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)

Technology Innovation Impact

Annual Report
2012/13

Technology Innovation Impact

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 Japan and the USA. 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. Cao Yang *(Chief executive officer)*
Mr. Chung Yuk Ming

Non-executive Director

Mr. Hu Yongmin

Independent non-executive Directors

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

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee

Mr. Tsang Yiu Keung, Paul
Dr. Lui Ming Wah, *SBS, JP*
Mr. Chan Wah Tip, Michael
Mr. Hu Yongmin

Nomination Committee

Mr. Chan Wah Tip, Michael
Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Hu Yongmin

Remuneration Committee

Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Mr. Chan Wah Tip, Michael
Mr. Hu Yongmin

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
China Trust Commercial Bank, Ltd.
ICBC
Ping An 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 2013 (the "Year").

Against the backdrop of the weak recovery and continuous volatility of the global economy, business environment remained challenging. Specifically, the European sovereign debt crisis saw no signs of coming to an end, and the growth of the US general economy remained slow despite the introduction of the quantitative easing policy. The emerging economies including India and Brazil witnessed financial turbulence and depreciation in currency. After the rapid growth for the past few years, China's economy has now slackened and its banking sector took a more prudent stance on credit control to prevent the risks associated with the slowdown in economic growth. China's GDP growth fell to single digit (a growth of 7.7% for the first quarter of this year) from the double-digit rates recorded in previous years. In addition, the labour costs and finance costs grew year by year, which adversely affected the overall market environment of the export-oriented sectors in China. The unfavourable business environment brought increasing uncertainty to the operation of downstream customers of equipment manufacturers, leading some of them to postpone equipment investment plans. Therefore, amid the adverse business environment, the Group recorded a revenue of HK$2,559,969,000, representing a decrease of 15% as compared to HK$3,011,636,000 of the corresponding period last year. In the wake of the slowdown in economic growth and credit-tightening measures during the Year, the revenue from the China market dropped by 26% due to the delay in placing orders by its customers and their more prudent attitude towards equipment investment. Nonetheless, the Group managed to capture the opportunities from overseas markets and registered a growth of over 32% in revenue from overseas markets.

During the Year, the Group's launch of the third generation die-casting machines with more powerful features and sharper competitive edge was well received by its customers, which in turn reinforced our leading position in the die-casting machine industry in China. In August 2012, the Group's DCC3000U large-scale die casting machine unit, specifically designed for General Motors in USA, won the "Machinery and Machine Tools Design Grand Award", the highest accolade for outstanding industrial products in Hong Kong.

Progress was also made in the business of plastic injection moulding machines, especially the medium to large tonnage models which have achieved breakthroughs and have been successfully delivered to our customers, facilitating the Group to enter into the segmented markets such as automobile, large home appliances and large logistics packaging, thus expanding its customer base accordingly. Moreover, the Group was once again awarded "Top Ten Enterprises of the China Plastic Injection Moulding Machines Manufacturers" by China Plastics Machinery Industry Association, which was a solid evidence of our acknowledged position and capabilities in the plastic injection moulding machine market in China. The plastic injection moulding machine business managed to remain stable during the Year amid the challenging business environment.

The computerised numerical controlled ("CNC") machine business encountered higher volatility during the Year due to slackening market demand as well as to our over concentrated customer base. However, this business segment was able to maintain undoubted market competitiveness in markets such as the 3C market. Moreover, the Group has successfully broadened its customer base and realized cross-over selling through the sale of CNC machines to a number of reputable and large automobile components processing enterprises. The Group will continue to nurture and develop this business segment to turn it into a major growth dynamic in the future.

During the Year, the Group increased its investment in R&D, market promotion, and production facilities, resulting in higher costs and expenses. Profit attributable to the owners of the Company for the Year amounted to HK$33,706,000, representing a decrease of 83% as compared to the profit of HK$203,773,000 of the corresponding period last year.

Chairman's Statement *(Continued)*

In the coming year, the global economy is expected to remain volatile and uncertain. Most importantly, after more than five years since the introduction of the quantitative easing policy, the US Federal Reserve has recently indicated the possibility of reducing the amount of debt purchasing later this year and the termination of the quantitative easing policy in the middle of next year. Such moves imply the tightening of excessive liquidity in the market and an increase in finance costs, which will inevitably cast a shadow over the global economy. In the meantime, the pace of US economic recovery remained sluggish, with unemployment rate hovering at a high level of 7.6%. In Europe, although the debt crisis is showing signs of relaxation, the economy remained weak. China's economy is consolidating with low PMI of 50 and GDP for next year is likely to be revised downward to 7.4%. Targeting at an orderly implementation of structural reforms, the Chinese government is expected to tighten liquidity in the near future. As the economic development slows down gradually, China's manufacturing industry is expected to encounter headwinds next year, hence discouraging customers to invest in new equipment. However, signs of recovery are emerging in the end-user markets of the Group, including China's automobile and electronic telecommunication markets, and will benefit the business development of the die-casting machine segment and CNC machine segment. The third generation die-casting machines and IMPRESS III PLUS series with excellent functionality launched by the Group will further strengthen our leading position in China's die-casting machine market. Meanwhile, by enhancing the R&D of automation in peripheral equipment, the Group aims at providing ancillary services to complement our products, which will be the focus of our future business development. Phase I plant of the Group's Eastern China production headquarters of the plastic injection moulding machines (covering a site area of 47,000m^2 out of a total area of approximately 100,000m^2) in Ningbo City, Zhejiang Province will be put into operation in the second half of 2013, which will help to enhance the capability in acquiring big orders of plastic injection moulding machines with a benefit of scale and to widen the variety of new products and improve the product coverage of the Group. For the CNC machines, the Group's product series have achieved higher efficiency and stronger competitiveness through product improvement, and will expand the capacity of our Kunshan plant in order to satisfy market demands in terms of lead-time and cost in China's domestic market.

In spite of the challenging economic environment, the Group is confident in overcoming all possible challenges ahead by leveraging on the Group's optimized product structure, solid customer base and the brand effect accumulated over thirty years, as well as the continuous improvement in product series and our customer-oriented services. Meanwhile, China's new leadership is committed to carrying out further structural reforms, phasing out redundant industries and assisting enterprises in transformation as well as realizing a rebalance of economy by shifting from export-driven to domestic-oriented. Such reforms are expected to gain preliminary results in 2015. Benefiting from the favourable climate of the economic reforms in China, the Group will continuously embrace innovations and keep moving forward in light of the ever-changing business environment with an aim to achieve steady and sustainable growth.

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
27 June 2013

Management Discussion and Analysis

Financial review

For the year ended 31 March 2013 (the "Year"), the Group recorded total revenue of HK$2,559,969,000, representing a decrease of 15% as compared to the revenue of HK$3,011,636,000 in the same period last year. The profit attributable to the owners of the Company amounted to HK$33,706,000, representing a significant decrease of 83% as compared to the profit of HK$203,773,000 of the same period last year.

During the Year, the Group recorded a decrease in gross profit margin from 27% of the same period last year to 25%. The decrease was mainly attributable to the increase in proportion of fixed costs as compared to revenue. Moreover, the new plants in Taiwan, Kunshan and Shenzhen have commenced production at the beginning of 2012 respectively. In addition, the Group has acquired additional processing equipment for the plant in Fuxin City of Liaoning Province in order to enhance the overall processing capacity of the Group and to reduce the outsourcing of processing, resulting in increase in overall depreciation costs as compared to the same period last year.

Sales and distribution expenses amounted to HK$246,898,000, representing a decrease of 16% as compared to HK$292,737,000 of the same period last year. The decrease was mainly due to the reduction in remuneration of sales personnel and transportation expenses.

General and administrative expenses were HK$322,727,000, representing a decrease of 1% as compared to HK$325,813,000 of the same period last year. Despite slight decrease in the total expenses, research and development costs of new products increased as compared to the same period last year.

Business Review

During the Year, amid the prolonged and deteriorating European debt crisis, the sluggish recovery of global economies as well as the complex and volatile economic climate, China's economic growth witnessed significant slowdown after the rapid growth for the past few years. Meanwhile, against the backdrop of a downside trend in China's economy, the banking sector in China tightened their credit control. Under such circumstances, the downstream customers of equipment manufacturers postponed or cancelled their investments in equipment as part of their initiatives to weather the uncertain economic situation. In addition, the Diaoyu Islands Dispute during the Year also impacted on some customers whose major export market was Japan. Under such challenging business environment, the Group recorded a revenue of HK$2,559,969,000 during the Year, representing a decrease of 15% as compared to the same period last year.

As for regional markets, China remained the primary market for the Group, accounting for 70% of the Group's revenue. Due to the slowdown in China's economic growth and the tightening polices of the Chinese government, the revenue from the China market during the Year decreased by 26% to HK$1,811,334,000 as compared to the same period last year. As for overseas markets, the revenue of all the Group's three core products, namely die-casting machines, plastic injection moulding machines and computerised numerical controlled (CNC) machines, recorded double-digit growth. Revenue from overseas markets during the Year soared by 32% to HK$748,635,000 as compared to the same period last year.

Die-casting Machines

During the Year, due to the increased economic uncertainty and the intensified credit tightening, some of the Group's customers tended to exercise more caution and took a wait-and-see attitude towards equipment investment, especially the investment in large tonnage die-casting machine cells which required larger amount of investment. As a result, the revenue of the die-casting machines and the peripheral equipment decreased by 11% to HK$1,738,033,000, of which the revenue of IDRA, an Italy based wholly-owned subsidiary of the Group, amounted to HK$523,957,000 during the Year, representing a decrease of 3% as compared to the same period last year.

Management Discussion and Analysis *(Continued)*

The Group's leading position in the die-casting machine market remained solid and was able to provide a comprehensive package of advanced production equipment ranging from die-casting to precision processing. Such world's leading and advanced die-casting equipment ensured cutting-edge production technology and consistent product quality, which in turn endorsed the quality of high precision and complex non-ferrous alloy die casting parts.

Plastic Injection Moulding Machines

During the Year, the Group's plastic injection moulding machines outperformed the average standard of the industry which was driven by the satisfactory performance of medium and large tonnage plastic injection moulding machines and servo control energy saving plastic injection moulding machines in the market, as well as the breakthroughs achieved in home appliances, telecommunication and electronics markets. The revenue of the plastic injection moulding machine business remained stable during the Year, amounting to HK$476,181,000 and representing a slight decrease of 5% as compared to the same period last year.

Computerised Numerical Controlled (CNC) Machines

The CNC machines remain one of the core businesses of the Group. The slowdown in investment in electronic consumer goods like smart phones and tablet personal computers coupled with the market volatility by virtue of our relatively concentrated customer base, the revenue of CNC machines for the Year decreased by 38% to HK$345,755,000 as compared to the same period last year. The Group's CNC machine products remain competitive in the market due to their good value performance. The Group is fully aware of the importance of expanding its customer base in the CNC machine business and has strengthened the promotion in the post die-casting processing, automobile, die making, and machinery processing markets with an aim to realise more cross-over selling. Meanwhile, the Group has achieved breakthroughs in the fields of post die-casting processing for automobile components and secured orders from a number of reputable large enterprises. These orders enable the Group's CNC machines products to expand into the immense market of post-processing automobile components and to expand the customer base, thus facilitating the stability and sustainability of the business.

Research and Development ("R&D")

R&D of Die-casting Machines

During the Year, the Group further developed the "IMPRESS III PLUS" series based on the third-generation die-casting machines, all of which were equipped with servo control energy saving electric motors with an average energy-saving level of about 30-50%, and is in line with the global trend of energy saving in the die-casting industry. Meanwhile, the Group continued to develop and launch the two-platen die-casting machines series that were more space-saving, more convenient for repairs and more cost-effective. During the Year, the automatic die-casting machine cells developed by the Group remain the most competitive products. The DCC3000U die casting machine which was developed by the Group won the "Machinery and Machine Tools Design Grand Award" under the "2012 Hong Kong Awards for Industries" in recognition of its innovations and breakthroughs in several critical technologies during the Year.

In the meantime, the Group strives to develop automated peripheral equipment with an aim to enable customers to enhance the precision, repetitiveness, consistency in die-casting production as well as to provide customers with a premium production-effective tool by improving the quality and reducing the dependence on manual operations.

