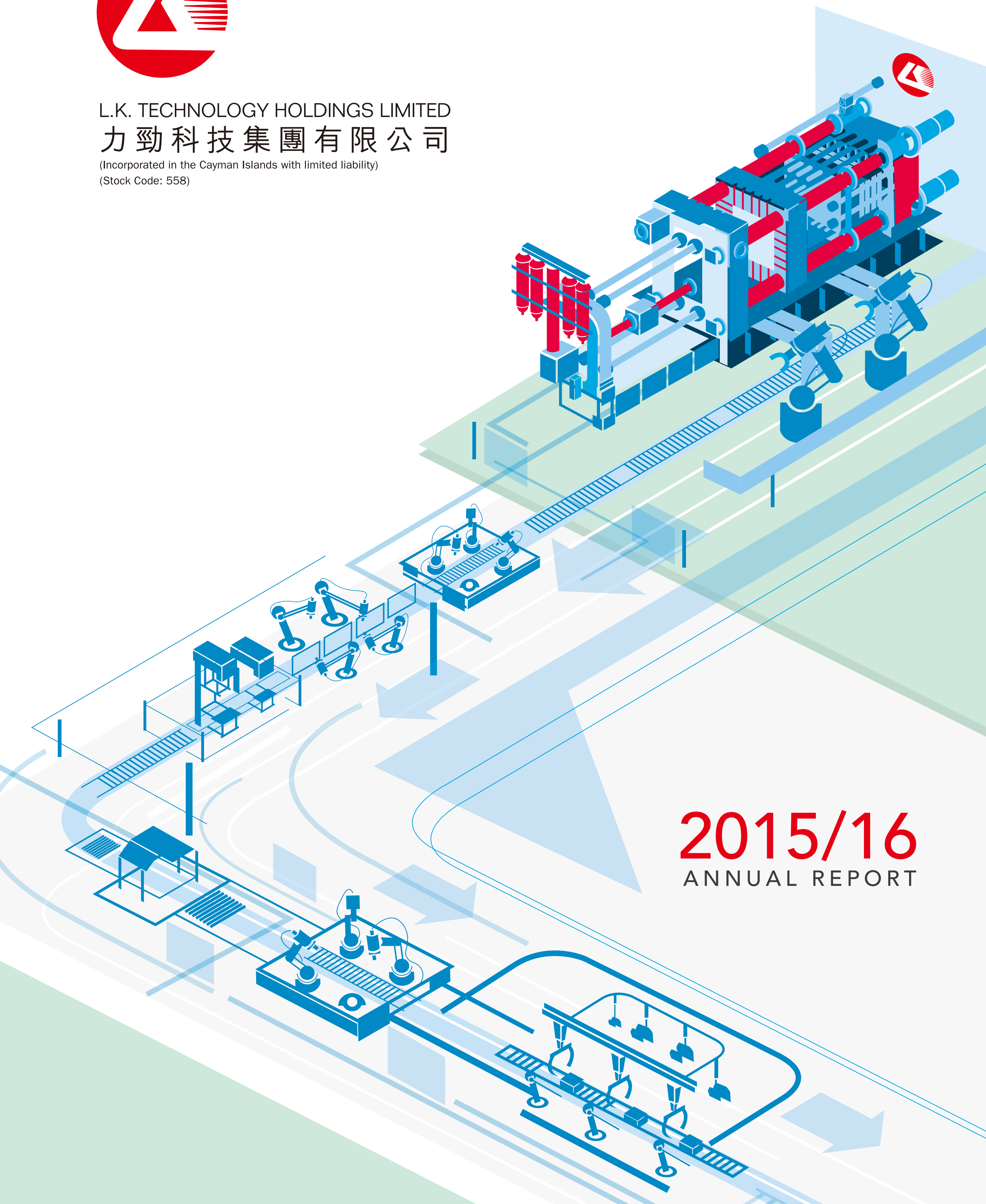
L.K. TECHNOLOGY HOLDINGS LIMITED

力勁科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

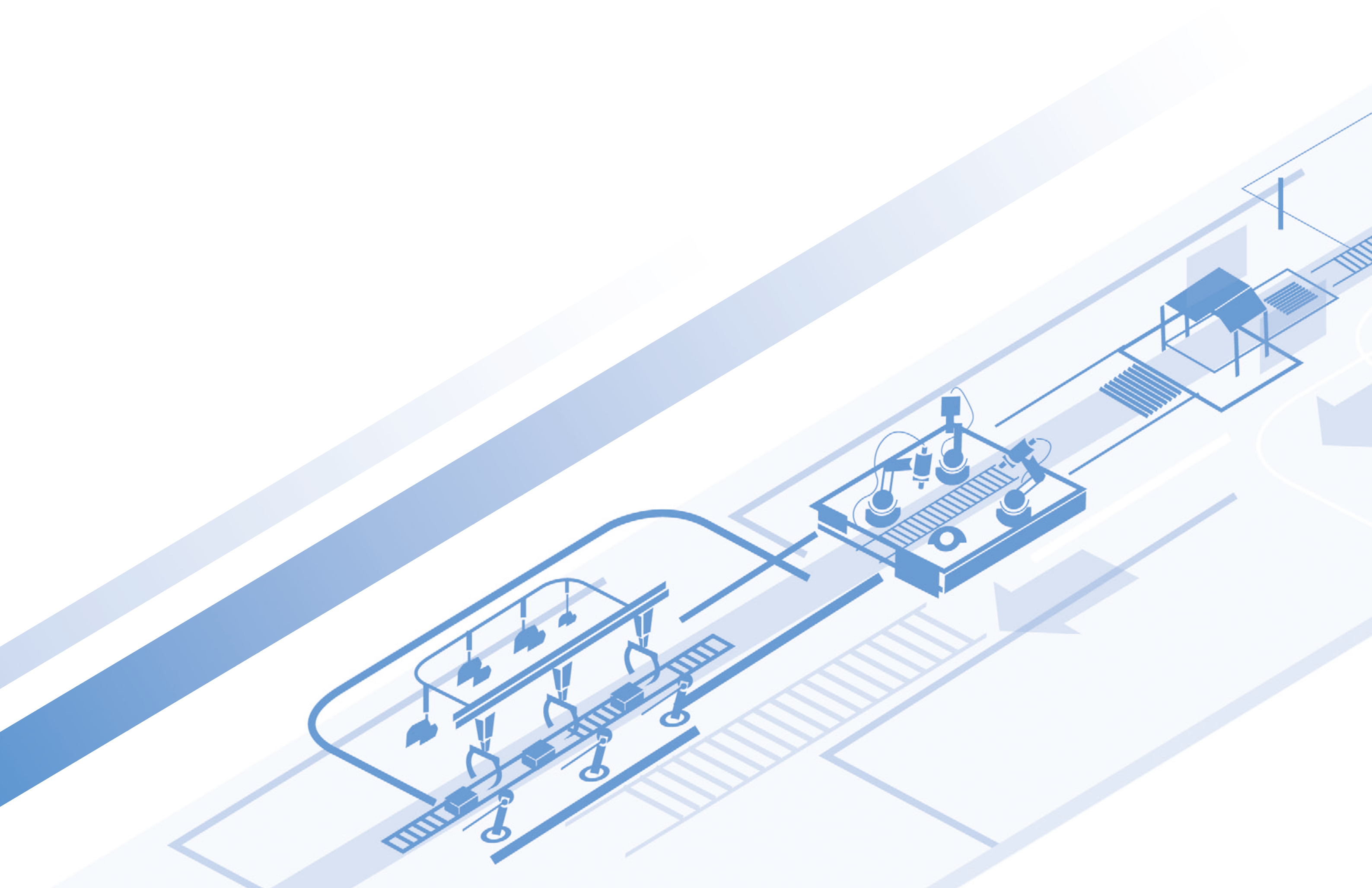
(Stock Code: 558)

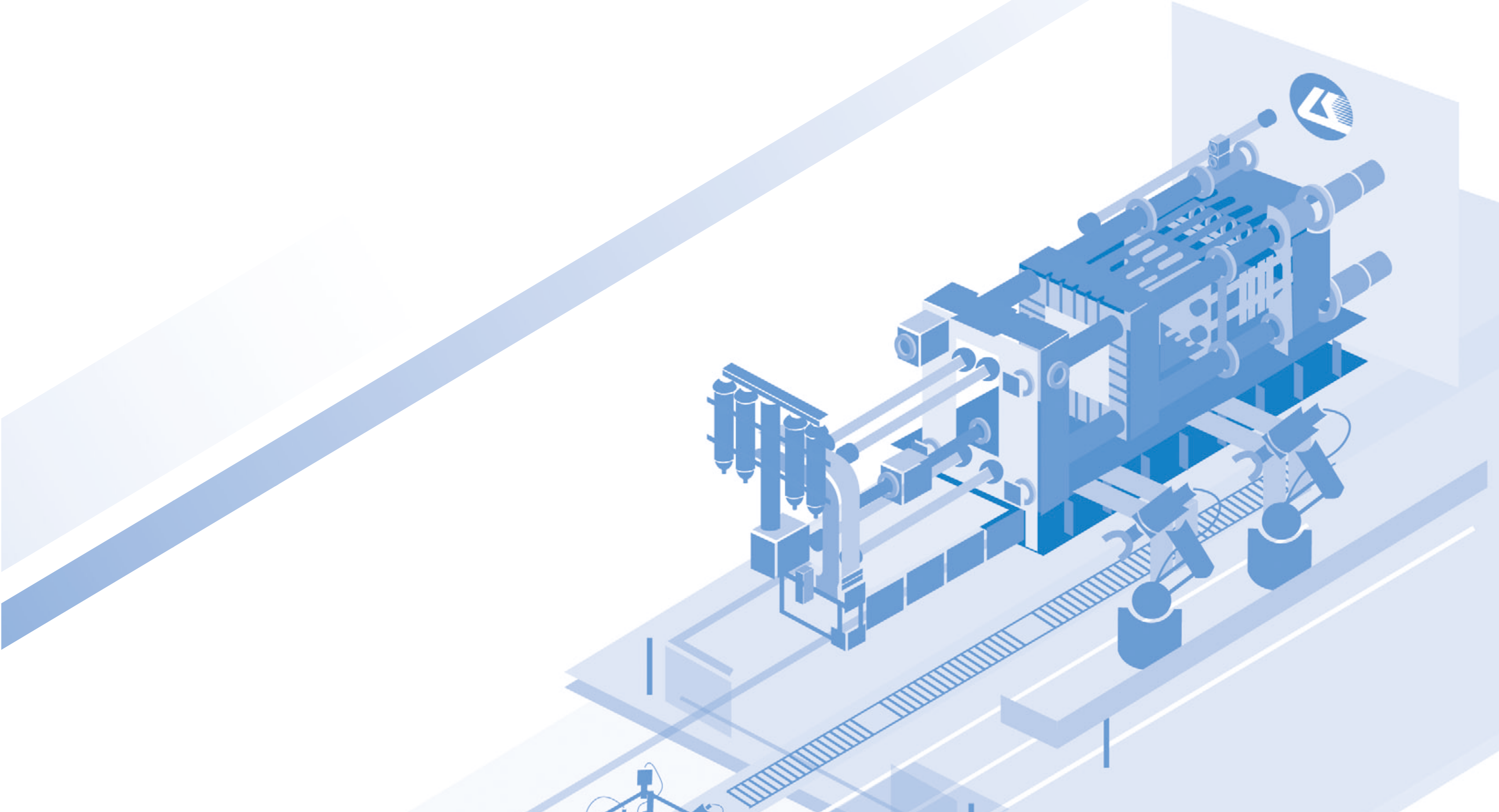


2015/16 ANNUAL REPORT

CORPORATE PROFILE

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





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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Ms. Han Jie

Independent Non-executive Directors

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

Chief Executive Officer

Mr. Chung Yuk Ming

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Wong Kin Ming

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditor

PricewaterhouseCoopers

Registered Office

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

Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Code

558

Website

http://www.lktechnology.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of L.K. Technology Holdings Limited, I hereby present the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 (the "Year").

The Group recorded revenue of HK$2,822,824,000 for the Year, representing a decrease of 10.3% compared with HK$3,145,258,000 last year. The decrease of revenue was mainly attributable to the China market. Profit attributable to owners of the Group amounted to HK$710,000, representing a decrease of 99.3% compared with HK$105,159,000 last year. During the Year, the global economy was still unstable and imbalanced. Facing the slowdown of China's economy, the lack of momentum in the real economy growth, there was a great impact on the manufacturing sector in China due to the excessive production capacity in the manufacturing sector and its necessary adjustment arising from rapid growth and excessive investments over the years as well as the sluggish domestic and external demand. The Group's revenue from the China market amounted to HK$1,866,582,000 for the Year, representing a decrease of 19.6% compared with HK$2,321,899,000 last year. The European market remained stable in general with slow growth. The emerging countries such as India and Brazil were very prudent in investing equipment due to influence of the substantial depreciation in their currencies. The US market was the only market with continuous growth. The revenue of the Group from overseas market amounted to HK$956,242,000 for the Year, representing an increase of 16.1% compared with HK$823,359,000 last year, which was mainly driven by the growth in the US market and the European market.

In order to cater to the future development of the manufacturing industry, the demand on automation production and the new trend of smart factory, the Group continued to invest resources in enhancing the product efficiency as well as the functions of environmental protection, energy saving and automation for the Group to pursue perfection on its products and create value for its customers.

