020: Nil).

Note (i): Mr. Wang Xinliang resigned as an executive director on 15 August 2019.

27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

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

	2021 HK$'000	2020 HK$'000
Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings	**930**	930
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	**7,887**	10,480
Total	**8,817**	11,410

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial year ended 31 March 2021.

During the year ended 31 March 2020, one director received termination benefits of HK$814,000 for loss of office.

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

During the year ended 31 March 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: 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 2021, 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 (2020: 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 (2020: Nil).

27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(f) Five highest paid individuals

During the year ended 31 March 2021, the five highest paid employees included two (2020: two) directors. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other allowances	**6,561**	6,647
Retirement scheme contributions	**963**	1,167
	7,524	7,814

The emoluments fell within the following bands:

	2021	2020
HK$2,000,001–HK$2,500,000	**2**	2
HK$3,000,001–HK$3,500,000	**1**	1

28 FINANCE COSTS – NET

	2021 HK$'000	2020 HK$'000
Finance income:		
Interest income on short-term bank deposits	**(7,722)**	(5,305)
Finance costs:		
Interest on bank borrowings	**57,083**	82,266
Charges on bills receivables discounted without recourse	**2,309**	2,111
Interest on lease liabilities	**1,050**	1,194
Less: Capitalised in property, plant and equipment *(Note i)*	**(4,150)**	(351)
	56,292	85,220
	48,570	79,915

Note i: Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.9% (2020: 4.3%) to expenditure on qualifying assets.

29 INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	52,968	28,823
– Hong Kong profits tax	–	–
– Overseas tax	5,942	8,429
– Withholding income tax on dividends	29,299	14,086
	88,209	51,338
Deferred income tax *(Note 13)*	26,076	(4,502)
Tax charge	114,285	46,836

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2020: same).

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.

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. Pursuant to the implementation rules of the Corporate Income Tax Law of the PRC and 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% (2020: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2021 (2020: same) as the subsidiaries established in Hong Kong had no assessable profits for the year ended 31 March 2021 (2020: same).

For the year ended 31 March 2021, 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 (2020: same).

29 INCOME TAX EXPENSE *(Continued)*

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:

	2021 **HK$'000**	2020 HK$'000
Profit before income tax	**457,952**	50,114
Tax calculated at applicable tax rates in the respective jurisdictions	**116,886**	20,029
Effect of preferential tax rates applicable to relevant jurisdictions	**(44,735)**	(18,029)
Tax effects of:		
– Super-deduction of research and development costs	**(10,761)**	(5,353)
– Income not subject to tax	**(3,496)**	(1,207)
– Expenses not deductible for tax purposes	**6,265**	13,329
– PRC withholding tax	**44,749**	25,453
Tax effect of unrecognised tax losses	**5,377**	12,614
Tax charge	**114,285**	46,836

The weighted average tax rate was 15.8% (2020: 4.0%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

30 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$343,667,000 (2020: HK$3,278,000) and on the weighted average number of approximately 1,191,265,000 (2020: 1,191,265,000) ordinary shares in issue.

	2021	2020
Profit attributable to owners of the Company (HK$'000)	**343,667**	3,278
Weighted average number of ordinary shares in issue (thousands)	**1,191,265**	1,191,265
Basic earnings per share (HK cents)	**28.8**	0.3

(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.

For the year ended 31 March 2021 and 2020, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

31 DIVIDENDS

The dividend paid and declared during the year ended 31 March 2021 and 2020:

	2021 HK$'000	2020 HK$'000
Final dividend for the year ended 31 March 2019 (HK2.2 cents per ordinary share)	–	26,208
Interim dividend for the six months ended 30 September 2020 (HK3 cents per ordinary share)	35,737	–
	35,737	26,208