R&D of Plastic Injection Moulding Machines

With pronounced energy-saving function, the servo control energy saving plastic injection moulding machines developed by the Group was granted the “Technology Innovation Award” by “Ringier”, a professional industry magazine in China. The Group continued to make progress in developing large-tonnage plastic injection moulding machines series and achieved higher sales growth on the series of above 1,000 tonnes. In the meantime, the Group also achieved breakthroughs in multi-color plastic injection moulding machines, which have adopted the design of multi-injection stations capable of performing tricolor, dual-color and mono-color injections, and had been delivered to customers. Due to its comprehensive strength in aspects such as R&D and market performance of plastic injection moulding machines, the Group has been awarded “Top Ten Enterprises of the China Plastic Injection Moulding Machines Manufacturers 2012” by China Plastics Machinery Industry Association.

R&D of CNC Machines

Apart from developing new CNC machines products with larger sizes, the Group’s R&D center in Taiwan had also been focusing on the enhancement of the functionality and efficiency of existing products and had achieved remarkable results. The “TC” series of the Group was well received in the market. During the Year, the Group further improved the products under “TC” series, “MV” series and “HT” series with an aim to enhance the market competitiveness of the CNC machines products.

New Production Facilities

In order to achieve economy of scale and strive for a forefront position in the vast but highly competitive market of plastic injection moulding machines, the Group purchased in early 2012 a plot of land in the city of Ningbo, Zhejiang Province, with a total area of 150 mu (about 100,000 square meters). This plot of land, located on Wanquanhe Road, Beilun District, Ningbo City, is about 15km from the existing Ningbo L.K. factory. The new factory is to be built in two phases. The construction of the Phase I covering an area of 47,000 square meters is near completion, and will be put into operation in the second half of 2013. The new factory will become the Group’s production headquarters of plastic injection moulding machines in Eastern China. Upon commencement of operation of the new factory, the production capacity of plastic injection moulding machines will be improved accordingly which in turn will enrich the product mix, enabling the Group to expand its market share with the benefit of scale.

Prospects

Looking forward to the year ahead, from the macro perspective, in relation to the China domestic environment, both the “Twelfth Five Year Plan” and the new government have regarded the strategic adjustment of economic structure and the change in development pattern as China’s keynotes of development and policy priorities in the next five years. It appears that the new government has abandoned the mindset of maintaining high growth and is cautious about implementing accommodative policies to push economic growth. As for the international environment, in the wake of the slowdown of the global economy, major developed countries suffered from sluggish economic growth with high unemployment rates, resulting in negative impacts on the consumption and demand. The general slowdown in emerging economies has added uncertainty to the global economic growth. In general, the business environment at home and abroad remains tough and challenging in 2013. However, it may stabilise and the market conditions may be better than that of 2012. Such environment is conducive to the gradual recovery of equipment investors’ confidence, and thus enabling the Group to get back on the growth track.

Management Discussion and Analysis *(Continued)*

Regarding the downstream industries, automobile industry in China involves a huge upstream and downstream industrial chains. Under the context of slowdown in export as well as investment growth, and expansion of domestic demand, the automobile industry is becoming increasingly important given its indispensable role in the national economy. The China Automobile Association (中國汽車協會) projected a growth rate of 8.5% in the China auto sales for this year. The auto sales volume for the first five months of this year shows impressive signs of recovery, with accumulated sales of approximately 9.08 million units (corresponding period of 2012: approximately 8.01 million units). It is expected that investment from auto manufacturers and automobile component manufacturers in the complex, high precision and high value-added die-casting products such as cylinders, gearbox housing, steering gear housing will increase, which is conducive to the business performance of the large tonnage die-casting machines business sector of the Group. Regarding the communications market, the development of 3G and 4G technologies sparks continuous innovation of communication products. In future, the communications market remains a great potential sector, and will attract investment in die-casting equipment of this sector. As a leading enterprise in the die-casting machine industry, the Group's business performance will be benefited from the development of the communication market.

For the business of plastic injection moulding machines, given the tremendous market of China, the Group will further perfect its product lines, particularly in the large tonnage and multi-color plastic injection moulding machines, which is conducive for the growth of the business. When the production headquarters in Eastern China starts operation, the Group's productivity of plastic injection moulding machines will be enhanced, and will then strengthen the Group's position in acquiring big orders, and increase its market share with the benefit of scale.

For the business of CNC machines, the Group's CNC machines maintain stronger competitive edge in the 3C industry. In the meantime, the breakthroughs in automobile components industry will be conducive for the Group to enter into the massive market for post-processing of automobile components, extending the influences to other post die-casting processing fields. Such initiatives will enable the Group to cross over its sales channels, expand the customer base for the business of CNC machines, and achieve stable and sustainable growth.

In terms of the overseas markets, the USA, Europe, Brazil and India are the Group's major overseas markets. To provide higher quality services, the Group has established a technical center in India to provide training and technical support services for its customers. Meanwhile, the Group has also taken the initiative to develop the Southeast Asian market in order to enhance its market penetration.

The global economic environment is still exposed to turmoil and uncertainties. The Group will adopt prudent and stable development measures to cope with any potential challenges.

Since the Group's three product lines have been well acknowledged by customers of different business sectors in manufacturing industries, extensively applied in different fields, and enjoy a competitive edge, the management of the Group remains optimistic about the long-term prospect of the Group.

Long-term Development Strategy

The Group's development strategy and objective are to provide quality products and services to customers, to become a renowned equipment manufacturing group in the global machinery and equipment industry that are widely respected by customers and peers, and to drive the long-term and sustainable growth of its businesses so as to generate stable returns and create further value for shareholders.

Directors and Senior Management Profiles

Directors

Ms. Chong Siw Yin, aged 57, 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 25 years of management experience.

Mr. Cao Yang, aged 46, is an executive Director and chief executive officer of the Company. Prior to joining the Group, he worked for the Ganzhou education bureau in Jiangxi Province. He joined the Group in December 1991 as supervisor of human resources and administration department and plant manager of L.K. Machinery (Shenzhen) Co. Ltd. and became the general manager of both L.K. Machinery (Shenzhen) Co. Ltd. in 2000 and Shenzhen Leadwell Technology Co. Ltd. since its establishment. He was appointed as an executive Director in September 2004. Mr. Cao is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning as well as the overall manufacturing planning and sales activities of all manufacturing subsidiaries of the Group in the PRC. He has more than 21 years of experience in the manufacturing business. Mr. Cao graduated from the Mathematics faculty of Gannan Institute of Education and obtained an Executive MBA Degree from Huazhong University of Science and Technology. He currently serves as President of the Youth Entrepreneur Association, Vice President of Shenzhen Machinery Association and Vice President of Shenzhen Hi-Tech Industry Association. He is also a member of the Chinese People's Political Consultative Conference, Shenzhen City.

Mr. Chung Yuk Ming, aged 65, is an executive Director of the Company. Mr. Chung joined the Group in February 2001 as a director of L.K. Machinery Company Limited. He was appointed as an executive Director in September 2004. Mr. Chung is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning, the finance and investment of the Group. Mr. Chung has over 31 years of working experience in various sectors, including automobile, toys, electronics and telecommunication. Before joining the Group, he was an executive director of Kader Holdings Company Limited and Kader Investment Company Ltd. (now known as Shougang Concord Grand (Group) Limited), both of which are publicly listed companies in Hong Kong. Mr. Chung holds a master degree in Business Administration from the University of East Asia of Macau. He is a fellow member of the Hong Kong Institute of Directors.

Mr. Hu Yongmin, aged 43, was appointed as a non-executive Director of the Company in February 2011. Mr. Hu graduated from Fudan University. He is a co-founder of FountainVest. Prior to the founding of FountainVest, Mr. Hu was a managing director of Temasek Holdings Pte Ltd. Mr. Hu was also a member of Temasek's global investment committee, and head of its real estate investment. Previously an investment banker, Mr. Hu was a director and head of China telecom, media and technology investment banking for Credit Suisse First Boston (Hong Kong) Limited and Shanghai Chief Representative for Bear Stearns Asia Limited. Mr. Hu is currently a non-executive director of Central China Real Estate Limited, a company listed on the Hong Kong Stock Exchange, and an independent director of Home Inns & Hotels Management Inc., a company listed on NASDAQ.

Dr. Low Seow Chay, aged 63, 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 the 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 Victoria University of Manchester, U.K.

Directors and Senior Management Profiles *(Continued)*

Dr. Lui Ming Wah, ***SBS, JP,*** aged 75, 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. 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 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 59, 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 (formerly known as CITIC Bank International Limited), a licensed bank in Hong Kong and CITIC International Financial Holdings Limited.

Mr. Chan Wah Tip, Michael, aged 60, was appointed as an independent non-executive Director of the Company in September 2004. He has practiced as a solicitor in Hong Kong for over 35 years. Mr. Chan graduated with Bachelor of Laws (LL.B) from the University of Hong Kong in 1975 and received a Postgraduate Certificate of Laws (P.C.LL) from the University of Hong Kong in 1976. Mr. Chan was a partner of Wilkinson & Grist and retired in March 2013 and is a consultant of the firm. Mr. Chan is currently a non-executive director of High Fashion International Limited which is listed on the Stock Exchange in Hong Kong.

Senior Management

Mr. Chan Kwok Keung, aged 47, 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 24 years of experience in mechanical engineering and customer service. He is an associate member of the Hong Kong Institution of Engineers. Prior to joining the Group, he was the customer service executive of Fong's National Engineering Co. Ltd.. Mr. Chan graduated from Newcastle Upon Tyne Polytechnic with a bachelor degree in Mechanical Engineering and obtained a degree of master of Science in Management from The Hong Kong Polytechnic University.

Mr. Chow Kam Keung, Albert, aged 49, is the deputy chief financial officer of the Group. He joined the Group in November 2012 and is responsible for the finance and operations management of the Group. Mr. Chow holds a bachelor's degree in business administration with double majors in accounting and management information systems and a master's degree in accounting from the University of Hawaii in the United States. He is a Fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a CFA charterholder and a member of the Chinese Institute of Certified Public Accountants. Mr. Chow has been working as controller of finance and operation for over 15 years and serving more than three companies listed on the Stock Exchange of Hong Kong.

Mr. Fung Chi Yuen, aged 47, joined the Group in August 2007 as general manager and chief engineer of 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 degree and a bachelor degree of science in Engineering from the University of Hong Kong. He has 24 years' solid 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 Canadian base company.

Mr. Li Pin Zhang, aged 51, is the general manager of Shanghai Atech Machinery Co., Ltd. and is responsible for the production and sales, marketing and operation of the company. He has over 21 years of experience in production, quality control, engineering, customer service and sales. He joined the Group in February 1991 and served various positions, including customer services officer of L.K. Machinery (Shenzhen) Co. Ltd., manager of Fujian sales office, plant manager of Zhongshan L.K. Machinery Co. Ltd. and deputy general manager of Shanghai Atech Machinery Co., Ltd. Prior to joining the Group, he worked as an engineer at Fujian Nam Ping Electric Machinery Factory, a state-owned enterprise in the PRC. Mr. Li received a Diploma in Industrial Electrical Automation from Fujian Mechanical & Electrical Institute. Mr. Li was appointed the president of the 9th Executive Committee of the Shanghai Die-Casting Association, the honorary president of the 10th Executive Committee of the Shanghai Die-Casting Association, a member of the Sixth Executive Committee of China Foundry Association and the deputy officer of the 4th Executive Committee of the Die-Casting Technical Committee, Foundry Institution of the Chinese Mechanical Engineering Society, and deputy president of the Die-Casting Branch of China Foundry Association. Mr. Li was awarded the title of Excellent Entrepreneur in the Fifth National Association of Casting Industry.

Mr. Liu Zhuo Ming, aged 28, is the project manager of the Group. He joined the Group in October 2008 and is responsible for various system and information projects' management. Mr. Liu was appointed as a director of L.K. Machinery International Limited in March 2012 and a director of L.K. Machinery Company Limited in May 2013. He graduated from Oregon State University with a bachelor degree in Computer Science. Mr. Liu is the son of Mr. Chong Siw Yin, the chairperson of the Board of the Company.