Looking ahead to the coming year, although the global economy remains uncertain and difficult, the Chinese government is committed to reform and innovate, encourage the domestic demand, and may relax the monetary and fiscal policies appropriately. Meanwhile, it is expected that China's economy will be back on track to thrive driven by the strategies including "the Belt and Road" and "Made in China 2025".

Although the economic growth of Eurozone remained slow, the European Central Bank has implemented monetary easing policies in order to stimulate the economy. Meanwhile, it is hoped that the new industrial reform by "Industry 4.0" can revitalize the European industry. After exit from the European Communities, the UK is currently carrying out new political and economic reform, and will create uncertainties on European and global economies.

In this challenging environment, the Group, as usual, will adopt the strategy of achieving growth while maintaining stability. Meanwhile, the corporate structure will be optimised in order to lay a solid foundation for the Group's sound development in the long run.

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 2016

Business Review

The Group recorded revenue of HK$2,822,824,000 for the year ended 31 March 2016 (the "Year"), representing a decrease of approximately 10.3% compared to the last year. During the Year, profit attributable to owners of the Company amounted to HK$710,000, as compared to the profit of HK$105,159,000 in the last year.

The decrease in revenue was mainly due to the significant decrease in revenue of the Group in the China market. During the Year, the Group's revenue from the China market amounted to HK$1,866,582,000, representing a decrease of 19.6% as compared to HK$2,321,899,000 for the last year.

During the Year, the domestic economy in China was stable in general but the growth rate of the GDP has declined. The PRC government emphasised the adjustment of economic structure, which had certain impacts on the short-term economic growth. Furthermore, export was increasingly difficult due to factors such as fluctuations of RMB exchange rate and the increasing PRC labour costs. A weak demand for machinery and equipment in the manufacturing industry in turn led to a substantial decrease in revenue of the Group in the China market.

In terms of overseas market, the US market and the European market continued to recover but the demands of emerging markets such as Brazil and India remained sluggish. During the Year, the revenue of the Group from overseas market amounted to HK$956,242,000, representing an increase of 16.1% as compared to HK$823,359,000 for the last year, which was mainly driven by the growth of the US market and the European market.

Die-casting Machines

During the Year, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK$2,184,813,000, representing an increase of 2.0% as compared to HK$2,142,300,000 for the last year, of which the revenue generated from the China market amounted to HK$1,289,597,000, representing a decrease of 7.9% as compared to HK$1,399,654,000 for the last year. However, there was a substantial increase in the revenue from overseas market, representing an increase of 20.5% from HK$742,646,000 for the last year to HK$895,216,000 for the Year. In the US market and the European market, the performance of IDRA, our subsidiary, remained splendid during the Year.

Plastic Injection Moulding Machines

During the Year, the Group's revenue from the plastic injection moulding machine business amounted to HK$498,525,000, representing a decrease of 11.8% as compared to HK$565,376,000 for the last year. The decrease in the revenue was mainly attributable to the continuous downturn in the China market.

The Group's new factory, with a total site area of 88,000 sq.m in aggregate, in Dongsheng Town, Zhongshan City, Guangdong Province, has commenced production in early 2016, which laid a solid foundation for the Group's plastic injection moulding machine business to advance forward.

Computerised Numerical Controlled (CNC) Machining Centres

During the Year, the Group's revenue from CNC machining centre business amounted to HK$139,486,000, representing a decrease of 68.1% as compared to HK$437,582,000 for the last year. Machine tools industry is still in adjustment, with a continuing weak demand in general after experiencing rapid growth in recent years.

Financial Review

During the Year, the overall gross profit margin of the business of the Group was 24.8%, representing a decrease of approximately 1.2% as compared to the last year, which was mainly due to the corresponding increase in the share of fixed costs resulting from the decrease in revenue, particularly the relatively material impact on the CNC machining centre segment.

Selling and distribution expenses amounted to HK$345,440,000, representing an increase of 3.1% as compared to HK$335,128,000 for the last year, which is mainly due to the increase in revenue of IDRA, our subsidiary, from the overseas market during the Year and the corresponding increase in relevant transportation costs and exhibition costs.

General and administration expenses amounted to HK$330,219,000, representing a decrease of 10.7% as compared to HK$369,674,000 in the last year. The Group provided guarantee relating to equipment mortgage loans for individual customers, and some of these customers entered into bankruptcy proceedings last year. The Group settled the outstanding mortgage loan balance with the bank on those customers' behalf and suffered a loss of approximately HK$26,373,000, as a result of default by certain customers for the year ended 31 March 2015. During the Year, loss in this regard has significantly decreased.

Net finance costs amounted to HK$68,651,000, representing an increase of 17.5% as compared to HK$58,446,000 last year. The Group restructured the syndicated loan during the Year, which accelerated the amortisation of the related borrowing costs of approximately HK$11,742,000 prepaid last year.

Research and Development

The Group continued to invest resources in energy saving, environmental protection, efficiency and automation to enhance product performance. Meanwhile, intelligent control systems are developed for die casting machines, plastic injection moulding machines and CNC machining centres in order to catch up with the new trend under "Made in China 2025" and "Industry 4.0" ("工業4.0") and cope with the future requirements to become a smart factory.

At the same time, the Group also developed special die casting process and super large die casting cells so as to meet the requirements of the aluminium alloy structural parts in automobile industry. Steel is gradually replaced by aluminium alloy structural parts for car body structure, such as crossmember, stock tower and door frame, not only providing safety protection but also reducing weight.

During the Year, the Group conducted comprehensive upgrade and enhancement of the "FORZA" plastic injection moulding machine series. The third generation of "FORZA" series has been launched with substantial upgrade in performance and workshop internet function.

Following the growth of industry in respect of automobile, household appliances and daily necessities in China, consumers demand plastic products with diversity, personality and colorful patterns. In order to accommodate market changes and seize business opportunities, the Group developed a cutting-edge "PT-DV" series for its two-platen 3-color large-tonnage plastic injection moulding machine based on its advanced two-platen 2-color machine. This machine is equipped with a number of patented technologies, superior function and features, which complements the deficiency of two-platen 3-color large-tonnage plastic injection molding machine in China market and is able to satisfy the needs of multi-color plastic products in various industries.

With outstanding performance in the market, "POTENZA-G" series "PT80-PT160" machine is in a leading position in the eye glasses specialised plastic injection molding machine technology, and is well accepted by eye glasses manufacturers. In order to further satisfy the market demand for refined and compact eye glasses, the Group launched a few fully upgraded eye glasses machines series in 2016.

The upgrade version of the "POTENZA-G" series aims at different plastic materials and different operating requirements with different power system and injection system, which could further satisfy the needs of a niche market and promote the development of eye glasses industry.

During the Year, the Group also enhanced the function of CNC machining centres and conducted research and development over different types and different machining centres series to cater to the needs of different markets and industries. Moreover, the Group also developed various models of specialised bridge machining centres. The Group's CNC machining centres series are widely used for the post-processing of 3C products, processing of automobile components, manufacturing of dies, and processing of other sophisticated components.

Prospects

Looking forward to the coming year, global economy remains uncertain, and the business environment will be tough and challenging. First of all, growth of the Chinese economy has slowed down and its demand remains weak. The development in China's manufacturing industry will slow down correspondingly under relatively large downward pressure, while total market demand may continue to decline. Although the economy of United States improved, the economies of emerging countries remained sluggish, together with substantial depreciation in their currencies against United States dollars, will have a direct influence on the intention to invest in machinery and equipment. Brexit came true as UK voted to leave the EU in the referendum held on 23 June. This stunning vote result has rattled the financial markets worldwide and generates uncertainties for investors which may deter their investment in the EU. However, the Chinese government has stepped up its efforts to implement reform measures in different industries and different business sectors, so as to stimulate the economy of China to maintain medium-to-high speed growth. Driven by the national policy such as "Made in China 2025", the Group is committed to enhancing its innovative ability, strengthening the quality and brand building, and promoting R&D, innovation, high-value added, automation and marketing of the Group's three main products, namely die casting machines, plastic injection moulding machines and CNC machining centres. Meanwhile, the Group will also adopt a prudent fiscal strategy to ensure a healthy, stable and sustainable development for the Group.

Liquidity and Financial Resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 31 March 2016, the Group's cash and bank balances amounted to approximately HK$330,404,000 (2015: HK$306,992,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 70% (2015: 68%).

Note: Net debt is calculated as total borrowings less cash and cash equivalents.

As at 31 March 2016, the capital structure of the Company was constituted exclusively of 1,133,265,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$1,556,790,000 (2015: HK$1,553,145,000), approximately 53% of which being short-term loans. Approximately 17% of the total borrowing was subject to interest payable at fixed rates.

Financial Guarantees

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2016, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$231,962,000 (2015: HK$317,048,000).

Pledge of Assets

The Group's banking facilities and financial guarantees were secured by the assets of the Group, including restricted bank balances, available-for-sale financial assets, land use rights, investment properties, property, plant and machinery and trade and bills receivables, with aggregate carrying amounts of HK$550,441,000 (2015: HK$748,522,000).

Capital Commitments

As at 31 March 2016, the Group had made capital expenditure commitments of approximately HK$19,318,000 (2015: HK$109,613,000) in respect of acquisition of property, plant and equipment.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors

Ms. Chong Siw Yin, aged 60, 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 28 years of management experience. Ms. Chong is the mother of Mr. Liu Zhuo Ming, an Executive Director of the Company.

Mr. Liu Zhuo Ming, aged 30, is an Executive Director of the Company. Mr. Liu joined the Group in October 2008 and has served a number of positions in the Group. He was appointed as an Executive Director in April 2014. 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 (an Executive Director and Chairperson of the Board of the Company) and Mr. Liu Siong Song (a substantial shareholder and the controlling shareholder of the Company).

Mr. Tse Siu Sze, aged 48, is an Executive Director of the Company. Mr. Tse joined the Group in July 1990 and has served a number of positions in the Group. Mr. Tse was appointed as an Executive Director in December 2013. He is currently the general manager and a director of Zhongshan L.K. Machinery Co. Ltd. Mr. Tse has over 26 years of experience in production management, sales and marketing.

Mr. Wang Xinliang, aged 48, is an Executive Director of the Company. Mr. Wang joined the Group in July 1993 and has served a number of positions in the Group. Mr. Wang was appointed as an Executive Director in March 2014. He is currently the general manager and a director of both Ningbo L.K. Machinery Co. Ltd. and Ningbo L.K. Technology Co. Ltd. Mr. Wang has over 23 years of experience in production management, sales and marketing. Mr. Wang holds an EMBA from Fudan University.

Ms. Han Jie, aged 44, was appointed as a Non-executive Director of the Company in February 2015. Ms. Han is currently Vice President of FountainVest Partners. Before joining FountainVest Partners, Ms. Han was the CFO of China Digital Video Limited, one of the top 3 digital video technology providers in the PRC. Prior to that, she worked for Golden State Environment Group Corporation as the Financial Controller where she built and managed the finance team. Ms. Han has 7 years of working experience in Singapore, which includes working as a Senior Finance Manager in the Civil Aviation Authority of Singapore in charge of management accounting and investment management and as a Senior Consultant at Stern Stewart Pte. Ltd., the EVA company. Altogether, Ms. Han has more than 16 years of experience in financial and investment management. Ms. Han obtained her Master's degree in finance & accounting from National University of Singapore in July 2001. She is also a CFA charter holder.

Dr. Low Seow Chay, aged 66, was appointed as an Independent Non-executive Director of the Company in September 2004. He was the associate professor of the Nanyang Technological University of Singapore before his retirement in November 2012. Dr. Low has more than 30 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is a board member of three publicly listed companies in Singapore, namely CASA Holdings Limited, Hor Kew Corporation Limited and Hai Leck Holdings Limited. Dr. Low received a Doctor of Philosophy Degree from The University of Manchester, U.K.

Dr. Lui Ming Wah, *SBS, JP*, aged 78, was appointed as an Independent Non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association Ltd. and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association and a member of The Hong Kong International Arbitration Center Advisory Council. He is also a member of the Hong Kong Economic Development Commission. In the PRC, he is a member of Daya Bay Nuclear Power Station Nuclear Safety Advisory Board and an honorary member of China Overseas Friendship Association. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. Dr. Lui is also member of the tenth and eleventh National Committee of the Chinese People's Political Consultative Conference. He is the managing director of Keystone Electronics Co., Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited, S.A.S Dragon Holdings Limited (all being listed companies on the Stock Exchange in Hong Kong) and Asian Citrus Holdings Limited (also listed on the London Stock Exchange). Dr. Lui obtained a master's degree in Applied Science from the University of New South Wales in Australia and a PhD from the University of Saskatchewan in Canada.

Mr. Tsang Yiu Keung, Paul, aged 62, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is a professional accountant and a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tsang was with KPMG for more than 27 years, where he was a senior banking partner until he retired from the firm on 31 March 2003. Mr. Tsang is currently an independent non-executive director of Guotai Junan International Holdings Limited, a listed company on the Stock Exchange in Hong Kong, and China CITIC Bank International Limited, a licensed bank in Hong Kong and CITIC International Financial Holdings Limited.

Senior Management

Mr. Chung Yuk Ming, aged 68, is the Chief Executive Officer of the Group. He was previously an executive director of the Company from September 2004 until March 2014. He acted as Consultant to the Group for the period from April 2014 to March 2016. Mr. Chung has over 35 years of extensive experience in the manufacturing field. Mr. Chung holds a master's degree in Business Administration from the University of Macau. He is a fellow member of the Hong Kong Institute of Directors.