32 CASH GENERATED FROM OPERATIONS

	2021 HK$'000	2020 HK$'000
Profit before income tax	457,952	50,114
Adjustments for:		
Depreciation and amortisation	133,925	137,798
Increase in fair value of investment properties	(6,490)	(3,537)
Finance income	(7,722)	(5,305)
Finance costs	56,292	85,220
Provision for impairment of trade receivables – net	23,404	21,515
Reversal of provision for impairment of other receivables	(39,773)	–
Provision for/(reversal of provision for) inventories write-down	10,606	(34,617)
Net loss/(gain) on disposals of property, plant and equipment	1,894	(1,096)
Gain on disposal of a right-of-use asset	(1,230)	–
Share of losses of associates	8,258	970
Operating profit before changes in working capital	637,116	251,062
Changes in working capital:		
Inventories	45,178	49,022
Trade and bills receivables	(190,481)	70,762
Other receivables, prepayments and deposits	(48,290)	20,986
Trade and bills payables, other payables, deposits and accruals	440,208	(41,164)
Restricted bank balances	21,517	(35,843)
Cash generated from operations	905,248	314,825

32 CASH GENERATED FROM OPERATIONS *(Continued)*

(a) In the statement of cash flows, proceeds from disposals of property, plant and equipment and proceeds from disposal of a right-of use asset comprise:

	2021 **HK$'000**	2020 HK$'000
Net book amount *(Note 7)*	**5,599**	14,026
Net (loss)/gain on disposals of property, plant and equipment *(Note 25)*	**(1,894)**	1,096
Proceeds from disposals of property, plant and equipment	**3,705**	15,122

	2021 **HK$'000**	2020 HK$'000
Net book amount	**1,006**	–
Gain on disposal of a right-of-use asset *(Note 25)*	**1,230**	–
Proceeds from disposal of a right-of use asset	**2,236**	–

(b) Liabilities from financing activities

	Borrowings HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
As at 1 April 2019	1,751,495	41,232	1,792,727
Additions	–	3,267	3,267
Finance costs	82,266	1,194	83,460
Cash flows	(31,017)	(11,126)	(42,143)
Exchange difference	(37,237)	(719)	(37,956)
As at 31 March 2020	1,765,507	33,848	1,799,355
Additions	–	6,677	6,677
Finance costs	57,083	1,050	58,133
Cash flows	(715,792)	(12,632)	(728,424)
Exchange difference	58,754	1,839	60,593
As at 31 March 2021	1,165,552	30,782	1,196,334

33 COMMITMENTS

(a) Capital commitments

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	**316,014**	131,293

(b) Operating lease commitments

The Group as lessor

The Group leases out the investment properties and certain machineries 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.

As at 31 March 2021 and 2020, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	2021 HK$'000	2020 HK$'000
Leases receivable:		
Within one year	**4,427**	5,580
In the second to fifth year inclusive	**527**	1,353
	4,954	6,933

34 FINANCIAL GUARANTEES

	2021 HK$'000	2020 HK$'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	**19,857**	24,538

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$19,857,000 as at 31 March 2021 (2020: HK$24,538,000) 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.

During the year ended 31 March 2021, the Group recognised a reversal of loss of approximately HK$6,334,000 (2020: HK$3,367,000), as a result of repayment by customers of certain loans which previously had default in repayments.

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 2021 was approximately HK$4,619,000 (2020: HK$9,282,000).

The Company has provided guarantees in respect of banking facilities of its subsidiaries of approximately HK$767,578,000 (2020: HK$1,633,486,000). The facilities utilised by the subsidiaries as at 31 March 2021 was HK$401,048,000 (2020: HK$1,030,961,000).

35 RELATED PARTY TRANSACTIONS

Key management compensation

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

	2021 HK$'000	2020 HK$'000
Wages and salaries, other allowances and benefits	**19,996**	20,184
Retirement scheme contributions	**1,269**	1,416
	21,265	21,600

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

		As at 31 March	
	Note	**2021 HK$'000**	2020 HK$'000
Non-current asset			
Investments in subsidiaries		**65,000**	65,000
Current assets			
Other receivables, prepayments and deposits		**129**	113
Amounts due from subsidiaries		**707,835**	685,394
Cash and cash equivalents		**311**	387
Total current assets		**708,275**	685,894
Total assets		**773,275**	750,894
Equity			
Share capital		**119,127**	119,127
Reserves	*(a)*	**648,044**	626,240
Total equity		**767,171**	745,367
Current liability			
Other payables, deposits and accruals		**6,104**	5,527
		6,104	5,527
Total equity and liability		**773,275**	750,894