Mr. Te Yi Ming, aged 50, 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 24 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 secretary general of Hong Kong Diecasting and Foundry Association and vice president of Shenzhen Plastics & Rubber Association. He is a member of the Chinese People's Political Consultative Conference, Liuzhou City.

Mr. Tse Siu Sze, aged 45, is the general manager of Zhongshan L.K. Machinery Co. Ltd. and is responsible for the management, production, sales and marketing of this company. He joined the Group in July 1990 and served several positions in the Group, including supervisor of technical support department, manager of customer services department and manager of sales department. He has over 19 years of rich experience in business management. Mr. Tse currently services as vice president of the Tenth Executive Committee of the Hong Kong Plastic Machinery Association, member of the Executive Committee of the Foreign Invested Enterprises Association of Zhongshan, vice president of the Executive Committee of the Association of Commerce of Dongshen County, Zhongshan, vice president of Shenzhen Plastics & Rubber Association, managing vice president of Guangdong Plastics Industry Association and committee member of China Plastics Machinery Industry Association. He is also a fellow of The Professional Validation Council of Hong Kong Industries. Mr. Tse was awarded fellow of Business Administration by Asian Knowledge Management Association in 2005 and received his MBA Degree from the Lincoln University, U.S..

Directors and Senior Management Profiles *(Continued)*

Mr. Wang Xin Liang, aged 45, is the general manager of both Ningbo L.K. Machinery Co. Ltd. and Ningbo L.K. Technology Co. Ltd. and is responsible for the production and sales, marketing and operation of these companies. He joined the Group in July 1993 and served a number of positions in L.K. Machinery (Shenzhen) Co. Ltd., including customer services supervisor, customer services manager and marketing manager. He has over 21 years of experience in customer support services and sales. Prior to joining the Group, he was an assistant engineer of Tao Jiang Machinery Factory. He graduated from Changsha Ferrous Metal Technical School.

Mr. Yang Yi Zhong, aged 70, 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 48 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 2013, except for the following deviation:

The Company does not fully comply with code provision A.4.1 in the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Hu Yongmin, being a Non-executive director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

Board of Directors

The Board currently comprises three Executive Directors, a Non-executive Director and four Independent Non-executive Directors. The Independent Non-executive Directors are appointed for a fixed term of three years and are subject to retirement by rotation in accordance with the Company's Articles of Association. There is a strong independent element on the Board as the number of Independent Non-executive Directors represents more than one-third of the Board. 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 page 9 and 10 of this report. There is no relationship (including financial, business, family or other material relationship) among members of the Board.

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 Report *(Continued)*

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.

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.

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. 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. The Company also has arranged for the Directors a training seminar conducted by a leading international accounting firm to update their knowledge in recent development of SFC legislation and the Listing Rules. All the Directors of the Company participated in the training seminar. Individual Directors also participated in other courses and seminars organized by regulatory and professional bodies to update their knowledge in their professional area and 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) and (ii)
Mr. Cao Yang (Chief Executive Officer)	(i) and (ii)
Mr. Chung Yuk Ming	(i) and (ii)
Non-executive Director	
Mr. Hu Yongmin	(i) and (ii)
Independent Non-executive Directors	
Dr. Low Seow Chay	(i) and (ii)
Dr. Lui Ming Wah	(i) and (ii)
Mr. Tsang Yiu Keung, Paul	(i) and (ii)
Mr. Chan Wah Tip, Michael	(i) and (ii)

(i) Attending training seminars

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

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	4/4	N/A	N/A	N/A	1/1
Mr. Chung Yuk Ming	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Hu Yongmin	4/4	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	3/4	2/2	2/2	1/1
Mr. Tsang Yiu Keung, Paul	4/4	4/4	N/A	2/2	0/1
Mr. Chan Wah Tip, Michael	3/4	4/4	2/2	2/2	1/1

In addition, the Chairperson of the Board met two times during the year with all the Independent Non-executive Directors and the Non-executive Director without the presence of the Executive Directors in November 2012 and March 2013.

Board Committees

Remuneration Committee

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Dr. Lui Ming Wah, Mr. Chan Wah Tip, Michael and Mr. Tsang Yiu Keung, Paul and a Non-executive Director, namely Mr. Hu Yongmin. 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). Under its terms of reference, the Remuneration Committee shall meet at least twice a year.

The Remuneration Committee held two meetings during the year. The members of the Remuneration Committee discussed and reviewed the remuneration (including salary, bonus and benefit) of the Executive Directors and made recommendation to the Board.

Corporate Governance Report *(Continued)*

Pursuant to code provision of B.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2013 is as follows:

	Number of employees
Nil – HK$1,000,000	7
HK$1,500,001 – HK$2,000,000	1
HK$2,500,001 – HK$3,000,000	1

Details of the remuneration of each director for the year ended 31 March 2013 are set out in note 28 to the financial statements.

Nomination Committee

The Nomination Committee currently comprises three Independent Non-executive Directors, namely Mr. Chan Wah Tip, Michael, Dr. Low Seow Chay and Dr. Lui Ming Wah, and a Non-executive Director, namely Mr. Hu Yongmin. Mr. Chan Wah Tip, Michael 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. Such monitoring by the Nomination Committee will lower the possibility for appointment of someone that may affect the independence of the Board. Under its terms of reference, the Nomination Committee shall meet at least twice a year.

During the year, the Nomination Committee held two meetings. They assessed the independence of the Independent Non-executive Directors and reviewed the structure, size and composition of the Board.

Strategy Committee

The Strategy Committee was established on 24 February 2011 to oversee certain strategy-related matters of the Company, including without limitation, the Company's future expansion strategies (both domestic or international), major merger and acquisitions, and other significant investment activities of the Company. The Strategy Committee comprises three Executive Directors namely, Ms. Chong Siw Yin, Mr. Cao Yang and Mr. Chung Yuk Ming, a Non-executive Director, namely Mr. Hu Yongmin and an Independent Non-Executive Director, namely Mr. Tsang Yiu Keung, Paul.

Audit Committee

The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Mr. Chan Wah Tip, Michael and a Non-executive Director, namely Mr. Hu Yongmin. 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. Under its terms of reference, the Audit Committee shall meet at least four times a year. 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;

(vi) review of the internal control review report and findings from the external consultant;

(vii) review of the 3-year internal audit plan;

(viii) review of the internal whistleblowing policy whereby employees of the Group can raise concerns about the possible improprieties in financial reporting, internal control or other matters, with a recommendation to the Board for approval; and

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

Auditor's Remuneration

The financial statements of the Group for the year ended 31 March 2013 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	Fee paid/ payable HK$'000
Audit services	2,861
Non-audit services	1,286
	4,147

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

Corporate Governance Report *(Continued)*

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 2013.

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 30 and 31.

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 Control

The Board has overall responsibility for the maintenance of sound and effective internal control systems 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.

Additionally, the Company had engaged a leading international accounting firm to assist management to develop a Risk and Control Self-assessment ("CSA") questionnaire. The CSA has been rolled out to four major subsidiaries. It requires the senior management of the major subsidiaries to assess the effectiveness of controls over various areas including financial, operational and compliance controls.

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 three-year risk-based internal audit plan approved by the Audit Committee. 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, the Company had also engaged a leading international accounting firm to perform internal control review on certain key business processes of two major subsidiaries. A review report had been presented to the Audit Committee.

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 2013, 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 is no provision 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.

Investor Relations

During the year ended 31 March 2013, 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 2013.

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 maching centre and related accessories. The Group is also engaged in steel casting. The activities of the Company's principal subsidiaries, an associate and jointly controlled entities are set out in notes 12, 11 and 10 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2013 are set out in the consolidated income statement on page 35.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: HK5 cents per share).

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.

Share Capital

Details of the movements in share capital of the Company are set out in note 18 to the consolidated financial statements.

Donations

During the year, the Group made charitable or other donations totalling HK$119,000.

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 20 to the consolidated financial statements respectively.

Distributable Reserves of the Company

As at 31 March 2013, the Company's reserves available for distribution to shareholders of the Company were HK$541,455,000, representing share premium of HK$498,607,000, share option reserve of HK$889,000 and retained profits of HK$41,959,000.

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.

Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out on page 112.

Pre-emptive Rights

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

Directors

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

Executive Directors:

Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Chung Yuk Ming

Non-executive Director:

Mr. Hu Yongmin

Independent Non-executive Directors:

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

The biographical details of the Directors are set out on page 9 to page 10 of this annual report.

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

The Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael were re-appointed for a term of three years in September 2010. 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.

Each of the Directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

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.

Directors' Report *(Continued)*

Directors' Interest in Contracts

No contract of significance, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries 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.

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange 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:

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	57.08%
	the Company	Beneficial owner	1,050,000 Long position	0.09%
	the Company	Beneficial owner	1,500,000[2] Long position	0.13%
Mr. Cao Yang	the Company	Beneficial owner	1,882,500 Long position	0.17%
Mr. Chung Yuk Ming	the Company	Beneficial owner	2,000,000 Long position	0.18%

Notes:

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

2. Such interest in shares is held pursuant to options granted under the Pre-IPO Share Option Scheme, details of which are described in the paragraph headed "Share Option Schemes" in this report.

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

Interests and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 March 2013, the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	645,980,000[(1)] Long position	57.08%
Mr. Liu	See Note (2)	645,980,000[(2)] Long position	57.08%
		1,050,000[(2)] Long position	0.09%
		1,500,000[(2)] Long position	0.13%
Fullwit	See Note (1)	645,980,000[(1)] Long position	57.08%
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)]	9.90%
	See Note (4)	58,000,000[(4)]	5.12%
		25,600,000[(4)]	2.26%
Kui Tang	Investment manager	112,000,000[(4)]	9.90%
	See Note (5)	58,000,000[(4)]	5.12%
		25,600,000[(4)]	2.26%
China High-End Equipment Investment Fund LP	Investment manager	59,285,000	5.24%

Notes:

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

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

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

Directors' Report *(Continued)*

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. 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 2013 were as follows:

				Number of shares subject to options			
Name/category of participant	**Date of grant**	**Exercise price** HK$	**Exercise period**	**Outstanding as at 01/04/12**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31/03/13**
The Director							
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	–	–	1,700,000

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 2013.

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;

Directors' Report *(Continued)*

(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.

(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.

Arrangements to Purchase Shares or Debentures

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

Management Contracts

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

Competing Business

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

Directors' Report *(Continued)*

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 2013, the Group employed approximately 3,700 full time staff. The staff costs for the year amounted to HK$425,325,000 (2012: HK$463,579,000). 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 and share option schemes.

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

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 during the year ended 31 March 2013.

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

In accordance with the requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of the two facility agreements (the "Facility Agreements") both with a covenant relating to specific performance of the controlling shareholder of the Company at 31 March 2013:

1. On 2 August 2011, 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, inter alia, Hang Seng Bank Limited as the mandated coordinating arranger and facility agent and other financial institutions as lenders for a three-year term loan/revolving credit facility of up to HK$475,000,000.

2. On 5 September 2012, Power Excel International Limited (a wholly-owned subsidiary of the Company) as borrower, and the Company as a guarantor, entered into a facility agreement with, inter alia, Hang Seng Bank Limited as the mandated lead arranger, bookrunner and facility agent and other financial institutions as lenders for a three-year term loan facilities of up to HK$60,000,000 and US$42,300,000.

The Facility Agreements provide that it would constitute an event of default under the Facility Agreements if (i) Mr. Liu Siong Song (a controlling shareholder of the Company held as to approximately 57% of equity interests in the Company as at the date of the Facility Agreements) and his family (the "Major Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficially 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 2013.

Events After Date of the Statement of Financial Position

Details of the events after date of the statement of financial position are set out in note 37 to the consolidated financial statements.