Mr. Chan Kwok Keung, aged 50, is the engineering manager of the Group. He joined the Group in December 1998 and is responsible for the technical support, customer services and product development. Mr. Chan was appointed as a director of L.K. Machinery International Limited in March 2012. He has 27 years of experience in mechanical engineering and customer service. He is an associate member of the Hong Kong Institution of Engineers. Mr. Chan graduated from University of Northumbria at Newcastle, U.K. with a bachelor's degree in Mechanical Engineering and obtained a master's degree of Science in Management from The Hong Kong Polytechnic University.

Mr. William P. Damian, aged 57, is the president of L.K. Machinery, Inc. (USA). Mr. Damian joined the Group in 2006, and is responsible for all its operational management of the company and for sales activities of die casting machines and CNC machining centres, and large die cast dies. Mr. Damian graduated from the University of Michigan with a bachelor's degree in Mechanical Engineering and from Massachusetts Institute of Technology's (M.I.T.) Sloan School with a master's degree in Management. Prior to joining the Group, he served as vice president of sales and marketing with a die casting company and also held key positions as president of StrikoDynarad, a manufacturer of advanced melting furnaces, and as director of engineering and international sales with Prince Machine Corporation (BuhlerPrince). Mr. Damian holds a patent related to die casting equipment, has been involved in the design and development of advanced casting technology, and has managing several very large die casting machine projects.

Mr. Riccardo Ferrario, aged 59, 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 30 years of experience in the light alloy foundry business and worked for global companies such as Teksid (Fiat Group metallurgical product division), EurAlcom Group and Meridian Technologies. Mr. Ferrario is a metallurgical engineer graduated at Polytechnic of Turin (Italy) in 1982 and possesses strong experience in foundry manufacturing process and business development. He is member of the board of High Pressure Die Casting Technology of AIM (Italian Metallurgical Association) and AMAFOND (Italian Foundry Supplier Association) and is well known in the aluminum and magnesium foundry community worldwide.

Mr. Fung Chi Yuen, aged 49, joined the Group in August 2007 as general manager and chief engineer of plastic injection molding machine business unit and was appointed as a director of L.K. Machinery International Limited in March 2012. Mr. Fung holds a master's degree and a bachelor's degree of science in Engineering from the University of Hong Kong. He has 27 years' experience in product design, production and research and development of plastic injection molding machines both locally and overseas. Before joining the Group, Mr. Fung was the acting operation manager and engineering manager of Husky Injection Molding Systems Ltd., Machine Business Unit, Shanghai, Asia Pacific, a Canada-based company.

Mr. Hong Ka Kei, Eric, aged 46, is the financial controller of the Group. He joined the Group in 2005 and is responsible for financial management and reporting, and banking relations of the Group. Mr. Hong is a qualified accountant. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Hong has over 22 years of experience in corporate finance, merger and acquisition, accounting and finance gained from various listed companies in Hong Kong.

Mr. Te Yi Ming, aged 53, is the sales controller of L.K. Machinery International Limited and is responsible for the sales and marketing in South China. After graduation from the Liuzhou Heavy Industrial Technical School, he worked in Liuzhou Compressor Factory in Guangxi Province until he joined the Group in March 1989 where he once served as customer services supervisor, sales officer and sales manager. He has 27 years of experience in customer services, sales and marketing. Mr. Te is a fellow of The Professional Validation Council of Hong Kong Industries and currently serves as vice president of Shenzhen Plastics & Rubber Association and secretary general of Hong Kong Diecasting and Foundry Association. He is a member of the Chinese People's Political Consultative Conference, Liuzhou City.

Mr. Yang Yi Zhong, aged 73, is the Group's chief internal auditor and is responsible for the internal audit of the subsidiaries in the PRC. Prior to joining the Group, he was a senior accountant of Jiaozuo Electrochemistry Group. He joined the Group as the financial controller of all the PRC subsidiaries of the Group in November 1999. Mr. Yang graduated from Henan Radio & Television University with a diploma in Accounting and has over 51 years of experience in finance and accounting. Mr. Yang is a member of The Chinese Institute of Certified Public Accountants and is entitled Senior Accountant.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is committed to maintaining good corporate governance practices and procedures. The Company has applied the principles and complied with code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2016.

Board of Directors

The Board currently comprises four Executive Directors, a Non-executive Director and three Independent Non-executive Directors. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operation and development of the Group. Each of the 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 8 to 9 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 operational and financial 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 complete and adequate 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 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. Cao Yang is the Chief Executive Officer. Subsequent to the resignation of Mr. Cao Yang as Executive Director and Chief Executive Officer with effect from 1 April 2016, Mr. Chung Yuk Ming was appointed as Chief Executive Officer with effect from 1 April 2016. 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 regulations and disclosure obligations. Individual Directors also participated in other courses and seminars organised by regulatory and professional bodies to update their knowledge in their professional area 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. Cao Yang *(Chief Executive Officer)*	(i)
Mr. Liu Zhuo Ming	(i)
Mr. Tse Siu Sze	(i)
Mr. Wang Xinliang	(i)
Non-executive Director	
Ms. Han Jie	(i)
Independent Non-executive Directors	
Dr. Low Seow Chay	(i)
Dr. Lui Ming Wah	(i)
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	4/4	N/A	N/A	N/A	1/1
Mr. Cao Yang *(Note)*	3/4	N/A	N/A	N/A	1/1
Mr. Liu Zhuo Ming	4/4	N/A	N/A	N/A	1/1
Mr. Tse Siu Sze	4/4	N/A	N/A	N/A	1/1
Mr. Wang Xinliang	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Han Jie	3/4	4/4	2/2	2/2	0/1
Independent Non-executive Directors					
Dr. Low Seow Chay	4/4	N/A	2/2	N/A	1/1
Dr. Lui Ming Wah	3/4	4/4	2/2	2/2	1/1
Mr. Tsang Yiu Keung, Paul	4/4	4/4	N/A	1/2	0/1

Note: Mr. Cao Yang resigned as an Executive Director with effect from 1 April 2016.

In addition, the Chairperson of the Board met one time during the year with all the Independent Non-executive Directors and the Non-executive Director without the presence of the Executive Directors on 25 February 2016.

Board Committees

Remuneration Committee

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

The Remuneration Committee held two meetings during the year. The members of the Remuneration Committee discussed and reviewed the compensation of an executive director and the remuneration package of the new chief executive officer 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 2016 is as follows:

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

Details of the remuneration of each director for the year ended 31 March 2016 are set out in note 29 to the financial statements.

Nomination Committee

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

During the year, the Nomination Committee held two meetings. The members of the Committee discussed about the change of director and the appointment of new chief executive officer and made recommendations to the Board. They also reviewed the structure, size and composition of the Board.

Board Diversity Policy

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

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

Audit Committee

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

During the year, the Audit Committee held four meetings with the representatives of the management, the internal auditors and the external auditor of the Company to discuss the auditing, financial reporting and internal control matters. The Audit Committee also met two times 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, the external auditor's reports and other matters raised by the external auditor;

(iii) review of independence of the 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 reports submitted by the Internal Audit Department and make recommendations; and

(vi) review of the effectiveness of the internal control system of the Group.

Auditor's Remuneration

The financial statements of the Group for the year ended 31 March 2016 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	Fee paid/payable
	HK$'000
Audit services	3,011
Non-audit services	525
	3,536

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

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 enquiry by the Company that they have complied with the required standards 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 2016.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 29 and 30.

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.

Internal Controls

The Board has overall responsibility for the maintenance of sound and effective internal control system within the Group.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's material controls, including financial, operational and compliance controls and risk management functions. The Board also assessed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Company had previously engaged a leading international accounting firm to assist management to develop a Control Self-assessment ("CSA") questionnaire and formulated a three-year risk-based internal audit plan (the "Internal Audit Plan") which was approved by the Audit Committee. The CSA is an important part of the internal control process. It requires the senior management of the major subsidiaries to assess the effectiveness of controls over various areas including financial, operational and compliance controls. It has been rolled out to major subsidiaries according to the schedule set out in the Internal Audit Plan.

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

During the year, no suspected case of fraud, irregularities, or violation of laws, rules and regulations, or material control failures were identified.

Company Secretary

The Company Secretary of the Company is a full time employee of the Company. For the year ended 31 March 2016, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Communications With Shareholders and Investors

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

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

The Company regards communications with its investors as being vital. The Company continues to enhance investor relations. Designated members of the Board and senior management of the Company are given the specific responsibilities to maintain regular contact with institutional investors, potential investors, financial analysts and fund managers. During the year, plant visits and meetings were held to keep them better understand the Group's operations and developments. Press releases were issued 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 the 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 Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures 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 2016, 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 2016.

Principal Activities

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

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

Results and Appropriations

The results of the Group for the year ended 31 March 2016 are set out in the consolidated income statement on page 33.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

Business Review

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future developments in the Group's business, are provided in sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 7 of the annual report, and the notes to the consolidated financial statements.

Compliance with Relevant Laws and Regulations

The Group recognises 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 recognises 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.

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 2016 are set out in note 19 to the consolidated financial statements.

Donations

During the year, the Group made charitable or other donations totalling HK$40,000.

Reserves

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

Distributable Reserves of the Company

As at 31 March 2016, the Company's reserves available for distribution to shareholders of the Company were HK$496,907,000, representing share premium of HK$500,208,000, share option reserve of HK$138,000 and accumulated losses of HK$3,439,000.

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

Equity Linked Agreements

(a) Perpetual Convertible Securities

Details of the perpetual convertible securities are set out in Note 24 to the consolidated financial statements and Note 4 under section "Substantial Shareholders' Interests and/or Short Position in the Shares and Underlying Shares of the Company" contained in this Directors' Report.

(b) Share options granted to directors and selected employees

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

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out on page 121.

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

Executive Directors:

Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief Executive Officer)* (resigned with effect from 1 April 2016) *(Note)*
Mr. Liu Zhuo Ming
Mr. Tse Siu Sze
Mr. Wang Xinliang

Non-executive Director:

Ms. Han Jie

Independent Non-executive Directors:

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

Note: Mr. Cao Yang has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

In accordance with Article 87 of the Company's Articles of Association, Ms. Chong Siw Yin, Mr. Tse Siu Sze and Mr. Tsang Yiu Keung, Paul shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The three Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul were appointed for a term of three years in September 2013. 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 8 to 10 to this annual report.

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

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

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

As at 31 March 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Ordinary shares of HK$0.1 each of the Company as at 31 March 2016.

Name of director	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	645,980,000[(1)] Long position	57.00%
	the Company	Beneficial owner	2,550,000 Long position	0.23%
	the Company	Interest of spouse	5,202,500[(2)] Long position	0.46%
Mr. Cao Yang	the Company	Beneficial owner	1,882,500 Long position	0.17%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	645,980,000[(3)] Long position	57.00%
Mr. Tse Siu Sze	the Company	Beneficial owner	1,235,000 Long position	0.11%

Notes:

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

2. These 5,202,500 shares are beneficially owned by Mr. Liu.

3. Mr. Liu Zhuo Ming is deemed to be interested in the 645,980,000 shares held by Girgio as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.

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

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

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

As at 31 March 2016, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	645,980,000(1) Long position	57.00%
Mr. Liu	See Note (2)	645,980,000(2) Long position	57.00%
		2,550,000(2) Long position	0.23%
	Beneficial owner	5,202,500 Long position	0.46%
Fullwit	See Note (1)	645,980,000(1) Long position	57.00%
HSBC International Trustee Limited	See Note (3)	645,980,000(3) Long position	57.08%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner	112,000,000(4)	9.88%
	See Note (4)	58,000,000(4)	5.12%
Kui Tang	Investment manager	112,000,000(4)	9.88%
	See Note (5)	58,000,000(4)	5.12%
China High-End Equipment Investment Fund LP	Beneficial owner	67,590,000	5.96%

Notes:

1. These 645,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.

2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.

Substantial Shareholders' Interests and/or Short Position in the Shares and Underlying Shares of the Company *(continued)*

3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.

4. On 26 January 2011, the Company and China Machinery Investment Holdings Limited ("China Machinery") entered into an investment agreement relating to, amongst other things, the issue of new subscription shares, the issue of perpetual convertible securities at an aggregate principal amount of HK$145,000,000 ("Perpetual Convertible Securities") and the issue of warrants entitling China Machinery to subscribe for a maximum 25,600,000 Shares ("Warrants"). China Machinery is wholly owned by FountainVest indirectly. Based on the initial conversion price of HK$2.50 per Share and assuming full conversion of the Perpetual Convertible Securities at such conversion price, the Perpetual Convertible Securities will be convertible into 58,000,000 Shares (the "Conversion Shares"). The Warrants entitle China Machinery to subscribe for a maximum of 25,600,000 Shares (the "Warrant Shares") at the initial exercise price of HK$3.125 per Share. The Warrants had expired on 25 August 2013. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to China Machinery.

5. Kui Tang is deemed to be interested in the shares held by FountainVest by virtue of his 34% interest in FountainVest through One Venture Limited.