The statement of financial position of the Company was approved by the Board of Directors on 29 June 2021 and was signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Note (a) Reserve movement of the Company

	Share premium HK$'000	**Other reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
At 1 April 2019	579,809	11,116	41,901	632,826
Profit for the year	–	–	19,622	19,622
Final dividend paid	–	–	(26,208)	(26,208)
At 31 March 2020 and 1 April 2020	579,809	11,116	35,315	626,240
Profit for the year	–	–	57,541	57,541
Interim dividend paid	–	–	(35,737)	(35,737)
At 31 March 2021	579,809	11,116	57,119	648,044

37 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 3 May 2021, the Company issued 60,000,000 ordinary shares at price of HK$9.50 each through placement. The gross and net proceeds (after deduction of placing commission and other costs and expenses) from the placing were approximately HK$570 million and HK$562 million, respectively.

MAJOR INVESTMENT PROPERTIES SUMMARY

	Location	Lease Expiry	Total Gross Floor Area
HONG KONG			
Factory	Unit Nos. 1102 and 1104 on 11th Floor, Tsuen Wan Industrial Centre, Nos. 220–248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	2047	4,377 (sq.ft.)
PRC			
Factory	Level 1 and portion of Level 2 of No. 4 Factory Building and 9 Apartment Units of No. 1 Dormitory Building, Jihua Industrial Area, Buji Town, Longgang District, Shenzhen City, Guangdong Province, the PRC	2049	3,252 (sq.m.)
Factory	Portion of Level 3, Levels 4 to 6 of Factory D, L.K. Hi-Tech Industrial Development Zone, Qinghe Road, Longhua Area, Baoan District, Shenzhen City, Guangdong Province, the PRC	2057	10,982 (sq.m.)
Factory	Factory No. 3, Songnan Road, Qiandeng Town, Kunshan City, Suzhou City, Jiangsu Province, the PRC	2057	17,291 (sq.m.)
Factory	Factory No. 1, No. 168 Xinhong Road, Qiandeng Town, Kunshan City, Suzhou City, Jiangsu Province, the PRC	2057	17,062 (sq.m.)
Offices	Units 2301–2306 and 2308–2310 on Level 23 Zhenyuan Building, No. 2052 Zhongshan Road North, Putuo District, Shanghai, the PRC	2045	812 (sq.m.)

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,021,206**	2,746,099	3,604,449	3,728,533	3,224,781
Profit before income tax	**457,952**	50,114	253,772	327,337	197,178
Income tax expense	**(114,285)**	(46,836)	(63,096)	(86,349)	(60,537)
Profit for the year	**343,667**	3,278	190,676	240,988	136,641
Profit attributable to:					
Owners of the Company	**343,667**	3,278	190,676	241,669	136,789
Non-controlling interests	**–**	–	–	(681)	(148)
	343,667	3,278	190,676	240,988	136,641

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**5,478,376**	4,999,005	5,220,784	5,647,797	4,561,766
Total liabilities	**(3,017,104)**	(3,012,353)	(3,072,224)	(3,407,503)	(2,823,120)
	2,461,272	1,986,652	2,148,560	2,240,294	1,738,646
Equity attributable to owners of the Company	**2,461,272**	1,986,652	2,148,560	2,240,294	1,736,654
Non-controlling interests	**–**	–	–	–	1,992
	2,461,272	1,986,652	2,148,560	2,240,294	1,738,646

力勁科技集團有限公司
L.K. TECHNOLOGY HOLDINGS LIMITED
www.lk.world

Unit A, 8/F., Mai Wah Industrial Building,
1-7 Wah Sing Street, Kwai Chung,
New Territories, Hong Kong

香港新界葵涌華星街1-7號
美華工業大廈8樓A室

L.K. TECHNOLOGY

MIX
Paper from responsible sources
源自負責任的森林資源的紙張
FSC™ C127090
FSC
www.fsc.org