Auditor

A resolution to re-appoint PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Cao Yang
Chief Executive Officer

Hong Kong, 27 June 2013

Independent Auditor's Report

pwc 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 (together, the "Group") set out on pages 32 to 111, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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

Independent Auditor's Report *(Continued)*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2013

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets	*6*	**16,681**	14,828
Property, plant and equipment	*7*	**995,842**	848,608
Investment properties	*8*	**28,250**	34,090
Land use rights	*9*	**257,175**	254,016
Interests in jointly controlled entities	*10*	**4,468**	–
Interest in an associate	*11*	**25,488**	–
Deposits paid	*15*	**57,947**	45,459
Deferred income tax assets	*13*	**37,435**	33,705
Trade and bills receivables	*14*	**46,060**	26,855
Other receivables	*15*	**35,298**	64,160
Restricted bank balances	*17(b)*	**16,639**	12,493
Total non-current assets		**1,521,283**	1,334,214
Current assets			
Inventories	*16*	**918,650**	1,191,188
Amount due from a jointly controlled entity	*10*	**13,503**	13,483
Trade and bills receivables	*14*	**995,328**	819,614
Other receivables, prepayments and deposits	*15*	**199,240**	211,150
Restricted bank balances	*17(b)*	**71,337**	66,372
Cash and cash equivalents (excluding bank overdrafts)	*17(a)*	**390,459**	439,231
Total current assets		**2,588,517**	2,741,038
Total assets		**4,109,800**	4,075,252
Equity			
Share capital	*18*	**113,177**	113,177
Reserves	*20*	**1,001,313**	959,644
Retained earnings			
– Proposed final dividend	*32*	**–**	56,588
– Others	*20*	**603,807**	586,282
Equity attributable to owners of the parent		**1,718,297**	1,715,691
Non-controlling interests		**901**	1,276
Total equity		**1,719,198**	1,716,967

Consolidated Statement of Financial Position *(Continued)*

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Deferred income tax liabilities	*13*	**6,247**	7,572
Borrowings	*21*	**31,250**	305,225
Other payables		**11,033**	10,313
Total non-current liabilities		**48,530**	323,110
Current liabilities			
Trade and bills payable, other payables, deposits and accruals	*22*	**950,732**	1,017,228
Derivative financial instruments	*23*	**893**	3,909
Borrowings	*21*	**1,354,738**	973,359
Current income tax liabilities		**35,709**	40,679
Total current liabilities		**2,342,072**	2,035,175
Total liabilities		**2,390,602**	2,358,285
Total equity and liabilities		**4,109,800**	4,075,252
Net current assets		**246,445**	705,863
Total assets less current liabilities		**1,767,728**	2,040,077

Approved by the Board of Directors on 27 June 2013 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive Director

The notes on pages 39 to 111 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	*12(a)*	**65,000**	65,000
Current assets			
Other receivables, prepayments and deposits		**107**	239
Amounts due from subsidiaries	*12(b)*	**760,849**	808,274
Cash and cash equivalents	*17(a)*	**477**	845
Total current assets		**761,433**	809,358
Total assets		**826,433**	874,358
EQUITY			
Share capital	*18*	**113,177**	113,177
Reserves	*20*	**626,856**	696,499
Total equity		**740,033**	809,676
Current liabilities			
Other payables, deposits and accruals		**4,389**	3,185
Amount due to subsidiaries	*12(b)*	**81,118**	57,588
Derivative financial instruments	*23*	**893**	3,909
Total current liabilities		**86,400**	64,682
Total equity and liabilities		**826,433**	874,358
Net current assets		**675,033**	744,676
Total assets less current liabilities		**740,033**	809,676

Approved by the Board of Directors on 27 June 2013 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive Director

The notes on pages 39 to 111 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	24	**2,559,969**	3,011,636
Cost of sales	26	**(1,923,761)**	(2,185,280)
Gross profit		**636,208**	826,356
Other income	24	**33,240**	36,044
Other gains – net	25	**12,413**	62,471
Selling and distribution expenses	26	**(246,898)**	(292,737)
General and administration expenses	26	**(322,727)**	(325,813)
Operating profit		**112,236**	306,321
Finance income	29	**4,823**	4,672
Finance costs	29	**(67,078)**	(59,101)
Finance costs – net	29	**(62,255)**	(54,429)
Share of profit/(loss) of jointly controlled entities	10	**1,166**	(1,315)
Share of profit of an associate	11	**235**	–
Profit before income tax		**51,382**	250,577
Income tax expense	30	**(18,051)**	(50,447)
Profit for the year		**33,331**	200,130
Profit attributable to:			
Owners of the parent		**33,706**	203,773
Non-controlling interests		**(375)**	(3,643)
		33,331	200,130
Earnings per share for profit attributable to owners of the parent during the year (expressed in HK cents per share)			
– Basic	31(a)	**3.0**	18.0
– Diluted	31(b)	**2.8**	17.1
		HK$'000	HK$'000
Dividends	32	**–**	56,588

The notes on pages 39 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**33,331**	200,130
Other comprehensive income for the year:		
Currency translation difference	**28,388**	72,339
Reversal arising from the disposal of non-current assets held-for-sale	**–**	(6,171)
Total comprehensive income for the year, net of tax	**61,719**	266,298
Attributable to:		
– Owners of the parent	**62,094**	269,941
– Non-controlling interests	**(375)**	(3,643)
	61,719	266,298

The notes on pages 39 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	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	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	**113,177**	**498,607**	**889**	**13,771**	**212,115**	**146,661**	**2,200**	**85,401**	**642,870**	**1,715,691**	**1,276**	**1,716,967**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,706**	**33,706**	**(375)**	**33,331**
Other comprehensive income												
Currency translation differences	**–**	**–**	**–**	**–**	**28,388**	**–**	**–**	**–**	**–**	**28,388**	**–**	**28,388**
Total comprehensive income	**–**	**–**	**–**	**–**	**28,388**	**–**	**–**	**–**	**33,706**	**62,094**	**(375)**	**61,719**
Transactions with owners												
Transfer to reserve	**–**	**–**	**–**	**–**	**–**	**13,281**	**–**	**–**	**(13,281)**	**–**	**–**	**–**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(59,488)**	**(59,488)**	**–**	**(59,488)**
At 31 March 2013	**113,177**	**498,607**	**889**	**13,771**	**240,503**	**159,942**	**2,200**	**85,401**	**603,807**	**1,718,297**	**901**	**1,719,198**

	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	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	113,107	497,862	1,239	13,771	145,947	134,511	2,200	85,401	522,959	1,516,997	3,439	1,520,436
Profit for the year	–	–	–	–	–	–	–	–	203,773	203,773	(3,643)	200,130
Other comprehensive income												
Currency translation differences	–	–	–	–	72,339	–	–	–	–	72,339	–	72,339
Reversal arising from disposal of non-current assets held-for-sale	–	–	–	–	(6,171)	–	–	–	–	(6,171)	–	(6,171)
Total comprehensive income	–	–	–	–	66,168	–	–	–	203,773	269,941	(3,643)	266,298
Transactions with owners												
Acquisition of additional equity interest in a subsidiary from a non-controlling shareholder	–	–	–	–	–	–	–	–	(12,224)	(12,224)	1,480	(10,744)
Issue of shares upon exercise of share options	70	395	–	–	–	–	–	–	–	465	–	465
Transfer to share premium upon exercise of share options	–	350	(350)	–	–	–	–	–	–	–	–	–
Transfer to reserve	–	–	–	–	–	12,150	–	–	(12,150)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	(59,488)	(59,488)	–	(59,488)
At 31 March 2012	113,177	498,607	889	13,771	212,115	146,661	2,200	85,401	642,870	1,715,691	1,276	1,716,967

The notes on pages 39 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33	**271,035**	(15,376)
Interest paid		**(77,745)**	(62,827)
Income tax paid		**(28,075)**	(49,159)
Net cash generated from/(used in) operating activities		**165,215**	(127,362)
Cash flow from investing activities			
Payments for intangible assets		**(6,577)**	(6,083)
Purchases of property, plant and equipment		**(238,197)**	(194,583)
Payment for interest in an associate		**(25,250)**	–
Payment for interest in a jointly controlled entity		**(500)**	–
Deposits for acquisition of property, plant and equipment		**(16,963)**	–
Payments for land use rights		**(5,635)**	(85,873)
Deposits for acquisition of land use rights		**–**	(42,911)
Proceeds from disposals of property, plant and equipment	33	**2,568**	1,898
Proceeds from disposal of non-current assets held-for-sale		**6,250**	12,195
Interest received		**4,823**	4,672
Proceeds from disposal of an investment property	33	**9,960**	–
Net cash used in investing activities		**(269,521)**	(310,685)
Cash flow from financing activities			
Acquisition of additional interest in a subsidiary from a non-controlling shareholder		**–**	(10,230)
Proceeds from issue of shares		**–**	465
Inception of new bank borrowings		**828,304**	849,637
Repayment of bank borrowings		**(689,570)**	(363,997)
Net decrease in trust receipt loans		**(34,765)**	(12,772)
Dividend paid		**(59,488)**	(59,488)
Net cash generated from financing activities		**44,481**	403,615
Net decrease in cash and cash equivalents		**(59,825)**	(34,432)
Cash and cash equivalents at beginning of year		**439,231**	444,303
Exchange gains on cash and cash equivalents		**11,053**	29,360
Cash and cash equivalents at end of year	*17(a)*	**390,459**	439,231

The notes on pages 39 to 111 are an integral part of these consolidated financial statements.

Notes to the 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 financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 June 2013.

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 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 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 judgement or complexity or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new amendment to standard is mandatory for the first time for the financial year beginning 1 April 2012.

- Amendment to Hong Kong Accounting Standards ("HKAS") 12, 'Income taxes', on deferred tax is effective for annual period beginning on or after 1 January 2012.

  Currently HKAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use, or through sale, when the asset is measured using the fair value model in HKAS 40 'Investment Property'. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes– recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is accordingly withdrawn.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures (Continued)

(b) Amendments and interpretations to existing standards effective for the financial year beginning 1 April 2012 but not relevant to the Group (although they may affect the accounting for future transactions and events)

- Amendment to HKFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets is effective for financial period beginning on or after 1 July 2011.

  These amendments are as part of the IASBs comprehensive review of off balance sheet activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

- Amendment to HKFRS 1, 'First time adoption', on hyperinflation and fixed dates is effective for financial period beginning on or after 1 July 2011.

  The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to HKFRSs', thus eliminating the need for companies adopting HKFRSs for the first time to restate derecognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted:

- HKFRS 1 (Amendment) Government Loans[2]
- HKFRS 7 (Amendment) Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
- HKFRS 7 and HKFRS 9 (Amendments) Mandatory Effective Date and Transition Disclosures[4]
- HKFRS 9 Financial Instruments[4]
- HKFRS 10 Consolidated Financial Statements[2]
- HKFRS 11 Joint Arrangements[2]
- HKFRS 12 Disclosure of Interests in Other Entities[2]
- HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures (Continued)

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted: *(Continued)*

- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) Investment Entities[3]
- HKFRS 13 Fair Value Measurement[2]
- HKAS 1 (Amendment) Presentation of Items of Other Comprehensive Income[1]
- HKAS 19 (2011) Employee Benefits[2]
- HKAS 27 (2011) Separate Financial Statements[2]
- HKAS 28 (2011) Investments in Associates and Joint Ventures[2]
- HKAS 32 (Amendment) Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[3]
- HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine[2]
- Annual Improvements Project – Annual Improvements 2009-2011 Cycle[2]

Notes:

(1) Effective for financial periods beginning on or after 1 July 2012
(2) Effective for financial periods beginning on or after 1 January 2013
(3) Effective for financial periods beginning on or after 1 January 2014
(4) Effective for financial periods beginning on or after 1 January 2015

The Group has assessed that the adoption of HKFRS 10 in the coming year ending 31 March 2014 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for the control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and, except for HKFRS 10, 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.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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 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 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(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 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

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.

2.3 Jointly controlled entities

The Group recognises its investment in jointly controlled entities using the equity method of accounting where interests in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in the consolidated income statement and in the consolidated statement of comprehensive income respectively. When the Group's share of losses in jointly controlled entities equals or exceeds its interests in the jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.4 Associate

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.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) 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 Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments 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 (HK$), which is the Company's functional and the Group's presentation currency.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation *(Continued)*

(b) Transactions and balances

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

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

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

(c) Group companies

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

(i) assets and liabilities for each 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 exchange 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.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation *(Continued)*

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity 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 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 consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in jointly controlled entities that do not result in the Group losing joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

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 of lease 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.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment *(Continued)*

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.