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

Share Option Schemes

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2016 were as follows:

				Number of shares subject to options			
Name/category of participant	**Date of grant**	**Exercise price** HK$	**Exercise period**	**Outstanding as at 01/04/2015**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31/03/2016**
Directors							
Ms. Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	1,500,000	1,500,000	–	–
Others							
An Employee	23/09/2006	0.666	16/04/2007 – 15/10/2016	200,000	–	–	200,000
				1,700,000	1,500,000	–	200,000

Share Option Schemes *(continued)*

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

Period (as from 16 October 2006, the day on which the shares of the Company commenced trading on the Stock Exchange, the "Listing Date")	Maximum cumulative percentage of the shares under option exercisable by the grantee
First 6 months	0%
Second 6 months	33%
Third 6 months	66%
For the remaining option period	100%

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

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption and up to 31 March 2016.

Share Option Schemes *(continued)*

A. Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme (as summarised in section B below) except that:

(a) the subscription price for the shares is HK$0.666;

(b) the total number of shares subject to the Pre-IPO Share Option Scheme is 36,800,000 shares and there are no similar requirements on granting options to connected persons as detailed in the Share Option Scheme;

(c) only employees, executive directors, non-executive directors and independent non-executive directors are eligible for the grant of options under the Pre-IPO Share Option Scheme;

(d) save for the options which have been granted (with details set out in the Prospectus), no further options will be granted as the right to do so has ended on the day on which the Prospectus was registered with the Registrar of Companies in Hong Kong;

(e) the options granted under the Pre-IPO Share Option Scheme will not be exercised within the first six months of the Listing Date;

(f) the grantees will not exercise any option as a result of which the Company will not be able to comply with the public float requirement of the Listing Rules; and

(g) each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme is subject to the restrictions on the exercise of the options granted to him/her as mentioned in the preceding paragraph.

B. The Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group.

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion, invite any employees (whether full time or part time), any executive directors, any non-executive directors, any independent non-executive directors, or any consultant, suppliers or customers of the Group (the "Participants") to take up options to subscribe for shares at a price calculated in accordance with paragraph (g) below.

(c) Maximum number of shares available for issue under the Share Option Scheme

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme(s) of the Group, if this will result in such 30% limit being exceeded.

Share Option Schemes *(continued)*

B. The Share Option Scheme *(continued)*

(d) *Maximum entitlement of each Participant under the Share Option Scheme*

The total number of shares issued and which may fall to be issued on the exercise of options granted under the Share Option Scheme and any other share option scheme(s) of the Group (including both exercised and outstanding options) to each Participant shall not exceed 1% of the total issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

(e) *Amount payable upon acceptance of the option*

The Participant must pay HK$10 to the Company by way of a non-refundable nominal consideration for the grant thereof. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Participant together with the said consideration of HK$10 is received by the Company.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of grant and to be notified by the Directors to each grantee which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the date of grant, subject to the provisions for early termination thereof. An option may not be exercised after the expiry of ten years from the date of grant. The Board may in the letter containing the offer of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to), if appropriate, the minimum period for which an option must be held or may be exercised. All of the options must be held for a period of six months (the "Six Months period") from the date of grant and no option may be exercised within the Six Months Period.

The Board may in the letter containing the offer of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to) a performance target (as determined by the Board from time to time) which must be achieved before an option can be exercised.

(g) *Basis of determining the exercise price*

The subscription price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, which must be a business day; and (iii) the nominal value of the shares on the date of grant of option.

(h) *Period of the 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 23 September 2006 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 aspect.

Taking into account that the Share Option Scheme will expire soon, the Board proposes to adopt a new share option scheme, subject to the approval of the Shareholders at the forthcoming annual general meeting. Further details of the new share option scheme will be disclosed in the circular of the Company to be despatched to the Shareholders on or about 27 July 2016.

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 recognise 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 2016, the Company has purchased 2,277,500 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.

Arrangements to Purchase Shares or Debentures

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

Management Contracts

No contracts concerning the management and administration of the whole or any substantial 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 2016, the Group employed approximately 3,700 full time staff. The staff costs for year amounted to HK$510,190,000 (2015: HK$544,982,000). The remuneration policies of the Group are determined based on market trends, future plans and the performance of individuals. In addition, the Group also provides to staff other staff benefits such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

Permitted Indemnity Provision

The 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.

Event after the Reporting Period

Details of the event after the reporting period are set out in Note 38 to the consolidated financial statements.

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 2016, neither the Company nor any of its subsidiaries, fellow subsidiaries and holding company has purchased, sold or redeemed any of the listed securities of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased an aggregate of 2,277,500 share of the Company at a total consideration of approximately HK$973,000.

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

In accordance with the requirement of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of a facility agreement (the "Facility Agreement") with a covenant relating to specific performance of the controlling shareholder of the Company at 31 March 2016.

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

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

The aforesaid obligation continued to exist at 31 March 2016.

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 2016

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
L.K. TECHNOLOGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of L.K. Technology Holdings Limited (the "Company") and its subsidiaries set out on pages 31 to 120, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Intangible assets	6	21,064	21,639
Property, plant and equipment	7	1,187,301	1,122,042
Investment properties	8	139,100	69,950
Land use rights	9	301,750	340,448
Interests in joint ventures	10	–	–
Interest in an associate	11	29,332	31,294
Deposits paid	15	7,202	30,416
Deferred income tax assets	13	60,728	71,496
Trade and bills receivables	14	27,868	21,813
Available-for-sale financial assets	16	7,422	7,169
Restricted bank balances	18(b)	8,949	2,976
Total non-current assets		1,790,716	1,719,243
Current assets			
Inventories	17	1,100,119	1,335,575
Trade and bills receivables	14	959,472	1,016,767
Other receivables, prepayments and deposits	15	156,456	192,921
Restricted bank balances	18(b)	67,682	65,876
Cash and cash equivalents	18(a)	330,404	306,992
Total current assets		2,614,133	2,918,131
Total assets		4,404,849	4,637,374
Equity			
Share capital	19	113,327	113,177
Shares held for share award scheme	20(c)	(973)	–
Reserves	21	898,079	982,660
Retained earnings	21	742,248	747,564
Equity attributable to owners of the Company		1,752,681	1,843,401
Non-controlling interests		2,140	204
Total equity		1,754,821	1,843,605

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred income tax liabilities	*13*	**6,610**	5,497
Borrowings	*22*	**736,548**	413,987
Other payables		**9,228**	9,882
Total non-current liabilities		**752,386**	429,366
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*23*	**1,053,348**	1,179,297
Derivative financial instruments	*24*	**–**	–
Borrowings	*22*	**820,242**	1,139,158
Current income tax liabilities		**24,052**	45,948
Total current liabilities		**1,897,642**	2,364,403
Total liabilities		**2,650,028**	2,793,769
Total equity and liabilities		**4,404,849**	4,637,374

The consolidated financial statements on page 31 to 120 were approved by the Board of Directors on 29 June 2016 and were signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

The notes on pages 38 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	25	**2,822,824**	3,145,258
Cost of sales	28	**(2,123,122)**	(2,326,613)
Gross profit		**699,702**	818,645
Other income	25	**67,509**	38,274
Other gains – net	26	**891**	215
Gain on disposal of properties		**–**	33,320
Selling and distribution expenses	28	**(345,440)**	(335,128)
General and administration expenses	28	**(330,219)**	(369,674)
Operating profit		**92,443**	185,652
Finance income	30	**2,807**	4,209
Finance costs	30	**(71,458)**	(62,655)
Finance costs – net	30	**(68,651)**	(58,446)
Share of (loss)/profit of an associate	11	**(483)**	2,927
Profit before income tax		**23,309**	130,133
Income tax expense	31	**(23,086)**	(25,049)
Profit for the year		**223**	105,084
Profit attributable to:			
Owners of the Company		**710**	105,159
Non-controlling interests		**(487)**	(75)
		223	105,084
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	32(a)	**0.06**	9.3
– Diluted	32(b)	**0.06**	8.8

The notes on pages 38 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Profit for the year		**223**	105,084
Other comprehensive (loss)/income for the year:			
Items that may be reclassified to profit or loss			
Currency translation difference	*21*	**(112,751)**	(15,465)
Change in value of available-for-sale financial assets	*21*	**253**	224
Realisation of available-for-sale financial assets reserve upon disposal	*21*	**–**	(397)
Item that will not be reclassified subsequently to profit or loss			
Change in value of property, plant and equipment	*21*	**21,041**	–
Total comprehensive (loss)/income for the year, net of tax		**(91,234)**	89,446
Attributable to:			
– Owners of the Company		**(90,747)**	89,521
– Non-controlling interests		**(487)**	(75)
		(91,234)	89,446

The notes on pages 38 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

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

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Statutory reserve HK$'000	Property revaluation reserve HK$'000	Perpetual convertible securities HK$'000	Available-for-sale financial assets reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2014	113,177	498,607	889	13,771	204,130	172,763	4,747	85,401	(1,215)	661,610	1,753,880	279	1,754,159
Profit for the year	–	–	–	–	–	–	–	–	–	105,159	105,159	(75)	105,084
Other comprehensive income													
Currency translation differences	–	–	–	–	(15,465)	–	–	–	–	–	(15,465)	–	(15,465)
Change in value of available-for-sale financial assets	–	–	–	–	–	–	–	–	224	–	224	–	224
Realisation of available-for-sale financial assets reserve upon disposal	–	–	–	–	–	–	–	–	(397)	–	(397)	–	(397)
Total comprehensive income	–	–	–	–	(15,465)	–	–	–	(173)	105,159	89,521	(75)	89,446
Transactions with owners													
Transfer to reserve	–	–	–	–	–	19,205	–	–	–	(19,205)	–	–	–
At 31 March 2015	113,177	498,607	889	13,771	188,665	191,968	4,747	85,401	(1,388)	747,564	1,843,401	204	1,843,605

The notes on pages 38 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34*	348,576	45,204
Interest paid		(86,171)	(70,382)
Income tax paid		(40,354)	(36,903)
Net cash generated from/(used in) operating activities		222,051	(62,081)
Cash flow from investing activities			
Disposal of subsidiaries	*27*	(24)	–
Payments for intangible assets		(4,146)	(4,164)
Purchases of property, plant and equipment		(209,030)	(176,461)
Payment for available-for-sale financial assets		–	(261)
Deposits for acquisition of property, plant and equipment		(4,224)	(22,698)
Net proceeds from disposals of properties		–	63,111
Proceeds from disposals of other property, plant and equipment	*34*	1,640	1,188
Proceeds from disposal of an available-for-sale financial asset		–	1,117
Interest received		2,807	4,209
Net cash used in investing activities		(212,977)	(133,959)
Cash flow from financing activities			
Inception of new bank borrowings		1,187,192	1,206,765
Repayment of bank borrowings		(1,135,458)	(1,129,672)
Net increase in trust receipt loans		(20,996)	70,886
Purchase of shares for share award scheme		(973)	–
Proceeds from issuance of ordinary shares		1,000	–
Net cash generated from financing activities		30,765	147,979
Net increase/(decrease) in cash and cash equivalents		39,839	(48,061)
Cash and cash equivalents at beginning of year		297,082	353,853
Exchange losses on cash and cash equivalents		(6,517)	(8,710)
Cash and cash equivalents at end of year	*18(a)*	330,404	297,082

The notes on pages 38 to 120 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. These consolidated financial statements have been approved for issue by the Board of Directors on 29 June 2016.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of L.K. Technology Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

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

(a) *Effect of adopting amendments and interpretation to existing standards*

The following amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2015. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKAS 19 (2011), "Employee Benefits – Defined Benefit Plans: Employee Contributions";
- Annual Improvements to HKFRSs 2010–2012 Cycle; and
- Annual Improvements to HKFRSs 2011–2013 Cycle.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) *New standards and amendments to existing standards that are not yet effective for the financial year beginning on or after 1 April 2015 and have not been early adopted by the Group*

- HKFRS 9, "Financial Instruments"[2];
- HKFRS 14, "Regulatory Deferral Accounts"[1];
- HKFRS 15, "Revenue from Contracts with Customers"[2];
- HKFRS 16, "Leases"[3];
- Amendments to HKFRS 10, "Consolidated Financial Statements" and HKAS 28 (2011), "Investments in Associates and Joint Ventures" on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4];
- Amendments to HKFRS 10, "Consolidated Financial Statements", HKFRS 12, "Disclosure of Interests in Other Entities" and HKAS 28 (2011), "Investments in Associates and Joint Ventures" on Investment Entities: Applying the Consolidation Exception[1];
- Amendments to HKFRS 11, "Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations"[1];
- Amendments to HKAS 1, "Presentation of Financial Statements – Disclosure initiative"[1];
- Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 38, "Intangible Assets" on Clarification of Acceptable Methods of Depreciation and Amortisation[1];
- Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 41, "Agriculture" on Agriculture: Bearer Plants[1];
- Amendments to HKAS 27 (2011), "Separate Financial Statements – Equity Method in Separate Financial Statements"[1]; and
- Annual Improvements to HKFRSs 2012–2014 Cycle[1].

1 Effective for the Group for annual periods beginning on 1 January 2016
2 Effective for the Group for annual periods beginning on 1 January 2018
3 Effective for the Group for annual periods beginning on 1 January 2019
4 The Group intends to adopt the amendments to existing standards when the effective date is determined

The Group will apply these new standards and amendments to existing standards in the period of initial application. The Group is currently assessing the impact of the adoption of the above new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (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 HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement.

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

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 *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 assets. 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 loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value 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 the 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 HKFRS.

2.2.2 *Separate financial statements*

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

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

2 Summary of significant accounting policies *(Continued)*

2.3 Joint ventures

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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), 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.

2.4 Associates

Associates are all entities 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. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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.