2.8 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 arises on the acquisition of subsidiaries and joint ventures represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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 goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements *(Continued)*

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.

Gains or losses arising from derecognition of an asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

(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.

Gains or losses arising from derecognition of an asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

(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 consolidated income statement in the period in which it is incurred.

2.11 Land use rights

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

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.13 Financial assets

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 twelve 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 for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables' (Note 2.17), 'other receivables and deposits', 'restricted bank balances', and 'cash and cash equivalents' (Note 2.18) in the 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 twelve months of the end of the reporting period. The Group has designated its unlisted investment fund as available-for-sale financial assets.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.14 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. 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.

(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.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.14 Recognition and measurement *(Continued)*

(a) Assets carried at amortised cost (Continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.14 Recognition and measurement *(Continued)*

(b) Assets classified as available for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria as disclosed in (a) above. In the case of equity investments classified as available-for-sale, 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 for available-for-sale financial assets, 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 profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. 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 profit or loss, the impairment loss is reversed through the consolidated income statement.

2.15 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'.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value 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.

2.17 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.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and bills payable

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

2.21 Perpetual convertible securities

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

2.22 Financial liabilities

(i) Financial guarantee contracts

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

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

(ii) Other financial liabilities

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.23 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 twelve months after the end of the reporting period.

2.24 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.25 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.25 Current and deferred income tax *(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 realized 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, 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.

2.26 Employee benefits

Pension obligations

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

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

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.27 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for 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 (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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.

2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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.

2.29 Contingent liabilities

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

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

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.30 Revenue recognition

Revenue comprises 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.

2.31 Government subsidies and value added tax refunded

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

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

2.32 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.

Notes to the Consolidated Financial Statements *(Continued)*

2 Summary of significant accounting policies *(Continued)*

2.33 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.

2.34 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when the carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.35 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 amount, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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 17 and 21. 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 2013 and 31 March 2012.

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 2013 would decrease/ increase by HK$11,081,000/HK$14,727,000 (2012: pre-tax profit decrease/increase by HK$10,142,000/HK$11,316,000).

Notes to the Consolidated Financial Statements *(Continued)*

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Foreign exchange risk

The functional currencies of the Group's respective principal subsidiaries are Renminbi ("RMB"), 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 2013, there are 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.

For companies with RMB as their functional currency

As at 31 March 2013, 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$281,000 lower/higher (2012: HK$673,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US$ denominated cash and bank deposits and bank borrowings.

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, deposits placed with banks and guarantees given by the Group for its customers. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

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

Notes to the Consolidated Financial Statements *(Continued)*

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
As at 31 March 2013					
Non-derivative financial liabilities					
Bank borrowings subject to a repayment on demand clause	**879,904**	**–**	**–**	**–**	**879,904**
Other bank borrowings *(Note i)*	**–**	**489,295**	**21,875**	**10,673**	**521,843**
Trade and bills payable, other payables, deposits and accruals	**–**	**920,848**	**–**	**–**	**920,848**
	879,904	**1,410,143**	**21,875**	**10,673**	**2,322,595**
Financial guarantees issued					
Maximum amount guaranteed *(Note 35)*	**–**	**255,104**	**–**	**–**	**255,104**

(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2013, 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 2013.

Notes to the Consolidated Financial Statements *(Continued)*

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	Total HK$'000
As at 31 March 2012					
Non-derivative financial liabilities					
Bank borrowings subject to a repayment on demand clause	749,322	–	–	–	749,322
Other bank borrowings *(Note i)*	–	225,793	101,527	217,808	545,128
Trade and bills payable, other payables, deposits and accruals	–	985,070	–	–	985,070
	749,322	1,210,863	101,527	217,808	2,279,520
Financial guarantees issued					
Maximum amount guaranteed *(Note 35)*	–	279,046	–	–	279,046

(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2012, 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 2012.

Notes to the Consolidated Financial Statements *(Continued)*

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				
	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 2013	**321,441**	**365,751**	**210,850**	**–**	**898,042**
At 31 March 2012	743,135	18,421	12,234	–	773,790

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

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

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

Notes to the Consolidated Financial Statements *(Continued)*

3 Financial risk management *(Continued)*

3.2 Capital risk management *(Continued)*

During 2013, the Groups' strategy, which was unchanged from 2012, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2013 HK$'000	2012 HK$'000
Total borrowings *(Note 21)*	**1,385,988**	1,278,584
Less: cash and cash equivalents	**(390,459)**	(439,231)
Net debt	**995,529**	839,353
Total equity	**1,719,198**	1,716,967
Gearing ratio	**57.9%**	48.9%

The increase in the gearing ratio is resulted primarily from the increase in net debt due to addition of total borrowings 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)

Notes to the Consolidated Financial Statements *(Continued)*

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2013.

As at 31 March 2013

	Group			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial liabilities				
Derivative financial instruments:				
Warrants	**–**	**–**	**–**	**–**
Subscription Options	**–**	**–**	**893**	**893**
Total	**–**	**–**	**893**	**893**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2012.

As at 31 March 2012

	Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial instruments:				
Warrants	–	–	1,909	1,909
Subscription Options	–	–	2,000	2,000
Total	–	–	3,909	3,909

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

Reconciliation of Level 3 fair value measurements of financial liabilities:

	Warrants HK$'000	**Subscription options** HK$'000	**Total** HK$'000
Balance at 1 April 2012	1,909	2,000	3,909
Gains recognised in consolidated income statement *(Note 25)*	(1,909)	(1,107)	(3,016)
Balance at 31 March 2013	–	893	893

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

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 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.

(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.

Notes to the Consolidated Financial Statements *(Continued)*

4 Critical accounting estimates and judgments *(Continued)*

(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, the current market condition and requires the use of judgements and estimates. Management reassesses the provisions at each financial position date. Different judgements or estimates could significantly affect the provision amounts and materially impact the results of operations.

(e) 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.

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

Property, plant and equipment, land use rights and intangible assets (other than goodwill) 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.

Notes to the Consolidated Financial Statements *(Continued)*

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 the 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) Computerized numerical controlled ("CNC") machining centre

The Group has changed its internal reporting structure effective from 1 April 2012. Accordingly, the comparative segment information has been restated to reflect the current reporting structure.

The segment results for the year ended 31 March 2013 are as follows:

	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total segments HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	1,738,033	476,181	345,755	2,559,969	–	2,559,969
Inter-segments sales	133,523	–	–	133,523	(133,523)	–
	1,871,556	476,181	345,755	2,693,492	(133,523)	2,559,969
Results						
Segment results	96,168	20,317	25,417	141,902	–	141,902
Administrative expenses						(32,682)
Unallocated other gain						3,016
Finance income						4,823
Finance costs						(67,078)
Share of profit of jointly controlled entities						1,166
Share of profit of an associate						235
Profit before income tax						51,382

Notes to the Consolidated Financial Statements *(Continued)*

5 Segment information *(Continued)*

The segment results for the year ended 31 March 2012 (Restated) are as follows:

	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total segments HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	1,949,138	503,683	558,815	3,011,636	–	3,011,636
Inter-segments sales	239,689	–	–	239,689	(239,689)	–
	2,188,827	503,683	558,815	3,251,325	(239,689)	3,011,636
Results						
Segment results	165,721	46,616	82,892	295,229	–	295,229
Administrative expenses						(44,795)
Unallocated other gain						55,887
Finance income						4,672
Finance costs						(59,101)
Share of loss of a jointly controlled entity						(1,315)
Profit before income tax						250,577

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

Notes to the Consolidated Financial Statements *(Continued)*

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 2013			
	Die-casting machine HK$'000	**Plastic injection moulding machine HK$'000**	**CNC machining centre HK$'000**	**Total HK$'000**
Assets				
Segment assets	**2,740,304**	**616,456**	**731,051**	**4,087,811**
Unallocated assets				**21,989**
Consolidated total assets				**4,109,800**
Liabilities				
Segment liabilities	**1,836,087**	**183,360**	**343,116**	**2,362,563**
Unallocated liabilities				**28,039**
Consolidated total liabilities				**2,390,602**

	As at 31 March 2012 (Restated)			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	2,807,512	589,105	645,311	4,041,928
Unallocated assets				33,324
Consolidated total assets				4,075,252
Liabilities				
Segment liabilities	1,721,072	337,708	286,370	2,345,150
Unallocated liabilities				13,135
Consolidated total liabilities				2,358,285

Notes to the Consolidated Financial Statements *(Continued)*

5 Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than corporate assets.
- 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.

Other segment information

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

	For the year ended 31 March 2013				
	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]	**144,568**	**62,972**	**59,633**	**153**	**267,326**
Depreciation and amortisation	**98,901**	**13,467**	**7,901**	**2,466**	**122,735**
Write down of inventories	**16,511**	**5,062**	**5,589**	**–**	**27,162**
Provision for impairment of trade receivables	**10,654**	**–**	**–**	**–**	**10,654**

	For the year ended 31 March 2012 (Restated)				
	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]	85,179	93,701	136,404	3,425	318,709
Depreciation and amortisation	89,863	15,038	4,065	2,966	111,932
Write down/(reversal of write down) of inventories	14,999	(1,330)	1,895	–	15,564
Provision for/(reversal of) impairment of trade receivables	8,805	(424)	–	–	8,381

1 Non-current assets exclude interests in jointly controlled entities, interest in an associate, deferred income tax assets, deposits and receivables and derivative financial instruments.

Notes to the Consolidated Financial Statements *(Continued)*

5 Segment information *(Continued)*

Other Segment information *(Continued)*

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2013 and 31 March 2012.

	2013 HK$'000	2012 HK$'000 (Restated)
Analysis of revenue by category		
Sales of die-casting machine	**1,738,033**	1,949,138
Sales of plastic injection moulding machine	**476,181**	503,683
Sales of CNC machining centre	**345,755**	558,815
	2,559,969	3,011,636
Other income *(Note 24)*	**33,240**	36,044
	2,593,209	3,047,680

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]	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Mainland China	**1,811,334**	2,443,725	**1,239,837**	1,075,231
Hong Kong	**–**	–	**21,713**	31,396
Europe	**333,756**	283,284	**22,193**	25,849
Central America and South America	**174,215**	106,658	**–**	–
North America	**108,525**	55,273	**690**	226
Other countries	**132,139**	122,696	**71,462**	64,299
	2,559,969	3,011,636	**1,355,895**	1,197,001

1 Non-current assets exclude interests in jointly controlled entities, interest in an associate, non-current portion of trade and other receivables, restricted bank balances and deferred income tax assets.

Notes to the Consolidated Financial Statements *(Continued)*

6 Intangible assets – Group

	Goodwill HK$'000 *(Note)*	Trademarks HK$'000	Patents HK$'000	Development costs and others HK$'000	Total HK$'000
At 1 April 2011					
Cost	2,799	4,823	3,420	22,727	33,769
Accumulated amortisation and impairment	–	(4,012)	(392)	(14,902)	(19,306)
Net book amount	2,799	811	3,028	7,825	14,463
Year ended 31 March 2012					
Opening net book amount	2,799	811	3,028	7,825	14,463
Exchange difference	–	(24)	–	(289)	(313)
Additions	–	156	–	5,927	6,083
Amortisation	–	(219)	(214)	(4,972)	(5,405)
Closing net book amount	2,799	724	2,814	8,491	14,828
At 31 March 2012					
Cost	2,799	4,886	3,420	27,833	38,938
Accumulated amortisation and impairment	–	(4,162)	(606)	(19,342)	(24,110)
Net book amount	2,799	724	2,814	8,491	14,828
Year ended 31 March 2013					
Opening net book amount	2,799	724	2,814	8,491	14,828
Exchange difference	–	(28)	–	(228)	(256)
Reversal of impairment	–	1,029	–	–	1,029
Additions	–	–	–	6,577	6,577
Amortisation	–	(202)	(214)	(5,081)	(5,497)
Closing net book amount	2,799	1,523	2,600	9,759	16,681
At 31 March 2013	2,799	5,812	3,420	33,794	45,825
Cost					
Accumulated amortisation and impairment	–	(4,289)	(820)	(24,035)	(29,144)
Net book amount	2,799	1,523	2,600	9,759	16,681

Note:

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

Notes to the Consolidated Financial Statements *(Continued)*

6 Intangible assets – Group *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Die-casting machine	**2,799**	2,799

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 no growth 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 9% (2012: 14%) 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 the impairment provision of goodwill. There was no impairment provision for intangible assets for the year ended 31 March 2013 (2012: HK$Nil).

Notes to the Consolidated Financial Statements *(Continued)*

7 Property, plant and equipment – Group

	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 2011							
Cost	353,503	136,029	58,136	562,444	57,788	38,047	1,205,947
Accumulated depreciation and impairment losses	(101,372)	–	(31,625)	(281,777)	(44,465)	(27,300)	(486,539)
Net book amount	252,131	136,029	26,511	280,667	13,323	10,747	719,408
Year ended 31 March 2012							
Opening net book amount	252,131	136,029	26,511	280,667	13,323	10,747	719,408
Additions	956	153,703	3,925	24,885	12,171	8,541	204,181
Disposals	(677)	(138)	(5)	(1,693)	(513)	(812)	(3,838)
Depreciation charge	(25,636)	–	(7,024)	(58,009)	(7,448)	(4,729)	(102,846)
Exchange difference	11,559	6,280	218	12,873	366	407	31,703
Reclassification	142,725	(175,385)	66	30,331	2,521	(258)	–
Closing net book amount	381,058	120,489	23,691	289,054	20,420	13,896	848,608
At 31 March 2012							
Cost	513,222	120,489	62,435	639,583	71,694	42,988	1,450,411
Accumulated depreciation and impairment losses	(132,164)	–	(38,744)	(350,529)	(51,274)	(29,092)	(601,803)
Net book amount	381,058	120,489	23,691	289,054	20,420	13,896	848,608
Year ended 31 March 2013							
Opening net book amount	381,058	120,489	23,691	289,054	20,420	13,896	848,608
Additions	3,788	205,863	1,596	32,875	6,277	4,715	255,114
Disposals	–	–	(98)	(852)	(208)	(2,419)	(3,577)
Depreciation charge	(31,352)	–	(6,845)	(60,413)	(8,626)	(4,420)	(111,656)
Exchange difference	4,143	505	(153)	2,645	143	70	7,353
Reclassification	67,817	(93,199)	(249)	16,223	9,408	–	–
Closing net book amount	425,454	233,658	17,942	279,532	27,414	11,842	995,842
At 31 March 2013							
Cost	590,929	233,658	62,866	689,123	86,342	43,061	1,705,979
Accumulated depreciation and impairment losses	(165,475)	–	(44,924)	(409,591)	(58,928)	(31,219)	(710,137)
Net book amount	425,454	233,658	17,942	279,532	27,414	11,842	995,842

Depreciation charge of HK$87,385,000 (2012: HK$76,514,000) has been charged in "cost of sales", HK$2,632,000 (2012: HK$2,693,000) in "selling and distribution expenses" and HK$21,639,000 (2012: HK$23,639,000) in "general and administration expenses".

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in Note 21.

Notes to the Consolidated Financial Statements *(Continued)*

8 Investment properties – Group

	HK$'000
At fair value	
At 1 April 2011	32,240
Increase in fair value during the year *(Note 25)*	1,074
Exchange difference	776
At 31 March 2012 and 1 April 2012	34,090
Increase in fair value during the year *(Note 25)*	3,692
Disposal of an investment property	(9,750)
Exchange difference	218
At 31 March 2013	**28,250**

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

	2013 HK$'000	2012 HK$'000
Land and buildings in Hong Kong under leases of between 10 to 50 years	**10,600**	17,370
Land and buildings in the PRC under leases of between 10 to 50 years	**17,650**	16,720
	28,250	34,090

As at 31 March 2013, the fair values of the investment properties have been arrived at on the basis of a valuation carried out by Messrs Jones Lang LaSalle Sallmanns Limited, independent professional surveyors and valuers. Messrs Jones Lang LaSalle Sallmanns 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 valuation, which conforms to the HKIS Valuation Standard on Properties (First Edition), was made on market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable sales transaction as available in the relevant market.

No investment property was pledged as at 31 March 2013. One of the investment properties was pledged to secure bank borrowings of the Group as at 31 March 2012 as detailed in Note 21.

Notes to the Consolidated Financial Statements *(Continued)*

9 Land use rights – Group

	HK$'000
Cost	
At 1 April 2011	156,034
Additions	108,445
Exchange difference	7,705
At 31 March 2012 and 1 April 2012	272,184
Additions	5,635
Exchange difference	3,402
At 31 March 2013	**281,221**
Amortisation	
At 1 April 2011	13,761
Amortisation	3,681
Exchange difference	726
At 31 March 2012 and 1 April 2012	18,168
Amortisation	5,582
Exchange difference	296
At 31 March 2013	**24,046**
Net book value	
At 31 March 2013	**257,175**
At 31 March 2012	254,016

Amortisation charge of HK$5,582,000 (2012: HK$3,681,000) has been charged in "general and administration expenses".

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

	2013 HK$'000	2012 HK$'000
Land use rights in the PRC under leases of between 10 to 50 years	**244,282**	241,042
Land use rights in the PRC under leases of over 50 years	**12,893**	12,974
	257,175	254,016

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in Note 21.

Notes to the Consolidated Financial Statements *(Continued)*

10 Interests in jointly controlled entities – Group

	2013 HK$'000	2012 HK$'000
Share of net assets	**4,468**	–
Amount due from a jointly controlled entity	**15,503**	15,483
Less: Provision for impairment	**(2,000)**	(2,000)
	13,503	13,483

	2013 HK$'000	2012 HK$'000
Unlisted investment at cost	**1,315**	–
Reclassified from other non-current assets	**–**	1,315
Addition	**500**	–
Share of profit/(loss)	**1,166**	(1,315)
Share of exchange translation reserve	**1,487**	–
	4,468	–

Particulars of the jointly controlled entities as at 31 March 2013:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued/ registered share capital	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Profit/(loss) HK$'000	Interest held HK$'000	Proportionate interest in joint venture's commitment HK$'000
L.K. Japan Co. Ltd.	Japan	Manufacture and sales of peripheral equipment in Japan	800 ordinary shares of JPY50,000 each	17,558	26,477	40,581	(5,117)	70%	–
Thai Prex Engineering Co., Ltd	Thailand	Manufacture and sales of peripheral equipment in Thailand	60,000 ordinary shares of THB100 each	7,155	4,850	7,762	1,390	70%	–
上海普萊克斯自動設備制造有限公司	PRC	Manufacture and sales of peripheral equipment in the PRC	US$800,000	60,641	39,771	56,258	4,316	70%	–
Charm Energy Limited	HK	Not yet commenced business	1,000,000 ordinary shares of HK$1 each	1,472	487	–	(15)	50%	1,329

Notes to the Consolidated Financial Statements *(Continued)*

10 Interests in jointly controlled entities – Group *(Continued)*

Particulars of the jointly controlled entities as at 31 March 2012:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued/ registered share capital	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/(loss) HK$'000	Interest held	Proportionate interest in joint venture's commitment HK$'000
L.K. Japan Co. Ltd.	Japan	Manufacture and sales of peripheral equipment in Japan	800 ordinary shares of JPY50,000 each	28,895	33,918	49,374	(7,073)	70%	–
Thai Prex Engineering Co., Ltd	Thailand	Manufacture and sales of peripheral equipment in Thailand	60,000 ordinary shares of THB100 each	3,999	3,926	7,268	485	70%	–
上海普萊克斯自動設備制造有限公司	PRC	Manufacture and sales of peripheral equipment in the PRC	US$800,000	48,346	31,049	55,604	4,534	70%	–

11 Interest in an associate – Group

	2013 HK$'000	2012 HK$'000
At 1 April	**–**	–
Additions	**25,250**	–
Share of profit	**235**	–
Exchange difference	**3**	–
At 31 March	**25,488**	–

Particulars of the associate, which is unlisted, as at 31 March 2013 are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit HK$'000	Interest held
深圳市精工小額貸款有限公司 Shenzhen Jinggong Microcredit Limited	PRC	Microcredit business	RMB101,000,000	128,311	870	2,278	1,177	20%

Notes to the Consolidated Financial Statements *(Continued)*

12 Investment in subsidiaries – Company

(a) Investments in subsidiaries

	Company 2013 HK$'000	2012 HK$'000
Investments in unlisted shares, at cost	**65,000**	65,000

Details of the Company's principal subsidiaries as at 31 March 2013 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Subsidiaries directly held by the Company					
Best Truth Enterprises Limited	Corporation	British Virgin Islands	2 ordinary shares of US$1 each	100%	Investment holding
Cyberbay Pte Ltd.	Corporation	Singapore	2 ordinary shares of S$1 each	100%	Investment holding
World Force Limited	Corporation	British Virgin Islands	1 ordinary share of US$1	100%	Investment holding
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	US$3,000,000	100%	Sale of die-casting machines
阜新力勁北方機械有限公司 Fuxin L.K. Northern Machinery Co. Ltd. [1]	WFOE	PRC	HK$30,000,000	100%	Manufacture and sale of steel casting
Gold Millennium Ltd.	Corporation	British Virgin Islands	1 ordinary share of US$1	100%	Investment holding
Gold Progress Limited	Corporation	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
L.K. Machinery Company Limited	Corporation	Hong Kong	10,000,000 ordinary shares of HK$1 each	100%	Investment holding
L.K. Machinery International Limited	Corporation	Hong Kong	10,000,000 ordinary shares of HK$1 each	100%	Sale of die-casting machines and plastic injection moulding machines

Notes to the Consolidated Financial Statements *(Continued)*

12 Investment in subsidiaries – Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Subsidiaries indirectly held by the Company					
力勁機械股份有限公司 L.K. Machinery Corp.	Corporation	Taiwan	21,100,000 ordinary shares of NT$10 each	100%	Manufacture and sale of CNC machines
L.K. Machinery, Inc.	Corporation	USA	1,000 shares with US$10 paid up	100%	Sale of die-casting machines and plastic injection moulding machines
力勁機械（深圳）有限公司 L.K. Machinery (Shenzhen) Co. Ltd.[1]	WFOE	PRC	HK$69,500,000	100%	Manufacture and sale of die-casting machines
力勁精密機械（昆山）有限公司 L.K. Precision Machinery (Kunshan) Co. Ltd.[1]	WFOE	PRC	US$20,000,000	100%	Manufacture and sale of CNC machines
力勁科技（天津）有限公司 L.K. Tech (Tianjin) Co. Ltd.[1]	WFOE	PRC	US$2,000,000	100%	Sale of die-casting machines
Lucky Prosper Limited	Corporation	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd.[1]	WFOE	PRC	US$15,060,000	100%	Manufacture and sale of plastic injection moulding machines
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd.[1]	WFOE	PRC	US$20,400,000	100%	Manufacture and sale of die-casting machines
Power Excel International Limited	Corporation	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd.[1]	WFOE	PRC	US$4,900,000	100%	Manufacture and sale of die-casting machines
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd.[1]	Sino-foreign Equity Joint Venture	PRC	RMB127,000,000	100%	Manufacture and sale of die-casting machines

Notes to the Consolidated Financial Statements *(Continued)*

12 Investment in subsidiaries – Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Subsidiaries indirectly held by the Company					
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd.[1]	WFOE	PRC	US$10,180,000	100%	Manufacture and sale of plastic injection moulding machines
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd.[1]	WFOE	PRC	HK$140,000,000	100%	Steel casting
Idra S.r.l	Corporation	Italy	EUR5,032,661	100%	Design, manufacture and sale of die-casting machines and equipment

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.

(b) Amounts due from/(to) subsidiaries

The amounts are interest free, unsecured and repayable on demand. Their carrying values approximate their fair values. The balances are denominated in Hong Kong dollars.