2 Summary of significant accounting policies *(Continued)*

2.4 Associates *(Continued)*

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

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

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

2.5 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 the Board of Directors that makes strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.6 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders 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 exchange 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 joint ventures that do not result in the Group losing joint control), the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment

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

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

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

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

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, useful lives and depreciation method 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 amount and are included in the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

2.8 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less impairment losses. Historical expenditure that is directly attributable to the construction comprises construction costs, the cost of plant and machinery and applicable borrowing costs incurred during the construction period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment categories and depreciated in accordance with the policy mentioned above.

2.9 Investment properties

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

2.10 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries and joint ventures 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.

2 Summary of significant accounting policies *(Continued)*

2.10 Intangible assets *(Continued)*

(b) *Trademarks*

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

(c) *Patents*

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

(d) *Research and development expenditures*

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

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

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

2.11 Land use rights

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

2.12 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies *(Continued)*

2.12 Impairment of investments in subsidiaries and non-financial assets *(Continued)*

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

2.13 Financial assets

2.13.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables' (Note 2.18), 'other receivables and deposits', 'restricted bank balances', and 'cash and cash equivalents' (Note 2.19) in the statement of financial position.

(c) Available-for-sale financial assets

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

2 Summary of significant accounting policies *(Continued)*

2.13 Financial assets *(Continued)*

2.13.2 Recognition and measurement

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

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

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

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

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

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 Summary of significant accounting policies *(Continued)*

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available-for-sale

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

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

2 Summary of significant accounting policies *(Continued)*

2.15 Impairment of financial assets *(Continued)*

(b) *Assets classified as available-for-sale (Continued)*

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

2.16 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within 'other gains – net'.

2.17 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 represents the estimated selling price in the ordinary and usual course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write down is made for deteriorated, damaged, obsolete and slow moving inventories.

2.18 Trade and bills receivables

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

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

2.19 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, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.20 Share capital

Ordinary shares are classified as equity.

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

2 Summary of significant accounting policies *(Continued)*

2.21 Trade and bills payables

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

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

2.22 Perpetual convertible securities

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

2.23 Financial liabilities

(i) *Financial guarantee contracts*

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

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

(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)*

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are 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.

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

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

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

2.26 Current and deferred income taxes

The tax expense for the period comprises current and deferred taxes. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

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

2 Summary of significant accounting policies *(Continued)*

2.26 Current and deferred income taxes *(Continued)*

(b) Deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

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

2.27 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 Summary of significant accounting policies *(Continued)*

2.28 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (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;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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 (nominal value) and share premium when the options are exercised.

The Group has adopted a share award scheme. Under the scheme, directors and employees of the Group are entitled to receive shares in the Company. The share award scheme was set up in October 2015. Details of the scheme and the outstanding shares can be referred to note 20(c) to the consolidated financial statements.

2.29 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 expenditure 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. Provisions are recorded in the Group’s other payables, deposits and accruals balance.

2 Summary of significant accounting policies *(Continued)*

2.30 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.

2.31 Revenue recognition

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

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

(i) *Sale of goods*

Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, products have been delivered to its customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) *Rental income*

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) *Interest income*

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

2 Summary of significant accounting policies *(Continued)*

2.32 Government subsidies and value added tax refunded

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

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

2.33 Leases

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

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

2.34 Dividend distribution

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

2.35 Sales and leaseback transaction

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

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

3 Financial risk management

3.1 Financial risk factors

(a) *Market risk*

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

(i) Interest rate risk

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

The Group did not have any interest rate swap as at 31 March 2016 and 31 March 2015.

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 2016 would decrease/increase by HK$11,445,000/HK$13,287,000 (2015: pre-tax profit decrease/increase by HK$13,023,000/HK$14,832,000).

(ii) Foreign exchange risk

The functional currencies of the Group's respective principal subsidiaries are Renminbi ("RMB"), European dollars ("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 2016, there were no significant assets and liabilities denominated in currencies other than HK$ and the United States dollars ("US$"). Since HK$ is pegged to US$, there is no significant foreign currency exposure between those two currencies to the Group.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Foreign exchange risk *(Continued)*

For companies with RMB as their functional currency

As at 31 March 2016, 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$497,000 lower/higher (2015: HK$517,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US$ denominated cash and bank deposits.

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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 2016						
Non-derivative financial liabilities						
Bank borrowings subject to a repayment on demand clause	794,540	–	–	–	–	794,540
Other bank borrowings *(Note i)*	–	26,885	284,248	466,789	16,727	794,649
Trade and bills payables, other payables, deposits and accruals	–	908,144	–	–	–	908,144
	794,540	935,029	284,248	466,789	16,727	2,497,333
Financial guarantees issued						
Maximum amount guaranteed *(Note 36)*	–	231,962	–	–	–	231,962

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

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
As at 31 March 2015						
Non-derivative financial liabilities						
Bank borrowings subject to a repayment on demand clause	932,579	–	–	–	–	932,579
Other bank borrowings *(Note i)*	–	210,021	165,165	233,774	30,759	639,719
Trade and bills payables, other payables, deposits and accruals	–	1,030,895	–	–	–	1,030,895
	932,579	1,240,916	165,165	233,774	30,759	2,603,193
Financial guarantees issued						
Maximum amount guaranteed *(Note 36)*	–	317,048	–	–	–	317,048

(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2015, 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 2015.

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				
	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 outflows** HK$'000
At 31 March 2016	784,219	22,709	21,542	–	828,470
At 31 March 2015	942,131	4,930	2,032	–	949,093

The Group's contractual undiscounted cash flows of its financial liabilities approximate the carrying amount of other payables and accruals included in current liabilities, which are payable within one year, as the effect of discounting is insignificant. The amount of guarantees issued by the Group is disclosed in Note 36.

3 Financial risk management *(Continued)*

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 2016, the Groups' strategy, which was unchanged from 2015, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2016	2015
	HK$'000	HK$'000
Total borrowings *(Note 22)*	**1,556,790**	1,553,145
Less: cash and cash equivalents	**(330,404)**	(306,992)
Net debt	**1,226,386**	1,246,153
Total equity	**1,754,821**	1,843,605
Gearing ratio	**69.9%**	67.6%

The increase in the gearing ratio is resulted primarily from the decrease in total equity due to decrease in total reserves during the year.

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)

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

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

As at 31 March 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Available-for-sale financial assets *(Note 16)*	–	–	7,422	7,422
Financial liabilities				
Derivative financial instruments *(Note 24)*:				
Subscription Options	–	–	–	–

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2015.

As at 31 March 2015

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Available-for-sale financial assets *(Note 16)*	–	–	7,169	7,169
Financial liabilities				
Derivative financial instruments *(Note 24)*:				
Subscription Options	–	–	–	–

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

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	As at 31 March 2016 HK$'000	As at 31 March 2015 HK$'000
Financial assets		
Balance at 1 April	7,169	7,801
Additions	–	261
Disposal	–	(1,117)
Net gains recognised in the consolidated statement of comprehensive income *(Note 21)*	253	224
Balance at 31 March	7,422	7,169
Total gains recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	253	224
Changes in unrealised gains in the consolidated statement of comprehensive income relating to those instruments held at the end of year	253	224

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

The Group's and the Company's "trade, bills and other receivables", "deposits", "restricted bank balances", "cash and cash equivalents" and "trade, bills and other payables" are financial assets and liabilities not carried at fair value. As at both 31 March 2016 and 31 March 2015, the carrying values of these financial assets and liabilities approximated their respective fair values. For such fair value determination, except for "restricted bank balances" and "cash and cash equivalents" which are under Level 1 of the fair value hierarchy, all the other financial assets and liabilities as mentioned above are under Level 3 of the fair value hierarchy.

3.4 Offsetting financial assets and financial liabilities

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

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of inventories

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

(b) Provision for impairment of receivables

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

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

4 Critical accounting estimates and judgments *(Continued)*

(c) Income taxes and deferred income tax

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

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

(d) Provision for loss on guarantees

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

(e) Fair value of derivatives and other instruments

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

4 Critical accounting estimates and judgments *(Continued)*

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

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

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continue use of the asset in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount; (iv) whether any assets have become obsolete or any plan to discontinue or restructure; and (v) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

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

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

(h) Fair value of investment properties

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

5 Segment information

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

The measure used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs and income taxes. To arrive at profit from operations, the Group's profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

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

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

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

5 Segment information *(Continued)*

The segment results for the year ended 31 March 2015 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	2,142,300	565,376	437,582	3,145,258	–	3,145,258
Inter-segments sales	131,946	–	–	131,946	(131,946)	–
	2,274,246	565,376	437,582	3,277,204	(131,946)	3,145,258
Results						
Segment results	119,371	70,027	35,885	225,283	–	225,283
Administrative expenses						(39,631)
Finance income						4,209
Finance costs						(62,655)
Share of profit of an associate						2,927
Profit before income tax						130,133

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.

5 Segment information *(Continued)*

Segment assets and liabilities

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

	As at 31 March 2016			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	2,735,698	1,038,120	598,623	4,372,441
Unallocated assets				32,408
Consolidated total assets				4,404,849
Liabilities				
Segment liabilities	1,946,929	413,838	268,066	2,628,833
Unallocated liabilities				21,195
Consolidated total liabilities				2,650,028

	As at 31 March 2015			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	2,968,010	953,870	682,751	4,604,631
Unallocated assets				32,743
Consolidated total assets				4,637,374
Liabilities				
Segment liabilities	2,157,448	272,229	302,953	2,732,630
Unallocated liabilities				61,139
Consolidated total liabilities				2,793,769

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

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

5 Segment information *(Continued)*

Other segment information

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

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

	For the year ended 31 March 2015				
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets[1]	61,754	94,237	42,860	1,170	200,021
Depreciation and amortisation	99,345	14,684	14,039	2,818	130,886
Provision/(reversal of provision) for inventories write-down	10,574	3,894	(3,290)	–	11,178
Provision for impairment of trade receivables – net	7,651	1,993	380	–	10,024

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

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 2016 and 31 March 2015.

5 Segment information *(Continued)*

Other segment information *(Continued)*

	2016 HK$'000	2015 HK$'000
Analysis of revenue by category		
Sales of die-casting machine	**2,184,813**	2,142,300
Sales of plastic injection moulding machine	**498,525**	565,376
Sales of CNC machining centre	**139,486**	437,582
	2,822,824	3,145,258
Other income *(Note 25)*	**67,509**	38,274
	2,890,333	3,183,532

Geographical information

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

	Revenue from external customers		Non-current assets[1]	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Mainland China	**1,866,582**	2,321,899	**1,549,643**	1,474,518
Hong Kong	**–**	–	**21,637**	21,079
Europe	**407,075**	288,543	**19,480**	11,766
Central America and South America	**111,431**	65,656	**–**	–
North America	**338,574**	258,172	**8,045**	14,040
Other countries	**99,162**	210,988	**57,612**	63,092
	2,822,824	3,145,258	**1,656,417**	1,584,495

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

6 Intangible assets

	Goodwill HK$'000 *(Note)*	Trademarks HK$'000	Patents HK$'000	Development costs and others HK$'000	Total HK$'000
At 31 March 2014					
Cost	12,406	6,265	3,420	39,949	62,040
Accumulated amortisation and impairment losses	–	(5,743)	(1,034)	(29,949)	(36,726)
Net book amount	12,406	522	2,386	10,000	25,314
Year ended 31 March 2015					
Opening net book amount	12,406	522	2,386	10,000	25,314
Exchange difference	–	(133)	–	(2,237)	(2,370)
Additions	–	201	–	3,963	4,164
Amortisation	–	(182)	(214)	(5,073)	(5,469)
Closing net book amount	12,406	408	2,172	6,653	21,639
At 31 March 2015					
Cost	12,406	5,264	3,420	34,808	55,898
Accumulated amortisation and impairment losses	–	(4,856)	(1,248)	(28,155)	(34,259)
Net book amount	12,406	408	2,172	6,653	21,639
Year ended 31 March 2016					
Opening net book amount	12,406	408	2,172	6,653	21,639
Exchange difference	–	30	–	305	335
Additions	–	264	–	3,882	4,146
Amortisation	–	(132)	(214)	(4,710)	(5,056)
Closing net book amount	12,406	570	1,958	6,130	21,064
At 31 March 2016					
Cost	12,406	5,497	3,420	39,164	60,487
Accumulated amortisation and impairment losses	–	(4,927)	(1,462)	(33,034)	(39,423)
Net book amount	12,406	570	1,958	6,130	21,064

Note:

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

6 Intangible assets *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Die-casting machine	**12,406**	12,406

The recoverable amount of a CGU is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5%. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 13% (2015: 13%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill. There was no impairment provision for intangible assets for the year ended 31 March 2016 (2015: HK$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 2014							
Cost	621,875	252,082	66,804	748,983	92,406	40,370	1,822,520
Accumulated depreciation and impairment losses	(161,329)	–	(52,096)	(467,268)	(64,934)	(27,838)	(773,465)
Net book amount	460,546	252,082	14,708	281,715	27,472	12,532	1,049,055
Year ended 31 March 2015							
Opening net book amount	460,546	252,082	14,708	281,715	27,472	12,532	1,049,055
Additions	256	162,879	806	18,205	8,555	5,156	195,857
Disposals	–	–	(52)	(340)	(328)	(730)	(1,450)
Depreciation	(31,528)	–	(5,598)	(66,294)	(9,835)	(4,437)	(117,692)
Exchange difference	(2,612)	(67)	(262)	(159)	(626)	(2)	(3,728)
Reclassification	80,921	(120,934)	9,063	28,026	2,924	–	–
Closing net book amount	507,583	293,960	18,665	261,153	28,162	12,519	1,122,042
At 31 March 2015							
Cost	700,126	293,960	70,869	786,060	98,679	39,851	1,989,545
Accumulated depreciation and impairment losses	(192,543)	–	(52,204)	(524,907)	(70,517)	(27,332)	(867,503)
Net book amount	507,583	293,960	18,665	261,153	28,162	12,519	1,122,042
Year ended 31 March 2016							
Opening net book amount	507,583	293,960	18,665	261,153	28,162	12,519	1,122,042
Additions	4,110	200,311	1,213	22,809	8,466	5,887	242,796
Transferred to investment properties *(Note 8)*	(17,106)	–	–	–	–	–	(17,106)
Disposals	(341)	–	(111)	(712)	(281)	(703)	(2,148)
Depreciation	(34,153)	–	(488)	(61,210)	(9,323)	(4,163)	(109,337)
Exchange difference	(21,896)	(13,997)	(941)	(10,856)	(800)	(456)	(48,946)
Reclassification	208,898	(241,945)	–	28,535	4,512	–	–
Closing net book amount	647,095	238,329	18,338	239,719	30,736	13,084	1,187,301
At 31 March 2016							
Cost	859,435	238,329	70,289	797,364	105,425	35,756	2,106,598
Accumulated depreciation and impairment losses	(212,340)	–	(51,951)	(557,645)	(74,689)	(22,672)	(919,297)
Net book amount	647,095	238,329	18,338	239,719	30,736	13,084	1,187,301

7 Property, plant and equipment *(Continued)*

Depreciation of HK$85,960,000 (2015: HK$93,701,000) has been charged in "cost of sales", HK$2,667,000 (2015: HK$2,691,000) in "selling and distribution expenses" and HK$20,710,000 (2015: HK$21,300,000) in "general and administration expenses".