Notes to the Consolidated Financial Statements *(Continued)*

13 Deferred income tax – Group

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

	2013 HK$'000	2012 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**37,435**	33,705
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	**(6,247)**	(7,572)
Deferred income tax assets, net	**31,188**	26,133

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

	2013 HK$'000	2012 HK$'000
At the beginning of the year	**26,133**	16,078
Exchange difference	**293**	1,027
Credited to the consolidated income statement *(Note 30)*	**4,762**	9,028
At the end of the year	**31,188**	26,133

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 2011	1,446	14,199	8,561	24,206
(Charged)/credited to consolidated income statement	(324)	4,919	3,347	7,942
Exchange difference	–	954	423	1,377
At 1 April 2012	1,122	20,072	12,331	33,525
(Charged)/credited to consolidated income statement	(173)	2,610	2,096	4,533
Exchange difference	–	202	187	389
At 31 March 2013	**949**	**22,884**	**14,614**	**38,447**

Notes to the Consolidated Financial Statements *(Continued)*

13 Deferred income tax – Group *(Continued)*

	Deferred income tax liabilities		
	Revaluation of investment properties HK$'000	Others HK$'000	Total HK$'000
At 1 April 2011	(1,263)	(6,865)	(8,128)
(Charged)/credited to consolidated income statement	(60)	1,146	1,086
Exchange difference	(90)	(260)	(350)
At 1 April 2012	(1,413)	(5,979)	(7,392)
(Charged)/credited to consolidated income statement	(44)	273	229
Exchange difference	(18)	(78)	(96)
At 31 March 2013	**(1,475)**	**(5,784)**	**(7,259)**

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:

	Group	
	2013 HK$'000	2012 HK$'000
Tax losses expiring:		
Within 5 years	**20,389**	8,904
Over 5 years	**22,979**	18,239
Without expiry date	**95,117**	97,136
	138,485	124,279

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 2013, deferred tax liabilities of HK$4,300,000 (2012: HK$5,800,000) have been recognised and are included in 'others' within the deferred tax liabilities.

Deferred income tax liabilities of HK$30,432,000 (2012: HK$26,381,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled HK$694,640,000 at 31 March 2013 (2012: HK$643,629,000).

Notes to the Consolidated Financial Statements *(Continued)*

14 Trade and bills receivables – Group

	2013 HK$'000	2012 HK$'000
Trade receivables	**981,719**	826,504
Less: Provision for impairment	**(58,213)**	(47,144)
	923,506	779,360
Bills receivables	**117,882**	67,109
	1,041,388	846,469
Less: Balance due after one year shown as non-current assets	**(46,060)**	(26,855)
Trade and bills receivables, net	**995,328**	819,614

The amount of provision for impaired trade receivables was HK$58,213,000 (2012: HK$47,144,000). 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:

	2013 HK$'000	2012 HK$'000
Within 90 days	**645,848**	459,618
91-180 days	**112,290**	132,237
181-365 days	**65,028**	123,919
Over one year	**158,553**	110,730
	981,719	826,504

The maturity date of the bills receivable 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. Some customers are granted a credit term with repayment period ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six months to twelve months.

Notes to the Consolidated Financial Statements *(Continued)*

14 Trade and bills receivables – Group *(Continued)*

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

	2013	2012
	HK$'000	HK$'000
Not past due	**688,381**	593,274
Past due:		
Within 90 days	**70,025**	69,991
91-180 days	**64,018**	42,289
181-365 days	**51,298**	39,871
Over one year	**49,784**	33,935
Balances past due but not impaired	**235,125**	186,086
Total trade receivables net of provision for impairment	**923,506**	779,360

Receivables that were past due but not impaired relate to a large number of customers for whom there was no recent history of default and they are in continuous trading with the Group. Based on experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant deterioration in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movements in provision for impairment of trade receivables:

	2013	2012
	HK$'000	HK$'000
Beginning of the year	**47,144**	39,604
Exchange difference	**415**	1,440
Provision for impairment losses	**10,654**	8,381
Amounts written off as uncollectible	**–**	(2,281)
End of the year	**58,213**	47,144

The Group has recognised a provision of HK$10,654,000 (2012: HK$8,381,000) for impairment of trade receivables for the year ended 31 March 2013. The Group has not written off any impaired receivables (2012: HK$2,281,000) against prior year provision during the year ended 31 March 2013. The provision for impairment of trade receivables has been included in "general and administration expenses" in the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*

14 Trade and bills receivables – Group *(Continued)*

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

	2013 HK$'000	2012 HK$'000
RMB	**764,212**	571,697
US$	**75,224**	76,627
EUR	**198,305**	197,760
Other currencies	**3,647**	385
Trade and bills receivables, net	**1,041,388**	846,469

Certain bills receivable are pledged to secure bank borrowings of the Group as detailed in Note 21.

15 Other receivables, prepayments and deposits – Group

	2013 HK$'000	2012 HK$'000
Non-current		
Deposits for acquisition of land use rights	**37,500**	37,037
Deposits for acquisition of property, plant and equipment	**20,447**	8,422
Consideration receivable	**30,479**	58,329
Others	**4,819**	5,831
	93,245	109,619
Current		
Value added tax refund receivable from government	**4,684**	4,334
Value added tax receivable	**54,169**	82,241
Trade deposits	**54,708**	66,037
Advances to staff for business purpose	**4,113**	5,493
Sundry, rental and utility deposits	**4,541**	5,432
Consideration receivable	**32,506**	5,882
Others	**44,519**	41,731
	199,240	211,150
Total	**292,485**	320,769

Notes to the Consolidated Financial Statements *(Continued)*

16 Inventories – Group

	2013 HK$'000	2012 HK$'000
Raw materials	**476,678**	516,536
Work in progress	**269,245**	376,261
Finished goods	**261,145**	359,144
	1,007,068	1,251,941
Less: Provision for impairment of inventories	**(88,418)**	(60,753)
	918,650	1,191,188

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$1,486,466,000 (2012: HK$1,702,856,000).

17 Cash and cash equivalents and restricted bank balances – Group and Company

(a) Cash and cash equivalents

	Group	
	2013 HK$'000	2012 HK$'000
Cash at banks and on hand	**371,709**	372,256
Short-term bank deposits	**18,750**	66,975
Cash and bank deposits	**390,459**	439,231
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**390,459**	439,231

	Company	
	2013 HK$'000	2012 HK$'000
Cash at banks and on hand	**477**	845

Notes to the Consolidated Financial Statements *(Continued)*

17 Cash and cash equivalents and restricted bank balances – Group and Company *(Continued)*

(a) Cash and cash equivalents *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
US$	**42,043**	22,484
HK$	**28,373**	32,651
RMB	**305,597**	365,561
Other currencies	**14,446**	18,535
	390,459	439,231

	Company	
	2013	2012
	HK$'000	HK$'000
HK$	**466**	833
Other currencies	**11**	12
	477	845

The effective interest rate on short-term bank deposits was 2.6% (2012: 1.53%) per annum; these deposits have an average maturity period of 90 days (2012: 40 days).

The Group's cash and bank balances of approximately HK$290,448,000 and HK$365,077,000 as at 31 March 2013 and 31 March 2012, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

(b) Restricted bank balances

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

At the end of reporting period, the restricted bank balances carried interest at market rates which ranged from 0.00% to 3.50% (2012: 0.00% to 3.30%) per annum.

Notes to the Consolidated Financial Statements *(Continued)*

18 Share capital

	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Authorised:		
At 1 April 2011, 31 March 2012 and 31 March 2013	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2011	1,131,065,000	113,107
Shares issued upon exercise of share options *(Note 19(a))*	700,000	70
At 31 March 2012 and 31 March 2013	1,131,765,000	113,177

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 the 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.

Notes to the Consolidated Financial Statements *(Continued)*

18 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.

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 23).

19 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 2012	Exercised during the year	Outstanding as at 31 March 2013
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

Notes to the Consolidated Financial Statements *(Continued)*

19 Share option schemes *(Continued)*

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

Category of grantee	Exercise price	Exercise period	Number of shares subject to options Outstanding as at 1 April 2011	Exercised during the year	Outstanding as at 31 March 2012
	HK$				
Directors	0.666	16 April 2007 – 15 October 2016	1,500,000	–	1,500,000
Employees	0.666	16 April 2007 – 15 October 2016	900,000	(700,000)	200,000
			2,400,000	(700,000)	1,700,000

No share options were exercised and lapsed during the year.

In 2012, 700,000 share options were exercised. The weighted average closing price on the dates on which the options were exercised was HK$2.81.

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.

(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 2013.

Notes to the Consolidated Financial Statements *(Continued)*

20 Reserves – Group and Company

	Group								
	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$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2012	498,607	889	13,771	212,115	146,661	2,200	85,401	642,870	1,602,514
Profit for the year	–	–	–	–	–	–	–	33,706	33,706
Exchange differences arising on translation of foreign operations	–	–	–	28,388	–	–	–	–	28,388
Transfer to reserve	–	–	–	–	13,281	–	–	(13,281)	–
Dividend paid	–	–	–	–	–	–	–	(59,488)	(59,488)
At 31 March 2013	498,607	889	13,771	240,503	159,942	2,200	85,401	603,807	1,605,120

Notes to the Consolidated Financial Statements *(Continued)*

20 Reserves – Group and Company *(Continued)*

	Group								
	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$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2011	497,862	1,239	13,771	145,947	134,511	2,200	85,401	522,959	1,403,890
Profit for the year	–	–	–	–	–	–	–	203,773	203,773
Exchange differences arising on translation of foreign operations	–	–	–	72,339	–	–	–	–	72,339
Arising from issue of shares upon exercise of share options	395	–	–	–	–	–	–	–	395
Transfer to share premium upon exercise of share options	350	(350)	–	–	–	–	–	–	–
Acquisition of additional equity interest in a subsidiary from a non-controlling shareholder	–	–	–	–	–	–	–	(12,224)	(12,224)
Reversal arising from disposal of non-current assets held-for-sale	–	–	–	(6,171)	–	–	–	–	(6,171)
Transfer to reserve	–	–	–	–	12,150	–	–	(12,150)	–
Dividend paid	–	–	–	–	–	–	–	(59,488)	(59,488)
At 31 March 2012	498,607	889	13,771	212,115	146,661	2,200	85,401	642,870	1,602,514

Notes:

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

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

Notes to the Consolidated Financial Statements *(Continued)*

20 Reserves – Group and Company *(Continued)*

	Company				
	Share premium HK$'000	**Share option reserve** HK$'000	**Perpetual convertible securities** HK$'000	**Retained earnings/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1 April 2011	497,862	1,239	85,401	73,854	658,356
Profit for the year	–	–	–	97,236	97,236
Arising from issue of shares upon exercise of share options	395	–	–	–	395
Transfer to share premium upon exercise of share options	350	(350)	–	–	–
Dividend paid	–	–	–	(59,488)	(59,488)
At 1 April 2012	498,607	889	85,401	111,602	696,499
Loss for the year	–	–	–	(10,155)	(10,155)
Dividend paid	–	–	–	(59,488)	(59,488)
At 31 March 2013	**498,607**	**889**	**85,401**	**41,959**	**626,856**

The consolidated profit/(loss) for the year attributable to owners of the Company includes a loss of HK$10,155,000 (2012: a profit of HK$97,236,000) which has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements *(Continued)*

21 Borrowings – Group

The borrowings of the Group comprise:

	2013 HK$'000	2012 HK$'000
Non-current		
Bank borrowings	**31,250**	305,225
Current		
Bank borrowings	**1,353,916**	937,772
Trust receipt loans	**822**	35,587
	1,354,738	973,359
	1,385,988	1,278,584

Note: As at 31 March 2013, the Group was in breach of certain financial covenants prescribed under certain bank loan agreements. Consequently, the total amount of HK$812,858,000 became repayable upon demand as at 31 March 2013 and the non-current portion of these long term loans of approximately HK$528,486,000 has been reclassified to current liabilities. On 11 June 2013, the Group received consent from the majority of the lenders of these banks loans for the waiver from the requirements of the relevant financial covenants (Note 37(a)).