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

8 Investment properties

	HK$'000
At fair value	
At 1 April 2014	66,360
Increase in fair value during the year *(Note 26)*	3,590
At 31 March 2015 and 1 April 2015	69,950
Transferred from property, plant and equipment *(Note 7)*	17,106
Transferred from land use right *(Note 9)*	15,125
Increase in fair value on date of change in use *(Note a)*	26,669
Increase in fair value during the year *(Note 26)*	13,229
Exchange difference	(2,979)
At 31 March 2016	139,100

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

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

	2016 **HK$'000**	2015 HK$'000
Rental income	**6,715**	4,889
Direct operating expenses from property that generated rental income	**(740)**	(425)
	5,975	4,464

8 Investment properties *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Land and buildings in Hong Kong under leases of between 10 to 50 years	14,100	13,900
Land and buildings in the PRC under leases of between 10 to 50 years	125,000	56,050
	139,100	69,950

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

As at 31 March 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

The revaluation gain is included in "Other gains – net" in the consolidated income statement (Note 26). The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements at 31 March 2016 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	–	–	139,100

	Fair value measurements at 31 March 2015 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	–	–	69,950

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

		Properties	
	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2014	12,100	54,260	66,360
Increase in fair value during the year	1,800	1,790	3,590
Exchange difference	–	–	–
At 31 March 2015	13,900	56,050	69,950
Total gains for the year included in the consolidated income statement for assets held at the end of the year, under 'Other gains – net'	1,800	1,790	3,590
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the year	1,800	1,790	3,590

8 Investment properties *(Continued)*

Valuation processes of the Group

As at both 31 March 2016 and 31 March 2015, the fair values of the investment properties have been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer. LCH (Asia-Pacific) Surveyors Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

At each financial year end, the finance department:

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

Valuation technique

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

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

8 Investment properties *(Continued)*

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

Description	Fair value at 31 Mar 2016 (HK$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	14,100	Income approach	Unit rate	HK$3,000/ saleable area	The higher the unit rate, the higher the fair value
			Yield	3.2%	The higher the yield, the lower the fair value
PRC properties	125,000	Income approach	Unit rate	From HK$3,520/sq.m. to HK$17,377/ sq.m.	The higher the unit rate, the higher the fair value
			Yield	2.9% to 8%	The higher the yield, the lower the fair value

Description	Fair value at 31 Mar 2015 (HK$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	13,900	Income approach	Unit rate	HK$2,860/ saleable area	The higher the unit rate, the higher the fair value
			Yield	2.4% to 2.9%	The higher the yield, the lower the fair value
PRC properties	56,050	Income approach	Unit rate	From HK$3,125/ sq.m. to HK$16,625/ sq.m.	The higher the unit rate, the higher the fair value
			Yield	3.5% to 9.5%	The higher the yield, the lower the fair value

9 Land use rights

	HK$'000
Cost	
At 1 April 2014 and 31 March 2015	375,946
Transferred to investment properties *(Note 8)*	(16,846)
Exchange difference	(17,904)
At 31 March 2016	341,196
Amortisation	
At 1 April 2014	27,773
Amortisation	7,725
Exchange difference	–
At 31 March 2015 and 1 April 2015	35,498
Amortisation	7,542
Transferred to investment properties *(Note 8)*	(1,721)
Exchange difference	(1,873)
At 31 March 2016	39,446
Net book value	
At 31 March 2016	301,750
At 31 March 2015	340,448

Amortisation charge of HK$1,048,000 (2015: HK$875,000) in "cost of sales" and HK$6,494,000 (2015: HK$6,850,000) has been charged in "general and administration expenses".

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

	2016 **HK$'000**	2015 HK$'000
Land use rights in the PRC under leases of between 10 to 50 years	**301,750**	340,448

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

10 Interests in joint ventures

	2016 HK$'000	2015 HK$'000
At 1 April 2014, 31 March 2015 and 31 March 2016	–	–

As at both 31 March 2016 and 31 March 2015, 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 2016 and the Group did not share any profit or loss from these joint ventures. The directors of the Company consider that these are not significant joint ventures.

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

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

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

11 Interest in an associate

	2016 HK$'000	2015 HK$'000
At 1 April	**31,294**	28,367
Share of (loss)/profit	**(483)**	2,927
Exchange difference	**(1,479)**	–
At 31 March	**29,332**	31,294

Particulars of the associate, which is unlisted, as at 31 March 2016 and 31 March 2015 are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of registered share capital	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	(Loss)/ profit HK$'000	Interest held
31 March 2016								
深圳市精工小額貸款有限公司 (Shenzhen Jinggong Microcredit Limited)	PRC	Microcredit business in PRC	RMB101,000,000	147,951	1,290	33,888	(2,413)	20%
31 March 2015								
深圳市精工小額貸款有限公司 (Shenzhen Jinggong Microcredit Limited)	PRC	Microcredit business in PRC	RMB101,000,000	159,055	2,588	33,595	14,633	20%

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

12 Principal subsidiaries

Details of the principal subsidiaries as at 31 March 2016 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries directly held by the Company					
Best Truth Enterprises Limited	Corporation	British Virgin Islands, limited liability company	US$2	100%	Investment holding in Hong Kong
Cyberbay Pte Ltd.	Corporation	Singapore, limited liability company	S$2	100%	Investment holding in Hong Kong
World Force Limited	Corporation	British Virgin Islands, limited liability company	US$1	100%	Investment holding in Hong Kong
Subsidiaries indirectly held by the Company					
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd. [1]	Wholly Foreign-owned ("WFOE")	PRC, limited liability company	US$3,000,000	100%	Sale of die-casting machines in PRC
阜新力勁北方機械有限公司 Fuxin L.K. Northern Machinery Co. Ltd. [1]	WFOE	PRC, limited liability company	HK$30,000,000	100%	Manufacture and sale of steel casting in PRC
Gold Millennium Ltd.	Corporation	British Virgin Islands, limited liability company	US$1	100%	Investment holding in Hong Kong
Gold Progress Limited	Corporation	Hong Kong, limited liability company	HK$1	100%	Investment holding in Hong Kong
L.K. Machinery Company Limited	Corporation	Hong Kong, limited liability company	HK$55,975,418	100%	Investment holding in Hong Kong
L.K. Machinery International Limited	Corporation	Hong Kong, limited liability company	HK$116,417,696	100%	Sale of die-casting machines and plastic injection moulding machines in Hong Kong
力勁機械股份有限公司 L.K. Machinery Corp.	Corporation	Taiwan, limited liability company	NT$211,000,000	100%	Manufacture and sale of CNC machines in Taiwan

12 Principal subsidiaries *(Continued)*

Details of the principal subsidiaries as at 31 March 2016 are as follows: *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries indirectly held by the Company *(Continued)*					
L.K. Machinery, Inc.	Corporation	USA, limited liability company	US$10,000	100%	Sale of die-casting machines and plastic injection moulding machines in USA
力勁機械(深圳)有限公司 L.K. Machinery (Shenzhen) Co. Ltd. [1]	WFOE	PRC, limited liability company	HK$69,500,000	100%	Manufacture and sale of die-casting machines in PRC
力勁精密機械(昆山)有限公司 L.K. Precision Machinery (Kunshan) Co. Ltd. [1]	WFOE	PRC, limited liability company	US$20,000,000	100%	Manufacture and sale of CNC machines in PRC
力勁科技(天津)有限公司 L.K. Tech (Tianjin) Co. Ltd. [1]	WFOE	PRC, limited liability company	US$2,000,000	100%	Sale of die-casting machines in PRC
Lucky Prosper Limited	Corporation	Hong Kong, limited liability company	HK$1	100%	Investment holding in Hong Kong
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd. [1]	WFOE	PRC, limited liability company	US$33,660,000	100%	Manufacture and sale of plastic injection moulding machines in PRC
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$10,000,002	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

12 Principal subsidiaries *(Continued)*

Details of the principal subsidiaries as at 31 March 2016 are as follows: *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries indirectly held by the Company *(Continued)*					
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd. [1]	WFOE	PRC, limited liability company	US$13,580,000	100%	Manufacture and sale of plastic injection moulding machines in PRC
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd. [1]	WFOE	PRC, limited liability company	HK$140,000,000	100%	Steel casting in PRC
上海普萊克斯自動設備製造有限公司 Shanghai Prex Mfg. Co., Ltd. [1]	WFOE	PRC, limited liability company	US$800,000	100%	Manufacture and sales of peripheral equipment 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:

	2016 HK$'000	2015 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**60,728**	71,496
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(6,610)**	(5,497)
Deferred income tax assets, net	**54,118**	65,999

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

	2016 HK$'000	2015 HK$'000
At the beginning of the year	**65,999**	41,628
Exchange difference	**(1,625)**	(366)
(Charged)/credited to the consolidated income statement *(Note 31)*	**(4,628)**	24,737
Charged to the consolidated statement of comprehensive income *(Note 8)*	**(5,628)**	–
At the end of the year	**54,118**	65,999

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			
	Tax losses HK$'000	**Impairment losses and other allowances** HK$'000	**Decelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 April 2014	6,057	25,452	18,654	50,163
Credited to the consolidated income statement	11,049	6,199	8,309	25,557
Exchange difference	(366)	–	–	(366)
At 1 April 2015	16,740	31,651	26,963	75,354
(Charged)/credited to the consolidated income statement	(12,476)	3,536	1,379	(7,561)
Exchange difference	721	(1,406)	(1,164)	(1,849)
At 31 March 2016	4,985	33,781	27,178	65,944

13 Deferred income tax *(Continued)*

	Deferred income tax liabilities		
	Revaluation of investment properties	Others	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2014	(2,696)	(5,839)	(8,535)
Charged to the consolidated income statement	(353)	(467)	(820)
Exchange difference	–	–	–
At 1 April 2015	(3,049)	(6,306)	(9,355)
(Charged)/credited to the consolidated income statement	(2,168)	5,101	2,933
Charged to the consolidated statement of comprehensive income	(5,628)	–	(5,628)
Exchange difference	196	28	224
At 31 March 2016	(10,649)	(1,177)	(11,826)

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:

	2016	2015
	HK$'000	HK$'000
Tax losses expiring:		
Within 5 years	**60,389**	38,679
Over 5 years	**36,349**	28,990
Without expiry date	**78,569**	68,796
	175,307	136,465

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

Dividends out of profits earned on or after 1 January 2008 for the PRC subsidiaries distributed to the Group will be subject to dividend withholding tax. As at 31 March 2016, no deferred tax liabilities have been recognised (2015: HK$4,500,000 recognised and was included in 'others' within the deferred tax liabilities).

Deferred income tax liabilities of HK$46,986,000 (2015: HK$45,183,000) 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$939,711,000 at 31 March 2016 (2015: HK$993,650,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China.

14 Trade and bills receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**903,507**	991,246
Less: Provision for impairment	**(74,781)**	(79,043)
	828,726	912,203
Bills receivables	**158,614**	126,377
	987,340	1,038,580
Less: Balance due after one year shown as non-current assets	**(27,868)**	(21,813)
Trade and bills receivables, net	**959,472**	1,016,767

The amount of provision for impaired trade receivables was HK$74,781,000 (2015: HK$79,043,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	2016 HK$'000	2015 HK$'000
Within 90 days	**467,060**	478,375
91–180 days	**109,456**	187,388
181–365 days	**138,980**	129,532
Over one year	**188,011**	195,951
	903,507	991,246

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 term ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six months to twelve months.

14 Trade and bills receivables *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Not past due	**511,948**	547,901
Past due:		
Within 90 days	**143,837**	177,889
91–180 days	**61,398**	56,510
181–365 days	**58,245**	51,998
Over one year	**53,298**	77,905
Balances past due but not impaired	**316,778**	364,302
Total trade receivables net of provision for impairment	**828,726**	912,203

Movements in provision for impairment of trade receivables:

	2016 HK$'000	2015 HK$'000
Beginning of the year	**79,043**	70,914
Exchange realignment	**(1,680)**	(1,895)
Receivables written off	**(12,838)**	–
Receivables written back	**–**	(18,647)
Provision for impairment losses *(Note 28)*	**10,256**	28,671
End of the year	**74,781**	79,043

The Group has recognised a provision of HK$10,256,000 (2015: HK$28,671,000) for impairment of trade receivables for the year ended 31 March 2016. The Group has written off impaired receivables of HK$12,838,000 (2015: Nil) against prior year provision during the year ended 31 March 2016. The provision for impairment of trade receivables has been included in "general and administration expenses" in the consolidated income statement.

14 Trade and bills receivables *(Continued)*

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

	2016 HK$'000	2015 HK$'000
RMB	**664,987**	767,430
US$	**69,947**	61,504
EUR	**249,674**	204,118
Other currencies	**2,732**	5,528
Trade and bills receivables, net	**987,340**	1,038,580

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

15 Other receivables, prepayments and deposits

	2016 HK$'000	2015 HK$'000
Non-current		
Deposits for acquisition of property, plant and equipment	**7,202**	23,501
Other deposits	**–**	6,915
	7,202	30,416
Current		
Value added tax refund receivable from government	**3,251**	4,292
Value added tax receivable	**44,337**	59,502
Trade deposits	**40,639**	55,950
Advances to staff for business purpose	**7,163**	7,763
Sundry, rental and utility deposits	**4,105**	6,427
Others	**56,961**	58,987
	156,456	192,921
Total	**163,658**	223,337

16 Available-for-sale financial assets

	2016 HK$'000	2015 HK$'000
As at 1 April	**7,169**	7,801
Additions	**–**	261
Disposal	**–**	(1,117)
Net gains *(Note 21)*	**253**	224
As at 31 March	**7,422**	7,169

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

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

17 Inventories

	2016 HK$'000	2015 HK$'000
Raw materials	**446,957**	488,926
Work in progress	**412,404**	536,599
Finished goods	**333,250**	394,722
	1,192,611	1,420,247
Less: Provision for impairment of inventories	**(92,492)**	(84,672)
	1,100,119	1,335,575

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$1,645,605,000 (2015: HK$1,749,776,000).

18 Cash and cash equivalents and restricted bank balances

(a) Cash and cash equivalents

	2016 HK$'000	2015 HK$'000
Cash at banks and on hand	**295,773**	266,992
Short-term bank deposits	**34,631**	40,000
Cash and bank deposits (excluding bank overdrafts)	**330,404**	306,992

Cash and cash equivalents and bank overdrafts include the following for the purpose of the consolidated statement of cash flows:

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents	**330,404**	306,992
Bank overdrafts *(Note 22)*	**–**	(9,910)
Cash and cash equivalents and bank overdrafts	**330,404**	297,082

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

	2016 HK$'000	2015 HK$'000
US$	**27,258**	23,242
HK$	**38,152**	75,380
RMB	**186,151**	172,374
EUR	**77,692**	34,578
Other currencies	**1,151**	1,418
	330,404	306,992

The effective interest rate on short-term bank deposits was 0.44% (2015: 0.02%) per annum; these deposits have an average maturity period of 90 days (2015: 90 days).

The Group's cash and bank balances of approximately HK$179,355,000 and HK$170,337,000 as at 31 March 2016 and 2015, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

18 Cash and cash equivalents and restricted bank balances *(Continued)*

(b) Restricted bank balances

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

At the end of reporting period, the restricted bank balances carried interest at market rates which ranged from 0.00% to 3.30% (2015: 0.00% to 2.85%) per annum.

19 Share capital

	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Issued and fully paid:		
At 1 April 2014 and 31 March 2015	1,131,765,000	113,177
Shares issued upon exercise of share options	1,500,000	150
At 31 March 2016	1,133,265,000	113,327

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

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

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

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

19 Share capital *(Continued)*

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

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

– Share capital of HK$10,200,000;

– Share premium of HK$244,800,000;

– Perpetual convertible securities of HK$85,401,000; and

– Derivative financial instruments arising from the Warrants and the Subscription Options of HK$22,569,000 and HK$37,030,000, respectively (Note 24).

20 Share option schemes

(a) Pre-IPO Share option scheme

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

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

20 Share option schemes *(Continued)*

(a) Pre-IPO Share option scheme *(Continued)*

Category of grantee	Exercise price HK$	Exercise period	Number of shares subject to options: Outstanding as at 1 April 2014	Exercised during the year	Outstanding as at 31 March 2015
Directors	0.666	16 April 2007 – 15 October 2016	1,500,000	–	1,500,000
Employees	0.666	16 April 2007 – 15 October 2016	200,000	–	200,000
			1,700,000	–	1,700,000

No share options were lapsed during the year (2015: Nil).

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

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

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

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

20 Share option schemes *(Continued)*

(b) Share option scheme

Another share option scheme (further details of which are set out in the Company's directors' report) is also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options were granted under the share option scheme since its date of adoption and up to 31 March 2016.

(c) Share award scheme

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

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

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

	Number of shares	Amount HK$'000
As at 1 April 2015	–	–
Shares purchased	2,277,500	973
As at 31 March 2016	2,277,500	973

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

21 Reserves

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

21 Reserves *(Continued)*

	Share premium HK$'000	Share option reserve HK$'000	Share reserve HK$'000 *(Note i)*	Exchange translation reserve HK$'000	Statutory reserve HK$'000 *(Note ii)*	Property revaluation reserve HK$'000	Perpetual Convertible Securities HK$'000	Available-for-sale financial assets reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2014	498,607	889	13,771	204,130	172,763	4,747	85,401	(1,215)	661,610	1,640,703
Profit for the year	–	–	–	–	–	–	–	–	105,159	105,159
Currency translation difference	–	–	–	(15,465)	–	–	–	–	–	(15,465)
Change in value of available-for-sale financial assets	–	–	–	–	–	–	–	224	–	224
Realisation of available-for-sale financial assets reserve upon disposal	–	–	–	–	–	–	–	(397)	–	(397)
Transfer to reserve	–	–	–	–	19,205	–	–	–	(19,205)	–
At 31 March 2015	**498,607**	**889**	**13,771**	**188,665**	**191,968**	**4,747**	**85,401**	**(1,388)**	**747,564**	**1,730,224**

Notes:

(i) Share reserve represents the difference between the share capital and reserves of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition of subsidiaries at the time of corporate reorganisation.

(ii) The statutory reserve is the reserve of the Company's subsidiaries operating as foreign investment enterprises in the PRC. The use of this reserve is governed by relevant regulations of the PRC and the articles of association of these subsidiaries.

22 Borrowings

The borrowings of the Group comprise:

	2016 HK$'000	2015 HK$'000
Non-current		
Bank borrowings	736,548	413,987
Current		
Bank borrowings	724,995	1,012,508
Bank overdrafts *(Note 18(a))*	–	9,910
Trust receipt loans	95,247	116,740
	820,242	1,139,158
	1,556,790	1,553,145
Secured:		
Bank borrowings	366,995	334,677
Trust receipt loans	14,976	39,922
	381,971	374,599
Unsecured:		
Bank borrowings	1,094,548	1,091,818
Trust receipt loans	80,271	76,818
Bank overdrafts	–	9,910
	1,174,819	1,178,546
	1,556,790	1,553,145

The borrowings of approximately HK$453,747,000 and HK$434,226,000 as at 31 March 2016 and 31 March 2015, respectively, were borrowed from banks in The People's Republic of China ("PRC") by subsidiaries of the Group that are incorporated or established in the PRC.

22 Borrowings *(Continued)*

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

	Trust receipt loans		Bank borrowings and overdrafts		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Within 1 year	**95,247**	116,740	**682,094**	1,015,634	**777,341**	1,132,374
Bank borrowings due for repayment after one year *(Note)*:						
After 1 year but within 2 years	**–**	–	**295,432**	164,171	**295,432**	164,171
After 2 years but within 5 years	**–**	–	**468,350**	227,790	**468,350**	227,790
After 5 years	**–**	–	**15,667**	28,810	**15,667**	28,810
	–	–	**779,449**	420,771	**779,449**	420,771
	95,247	116,740	**1,461,543**	1,436,405	**1,556,790**	1,553,145

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	
	2016 HK$'000	2015 HK$'000
HK$	**476,623**	287,221
US$	**460,048**	680,052
RMB	**453,748**	434,226
EUR	**114,987**	104,769
Other currencies	**51,384**	46,877
	1,556,790	1,553,145

22 Borrowings *(Continued)*

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

	As at 31 March 2016					As at 31 March 2015				
	US$	**HK$**	**RMB**	**EUR**	**TWD**	US$	HK$	RMB	EUR	TWD
Bank borrowings and overdrafts	**3.46%**	**3.32%**	**6.19%**	**5.10%**	**2.86%**	3.00%	3.12%	6.45%	5.10%	2.69%
Trust receipt bank loans	**3.22%**	**2.90%**	**5.22%**	**3.20%**	**2.82%**	3.11%	3.02%	–	3.18%	2.78%

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

	2016 **HK$'000**	2015 HK$'000
Restricted bank balances	**76,631**	68,852
Land use rights	**127,222**	174,398
Investment properties	**14,100**	46,250
Property, plant and equipment	**325,066**	390,123
Trade and bills receivables	**–**	61,730
Available-for-sale financial assets	**7,422**	7,169
	550,441	748,522

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

	2016 **HK$'000**	2015 HK$'000
Trade payables	**527,495**	578,974
Bills payables	**52,497**	56,782
Trade and other deposits and receipts in advance	**195,988**	230,926
Accrued salaries, bonuses and staff benefits	**77,732**	75,694
Accrued sales commission	**28,443**	27,695
Value added tax payable	**39,029**	45,013
Provision for loss on financial guarantee contracts *(Note 36)*	**75**	6,193
Amount due to a related party *(Note 37)*	**–**	41,405
Others	**132,089**	116,615
	1,053,348	1,179,297

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

The following is the aging analysis of the trade payables:

	2016 HK$'000	2015 HK$'000
Within 90 days	**394,052**	456,869
91–180 days	**102,213**	96,732
181–365 days	**22,480**	16,708
Over one year	**8,750**	8,665
	527,495	578,974

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

	2016 HK$'000	2015 HK$'000
US$	**3,003**	3,011
HK$	**8,789**	9,155
RMB	**337,363**	397,834
EUR	**221,609**	201,196
Taiwan dollars	**9,218**	24,560
Other currencies	**10**	–
	579,992	635,756

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

24 Derivative financial instruments

	2016 HK$'000	2015 HK$'000
Balance classified as current liabilities		
Subscription Options	–	–

Warrants and Subscription Options

On 26 January 2011, the Company and the Investor entered into the Investment Agreement, pursuant to which the Investor agreed to subscribe for the HK$255 million "Subscription Shares" and the HK$145 million "Perpetual Convertible Securities", at a total cash consideration of HK$400 million. The Company has also issued the "Warrants" and the "Subscription Options" to the Investor at nil consideration as part of the transaction. Pursuant to the terms of the Warrants and the Subscription Options as stipulated in the Investment Agreement, the Warrants and the Subscription Options are regarded as derivatives in accordance with the Group's accounting policies (Note 2.16). The Warrants and the Subscription Options expired on 25 August 2013 and 24 February 2016, respectively. Further details of the Investment Agreement are set out in Note 19.

Valuation of Subscription Options

The Subscription Options are measured at their respective fair value.

The estimate of the fair value of the Subscription Options is measured using the lattice model. The key assumptions used for the valuation as at 31 March 2015 are as follows:

	Effect to valuation if increase in input assumption	2015
Expected exercise year	Not applicable	Note
Discount rate	Decrease	11% – 17%
Gross margin	Increase	14% – 25%
Long term average growth rate	Increase	0% – 5%

25 Revenue and other income

	2016 HK$'000	2015 HK$'000
Revenue		
Sales of die-casting machine	**2,184,813**	2,142,300
Sales of plastic injection moulding machine	**498,525**	565,376
Sales of CNC machining centre	**139,486**	437,582
	2,822,824	3,145,258
Other income		
Value added tax refund	**16,814**	20,745
Other subsidies from government	**36,700**	5,634
Rental income	**6,715**	4,889
Sundry income	**7,280**	7,006
	67,509	38,274
Total revenue and other income	**2,890,333**	3,183,532

26 Other gains – net

	2016 HK$'000	2015 HK$'000
Net foreign exchange loss	**(8,324)**	(4,787)
Increase in fair values of investment properties *(Note 8)*	**13,229**	3,590
Loss on disposals of property, plant and equipment	**(508)**	(262)
Gain on disposal of an available-for-sale financial asset	**–**	397
Loss on disposal of subsidiaries *(Note 27)*	**(3,506)**	–
Others	**–**	1,277
	891	215

27 Loss on disposal of subsidiaries

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

	HK$'000
Inventories	504
Trade and other receivables	586
Cash and cash equivalents	24
Trade payables, other payables and accruals	(62)
Net assets disposed	1,052
Non-controlling interest	2,423
Expenses attributable to the disposal	31
Loss on disposal	(3,506)
Total consideration to be satisfied by cash (before netting of income tax)	–
Income tax	–
	–
Cash and cash equivalents disposed during the year	24

28 Expenses by nature

	2016 HK$'000	2015 HK$'000
Raw materials and consumables used	**1,459,938**	1,992,572
Change in inventories of finished goods and work in progress	**185,667**	(242,796)
Staff costs *(Note 29)*	**510,190**	544,982
Amortisation of land use rights	**7,542**	7,725
Amortisation of trademarks[1]	**132**	182
Amortisation of patents[1]	**214**	214
Amortisation of development costs and others[2]	**4,710**	5,073
Depreciation of property, plant and equipment *(Note 7)*	**109,337**	117,692
Research costs	**22,802**	26,366
Transportation expenses	**89,334**	78,331
Auditor's remuneration		
– Audit services	**3,011**	3,011
– Non-audit services	**525**	500
Provision for impairment of trade receivables – net *(Note 14)*	**10,256**	10,024
Provision for inventories write-down[2]	**11,513**	11,178
Loss on financial guarantee contracts *(Note 36)*	**5,992**	26,373
Other expenses	**377,618**	449,988
	2,798,781	3,031,415
Represented by:		
Cost of sales	**2,123,122**	2,326,613
Selling and distribution expenses	**345,440**	335,128
General and administration expenses	**330,219**	369,674
	2,798,781	3,031,415

[1] Included in general and administration expenses

[2] Included in cost of sales

29 Employee benefit expenses (including directors' emoluments)

	2016 HK$'000	2015 HK$'000
Wages and salaries	**435,857**	469,601
Compensation for loss of office *(Note 29(b))*	**5,366**	–
Retirement scheme contributions	**46,252**	47,791
Other allowances and benefits	**22,715**	27,590
	510,190	544,982

29 Employees benefit expenses (including directors' emoluments) *(Continued)*

(a) Directors' and chief executive's emoluments

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

For the year ended 31 March 2016:

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

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

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

29 Employees benefit expenses (including directors' emoluments) *(Continued)*

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

Certain of the comparative information of directors' emoluments for the year ended 31 March 2015 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

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

For the year ended 31 March 2015 (Restated):

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits *(Note (i))* HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remuneration paid or receivable in respect of accepting office as director HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
Executive Directors									
Chong Siw Yin	–	3,900	–	–	–	18	–	–	3,918
Cao Yang	–	2,000	–	–	–	217	–	–	2,217
Liu Zhuo Ming	–	600	–	–	–	18	–	–	618
Tse Siu Sze	–	1,538	–	–	–	18	–	–	1,556
Wang Xinliang	–	1,639	–	–	–	90	–	–	1,729
	–	9,677	–	–	–	361	–	–	10,038
Non-Executive Directors									
Han Jie	18	–	–	–	–	–	–	–	18
Hu Yongmin (Resigned with effect from 25 February 2015)	202	–	–	–	–	–	–	–	202
	220	–	–	–	–	–	–	–	220
Independent Non-Executive Directors									
Low Seow Chay	310	–	–	–	–	–	–	–	310
Lui Ming Wah	310	–	–	–	–	–	–	–	310
Tsang Yiu Keung	310	–	–	–	–	–	–	–	310
	930	–	–	–	–	–	–	–	930
Total	1,150	9,677	–	–	–	361	–	–	11,188

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

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

29 Employees benefit expenses (including directors' emoluments) *(Continued)*

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

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings HK$'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
For the year ended 31 March 2016	12,180	–	12,180
For the year ended 31 March 2015	11,188	–	11,188

(b) Directors' termination benefits

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

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

29 Employees benefit expenses (including directors' emoluments) *(Continued)*

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

During the year ended 31 March 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: 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 2016, 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 (2015: 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 (2015: Nil).

(f) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2015: three) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining one (2015: two) individuals were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other allowances	**2,597**	3,612
Retirement scheme contributions	**954**	1,354
	3,551	4,966

The emoluments fell within the following bands:

	2016	2015
HK$1,500,001 – HK$2,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–

30 Finance costs – net

	2016 HK$'000	2015 HK$'000
Finance income:		
Interest income on short-term bank deposits	**(2,807)**	(4,209)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**83,915**	67,757
Charges on bills receivables discounted without recourse	**2,256**	2,625
Less: Capitalised in property, plant and equipment *(Note i)*	**(14,713)**	(7,727)
	71,458	62,655
	68,651	58,446

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.28% (2015: 4.00%) to expenditure on qualifying assets.

31 Income tax expense

	2016 HK$'000	2015 HK$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**12,432**	48,258
– Overseas tax	**5,551**	928
– Hong Kong profits tax	**–**	–
– Under-provision in prior years	**475**	600
	18,458	49,786
Deferred income tax *(Note 13)*	**4,628**	(24,737)
Tax charge	**23,086**	25,049

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2015: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai and Kunshan 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.

31 Income tax expense *(Continued)*

Under the Corporate Income Tax Law of the PRC, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. The implementation rules of the Corporate Income Tax Law of the PRC provide for the withholding income tax on such dividend to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. Provision for 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% (2015: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2016 as the subsidiaries established in Hong Kong have no assessable profits for the current year (2015: Nil).

For the year ended 31 March 2016, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operates.

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

	2016 HK$'000	2015 HK$'000
Profit before income tax	**23,309**	130,133
Tax calculated at applicable tax rates in the respective jurisdictions	**15,981**	39,646
Effect of preferential tax rates applicable to relevant jurisdictions	**(9,247)**	(17,324)
Effect of recognition of temporary differences not previously recognised	**–**	(6,252)
Tax effects of:		
– Tax concession	**(2,447)**	(2,810)
– Income not subject to tax	**(2,945)**	(3,513)
– Expenses not deductible for tax purposes	**11,661**	8,405
– Undistributed profits of subsidiaries in the PRC	**–**	400
Tax effect of unrecognised tax losses	**9,608**	5,897
Under-provision in prior years	**475**	600
Tax charge	**23,086**	25,049

The weighted average applicable tax rate was 28.9% (2015: 30.5%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

There was no tax charge relating to components of other comprehensive income for the years ended 31 March 2016 and 31 March 2015.

32 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$710,000 (2015: HK$105,159,000) and on the weighted average number of approximately 1,132,679,000 (2015: 1,131,765,000) ordinary shares in issue excluding own shares held during the year.

	2016	2015
Profit attributable to owners of the Company (HK$'000)	710	105,159
Weighted average number of ordinary shares in issue (thousands)	1,132,679	1,131,765
Basic earnings per share (HK cents)	0.06	9.3

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

	2016	2015
Profit attributable to owners of the Company (HK$'000)	710	105,159
Weighted average number of ordinary shares in issue (thousands)	1,132,679	1,131,765
Assumed conversion of perpetual convertible securities (thousands)	58,000	58,000
Adjustment for share options (thousands)	–	170
Weighted average number of ordinary shares of diluted earnings per share (thousands)	1,190,679	1,189,935
Weighted average number of ordinary shares for diluted earnings per share (HK cents)	0.06	8.8

33 Dividends

	2016 HK$'000	2015 HK$'000
Proposed final dividend	–	–

At a meeting held on 29 June 2016, the directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

34 Cash generated from operations

	2016 HK$'000	2015 HK$'000
Profit before income tax	23,309	130,133
Adjustments for:		
Depreciation and amortisation	121,935	130,886
Increase in fair value of investment properties	(13,229)	(3,590)
Bank interest income	(2,807)	(4,209)
Interests on bank borrowings	71,458	62,655
Provision for impairment of trade receivables – net	10,256	10,024
Provision for inventories write-down	11,513	11,178
Loss on disposals of other property, plant and equipment	508	262
Gain on disposal of properties	–	(33,320)
Gain on disposal of an available-for-sale financial asset	–	(397)
Loss on disposal of subsidiaries	3,506	–
Share of loss/(profit) of an associate	483	(2,927)
Operating profit before changes in working capital	226,932	300,695
Decrease/(increase) in inventories	227,129	(219,517)
Decrease/(increase) in trade and bills receivables	42,476	(88,045)
Decrease/(increase) in other receivables, prepayments and deposits	42,789	(22,578)
(Decrease)/increase in trade and bills payables, other payables, deposits and accruals	(180,053)	45,320
(Increase)/decrease in restricted bank balances	(10,697)	29,329
Cash generated from operations	348,576	45,204

34 Cash generated from operations *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Net book amount *(Note 7)*	**2,148**	1,450
Loss on disposals of other property, plant and equipment *(Note 26)*	**(508)**	(262)
Proceeds from disposals of other property, plant and equipment	**1,640**	1,188

35 Commitments

(a) Capital commitments

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows: Property, plant and equipment	**19,080**	109,363
Other commitments	**238**	250
	19,318	109,613

(b) Operating lease commitments

The Group as lessee

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

	2016 HK$'000	2015 HK$'000
Leases payable:		
Within one year	**12,602**	12,624
In the second to fifth year inclusive	**36,840**	32,235
After the fifth year	**29,946**	32,338
	79,388	77,197

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

35 Commitments *(Continued)*

(b) Operating lease commitments *(Continued)*

The Group as lessor

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

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

	2016 HK$'000	2015 HK$'000
Leases receivable:		
Within one year	11,913	7,005
In the second to fifth year inclusive	19,584	13,333
After the fifth year	981	1,736
	32,478	22,074

36 Financial guarantees

	2016 HK$'000	2015 HK$'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	231,962	317,048

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$749,862,000 (2015: HK$1,261,407,000) which could be 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 as mentioned in Note 18(b). 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 2016, the Group suffered a loss of approximately HK$5,992,000 (2015: HK$26,373,000), as a result of default by certain of these customers. As at 31 March 2016, the Group's provision for loss on financial guarantee contracts amounted to approximately HK$75,000 (31 March 2015: HK$6,193,000)

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$1,703,760,000 (2015: HK$1,720,517,000). The facilities utilised by the subsidiaries as at 31 March 2016 amounted to HK$1,194,120,000 (2015: HK$1,080,095,000).

37 Related party transactions

(a) Key management compensation

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

	2016 HK$'000	2015 HK$'000
Wages and salaries, other allowances and benefits	**22,178**	21,043
Retirement scheme contributions	**1,459**	1,338
Compensation for loss of office	**5,366**	–
	29,003	22,381

(b) Balances with related parties

The Group had the following amount due to its holding company, which was included in trade and bills payables, other payables, deposits and accruals in the consolidated statement of financial position as at 31 March 2016 and 2015:

	2016 HK$'000	2015 HK$'000
Girgio Industries Ltd.	**–**	41,405

The balance is unsecured, interest free and has no fixed repayment terms. The Group has settled the entire balance during the year ended 31 March 2016.

38 Events after the reporting period

On 28 June 2016, the Group entered into an agreement with an independent third party to dispose its entire equity interest in an indirect wholly owned subsidiary, Shanghai Prex Mfg. Co., Ltd., at a consideration of RMB76,000,000 (HK$88,372,000). The disposal has not been completed as at the date of these consolidated financial statements.

39 Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

	Note	As at 31 March 2016 HK$'000	2015 HK$'000
Non-current assets			
Investments in subsidiaries		65,000	65,000
Current assets			
Other receivables, prepayments and deposits		129	216
Amounts due from subsidiaries		632,849	760,753
Cash and cash equivalents		4,160	94
Total current assets		637,138	761,063
Total assets		702,138	826,063
Equity			
Share capital		113,327	113,177
Shares held for share award scheme	*20(c)*	(973)	–
Reserves	*(a)*	582,308	599,052
Total equity		694,662	712,229
Current liabilities			
Other payables, deposits and accruals		7,476	3,865
Amounts due to subsidiaries		–	109,969
Derivative financial instruments		–	–
Total current liabilities		7,476	113,834
Total equity and liabilities		702,138	826,063

The statement of financial position of the Company was approved by the Board of Directors on 29 June 2016 and was signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

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

Note (a) Reserve movement of the Company

	Share premium HK$'000	Share option reserve HK$'000	Perpetual convertible securities HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2014	498,607	889	85,401	28,652	613,549
Loss for the year	–	–	–	(14,497)	(14,497)
At 1 April 2015	498,607	889	85,401	14,155	599,052
Loss for the year	–	–	–	(17,594)	(17,594)
Exercise of share option	850	–	–	–	850
Transfer from share option reserve to share premium	751	(751)	–	–	–
At 31 March 2016	500,208	138	85,401	(3,439)	582,308

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,822,824**	3,145,258	2,653,436	2,559,969	3,011,636
Profit before income tax	**23,309**	130,133	84,966	51,382	250,577
Income tax expense	**(23,086)**	(25,049)	(14,964)	(18,051)	(50,447)
Profit for the year	**223**	105,084	70,002	33,331	200,130
Profit attributable to:					
Owners of the Company	**710**	105,159	70,624	33,706	203,773
Non-controlling interests	**(487)**	(75)	(622)	(375)	(3,643)
	223	105,084	70,002	33,331	200,130

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**4,404,849**	4,637,374	4,334,283	4,109,800	4,075,252
Total liabilities	**(2,650,028)**	(2,793,769)	(2,580,124)	(2,390,602)	(2,358,285)
	1,754,821	1,843,605	1,754,159	1,719,198	1,716,967
Equity attributable to owners of the Company	**1,752,681**	1,843,401	1,753,880	1,718,297	1,715,691
Non-controlling interests	**2,140**	204	279	901	1,276
	1,754,821	1,843,605	1,754,159	1,719,198	1,716,967

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