	2013 HK$'000	2012 HK$'000
Secured:		
Bank borrowings	**241,629**	496,752
	241,629	496,752
Unsecured:		
Bank borrowings	**1,143,537**	567,275
Other borrowings	**822**	214,557
	1,144,359	781,832
	1,385,988	1,278,584

Notes to the Consolidated Financial Statements *(Continued)*

21 Borrowings – Group *(Continued)*

At 31 March 2013, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within 1 year	**822**	35,587	**790,848**	907,780	**791,670**	943,367
Bank borrowings due for repayment after one year *(Note)*:						
After 1 year but within 2 years	**–**	–	**376,188**	109,679	**376,188**	109,679
After 2 years but within 5 years	**–**	–	**218,130**	225,538	**218,130**	225,538
After 5 years	**–**	–	**–**	–	**–**	–
	–	–	**594,318**	335,217	**594,318**	335,217
	822	35,587	**1,385,166**	1,242,997	**1,385,988**	1,278,584

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	
	2013 HK$'000	2012 HK$'000
HK$	**534,712**	573,483
US$	**328,851**	20,061
RMB	**359,583**	546,790
EUR	**139,428**	135,861
Other currencies	**23,414**	2,389
	1,385,988	1,278,584

Notes to the Consolidated Financial Statements *(Continued)*

21 Borrowings – Group *(Continued)*

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

	As at 31 March 2013					As at 31 March 2012				
	US$	**HK$**	**RMB**	**EUR**	**TWD**	US$	HK$	RMB	EUR	TWD
Bank borrowings	**1.02%**	**2.75%**	**6.31%**	**5.40%**	**3.03%**	1.84%	2.88%	6.87%	5.40%	–
Trust receipt bank loans	**2.39%**	**2.62%**	**–**	**2.90%**	**0.61%**	2.47%	2.70%	–	2.90%	–

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

	2013 HK$'000	2012 HK$'000
Restricted bank balances	**87,976**	78,865
Land use rights	**56,413**	126,998
Investment properties	**–**	9,750
Property, plant and equipment	**173,110**	281,722
Bills receivable	**27,750**	–
	345,249	497,335

22 Trade and bills payable, other payables, deposits and accruals – Group

	2013 HK$'000	2012 HK$'000
Trade payables	**483,921**	531,183
Bills payable	**126,495**	34,716
Trade and other deposits and receipts in advance	**105,772**	174,447
Accrued salaries, bonuses and staff benefits	**62,579**	61,253
Accrued sales commission	**36,893**	54,611
Value added tax payable	**29,884**	32,158
Others	**105,188**	128,860
	950,732	1,017,228

Notes to the Consolidated Financial Statements *(Continued)*

22 Trade and bills payable, other payables, deposits and accruals – Group *(Continued)*

The following is the aging analysis of the trade payables:

	2013	2012
	HK$'000	HK$'000
Within 90 days	**396,780**	422,064
91-180 days	**62,405**	90,906
181-365 days	**12,760**	7,389
Over one year	**11,976**	10,824
	483,921	531,183

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

	2013	2012
	HK$'000	HK$'000
US$	**66,359**	3,654
HK$	**6,827**	5,063
RMB	**429,257**	335,551
EUR	**90,914**	134,662
Taiwan dollars	**17,000**	86,955
Other currencies	**59**	14
	610,416	565,899

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

23 Derivative financial instruments – Group and Company

	Group	
	2013	2012
	HK$'000	HK$'000
Balance classified as current liabilities		
Warrants	**–**	1,909
Subscription Options	**893**	2,000
	893	3,909

Notes to the Consolidated Financial Statements *(Continued)*

23 Derivative financial instruments – Group and Company *(Continued)*

	Company	
	2013	2012
	HK$'000	HK$'000
Balance classified as current liabilities		
Warrants	**–**	1,909
Subscription Options	**893**	2,000
	893	3,909

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 2.15). Further details of the Investment Agreement are set out in Note 18.

Valuation of Warrants and Subscription Options

The Warrants and the Subscription Options are measured at their respective fair value.

(i) *Warrants*

The estimate of the fair value of the Warrants is measured using the binomial tree model. The key assumptions used for the valuation are as follows:

	2013	2012
Expected dividend	**2.19%**	1.75%
Expected volatility	**46%**	43%
Risk free interest rate	**0.07%**	0.18%

(ii) *Subscription Options*

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

	2013	2012
Risk free interest rate	**0.14%**	0.18%
Expected exercise year	**3.5 years following the grant**	2.5 years following the grant
Discount rate	**13.0% – 16.0%**	14.2% – 18.4%
Gross margin	**20% – 22%**	26% – 27%
Long term average growth rate	**0% – 5%**	0% – 5%

Notes to the Consolidated Financial Statements *(Continued)*

24 Revenue and other income

	2013 HK$'000	2012 HK$'000
Revenue		
Sales of die-casting machine	**1,738,033**	1,949,138
Sales of plastic injection moulding machine	**476,181**	503,683
Sales of CNC machining centre	**345,755**	558,815
	2,559,969	3,011,636
Other income		
Value added tax refund	**13,930**	18,338
Other subsidies from government	**7,631**	11,458
Rental income	**1,966**	1,635
Sundry income	**9,713**	4,613
	33,240	36,044
Total revenue and other income	**2,593,209**	3,047,680

25 Other gains – net

	2013 HK$'000	2012 HK$'000
Net foreign exchange gain	**173**	794
Increase in fair value of investment properties *(Note 8)*	**3,692**	1,074
Net fair value gain on derivative financial instruments	**3,016**	55,690
Loss on disposals of property, plant and equipment	**(1,009)**	(1,940)
Gain on disposal of an investment property	**210**	–
Gain on disposal of non-current assets held-for-sale	**–**	5,172
Imputed interest arising from other receivable	**4,642**	–
Others	**1,689**	1,681
	12,413	62,471

Notes to the Consolidated Financial Statements *(Continued)*

26 Expenses by nature

	2013 HK$'000	2012 HK$'000
Raw materials and consumables used	**1,281,451**	1,455,995
Change in inventories of finished goods and work in progress	**205,015**	246,861
Staff costs *(Note 27)*	**425,325**	463,579
Amortisation of land use rights	**5,582**	3,681
Amortisation of trademarks[1]	**202**	219
Amortisation of patents[1]	**214**	214
Amortisation of development costs and others[2]	**5,081**	4,972
Depreciation of property, plant and equipment	**111,656**	102,846
Research and development costs	**26,581**	23,943
Transportation expenses	**48,246**	62,779
Auditor's remuneration		
– Audit services	**2,861**	2,762
– Non-audit services	**1,286**	778
Provision for impairment of trade receivables	**10,654**	8,381
Provision for inventories[2]	**27,162**	15,564
Other expenses	**342,070**	411,256
	2,493,386	2,803,830
Represented by		
Cost of sales	**1,923,761**	2,185,280
Selling and distribution expenses	**246,898**	292,737
General and administration expenses	**322,727**	325,813
	2,493,386	2,803,830

1 Included in general and administration expenses
2 Included in cost of sales

27 Employees' benefits (including directors' emoluments)

	2013 HK$'000	2012 HK$'000
Wages and salaries	**355,076**	393,386
Retirement scheme contributions	**38,964**	36,792
Other allowances and benefits	**31,285**	33,401
	425,325	463,579

Notes to the Consolidated Financial Statements *(Continued)*

28 Directors' and senior executives' emoluments

(a) Directors' emoluments

The emoluments of each of the directors are as follows:

	Fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses *(Note i)* HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2013					
Executive directors					
Chong Siw Yin	–	3,720	–	15	3,735
Cao Yang	–	2,304	–	252	2,556
Chung Yuk Ming	–	1,850	–	15	1,865
	–	7,874	–	282	8,156
Non-executive director					
Hu Yongmin	200	–	–	–	200
Independent non-executive directors					
Low Seow Chay	200	–	–	–	200
Lui Ming Wah	290	–	–	–	290
Tsang Yiu Keung	290	–	–	–	290
Chan Wah Tip	290	–	–	–	290
	1,070	–	–	–	1,070
	1,270	7,874	–	282	9,426

Notes to the Consolidated Financial Statements *(Continued)*

28 Directors' and senior executives' emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses *(Note i)* HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2012					
Executive directors					
Chong Siw Yin	–	2,730	2,000	12	4,742
Cao Yang	–	1,519	2,195	147	3,861
Chung Yuk Ming	–	1,724	2,000	12	3,736
	–	5,973	6,195	171	12,339
Non-executive director					
Hu Yongmin	200	–	–	–	200
Independent non-executive directors					
Low Seow Chay	200	–	–	–	200
Lui Ming Wah	290	–	–	–	290
Tsang Yiu Keung	290	–	–	–	290
Chan Wah Tip	290	–	–	–	290
	1,070	–	–	–	1,070
	1,270	5,973	6,195	171	13,609

Notes:

(i) Discretionary bonuses were related to the performance of the Group and were determined by the Remuneration Committee.

None of the directors of the Company waived any emoluments for the year ended 31 March 2013 (2012: None).

Notes to the Consolidated Financial Statements *(Continued)*

28 Directors' and senior executives' emoluments *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2012: three) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining three (2012: two) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other allowances	**4,312**	2,639
Discretionary bonuses	**2,693**	2,197
Retirement scheme contributions	**1,170**	252
	8,175	5,088

The emoluments fell within the following bands:

	2013	2012
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	–

29 Finance costs – net

	2013 HK$'000	2012 HK$'000
Finance income:		
Interest income on short-term bank deposits	**(4,823)**	(4,672)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**77,745**	62,827
Less: Capitalised in property, plant and equipment *(Note i)*	**(10,667)**	(3,726)
	67,078	59,101
	62,255	54,429

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.25% (2012: 5.10%) to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements *(Continued)*

30 Income tax expense

	2013 HK$'000	2012 HK$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**15,446**	42,615
– Overseas tax	**1,200**	9,445
– Hong Kong profits tax	**–**	–
– Under-provision in prior years	**6,167**	7,415
	22,813	59,475
Deferred income tax *(Note 13)*	**(4,762)**	(9,028)
Tax charge	**18,051**	50,447

In accordance with the applicable Corporate Income Tax Law of the PRC, certain of the Company's subsidiaries registered in the PRC are exempted from corporate income tax ("CIT") for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on the CIT in the following three years. These subsidiaries are subject to CIT at rates ranging from 12.5% to 25% (2012: 12.5% to 25%) during the year. All of the Company's subsidiaries ceased to enjoy the 50% relief on CIT after 31 December 2012.

For those subsidiaries of the Company which were still entitled to the 50% relief on income tax during the year, the tax rate for the year is 12.5%. For those subsidiaries with expired tax holidays (other than those approved to be High and New Technology Enterprises as discussed in the next paragraph), the tax rates for the year are 25% (2012: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo and Shanghai were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years.

They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the Corporate Income Tax Law of the PRC, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. 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% (2012: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2013 as the subsidiaries in Hong Kong either have unutilised tax losses available to set off current year's estimated assessable profit or have no assessable profits for the current year. No Hong Kong profits tax has been provided for the year ended 31 March 2012 as there were no assessable profits for that year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdiction in which the Group operates.

Notes to the Consolidated Financial Statements *(Continued)*

30 Income tax expense *(Continued)*

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

	2013 **HK$'000**	2012 HK$'000
Profit before income tax	**51,382**	250,577
Tax calculated at applicable tax rates in the respective jurisdictions	**15,248**	57,174
Effect of preferential tax rates applicable to relevant jurisdictions	**(8,628)**	(19,196)
Tax effects of:		
– Tax concession	**(1,571)**	(1,533)
– Income not subject to tax	**(4,054)**	(9,721)
– Expenses not deductible for tax purposes	**7,420**	8,372
– Changes in tax rates	**(1,563)**	(107)
– Undistributed profits of subsidiaries in the PRC	**1,178**	1,803
Tax effect of unrecognised tax losses	**3,854**	6,240
Under-provision in prior years	**6,167**	7,415
Tax charge	**18,051**	50,447

The weighted average applicable tax rate was 29.7% (2012: 22.8%). The increase 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 2013 and 31 March 2012.

31 Earnings per share

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the parent of HK$33,706,000 (2012: HK$203,773,000) and on the weighted average number of approximately 1,131,765,000 (2012: 1,131,539,000) ordinary shares in issue during the year.

	2013	2012
Profit attributable to owners of the parent (HK$'000)	**33,706**	203,773
Weighted average number of ordinary shares in issue (thousands)	**1,131,765**	1,131,539
Basic earnings per share (HK cents)	**3.0**	18.0

Notes to the Consolidated Financial Statements *(Continued)*

31 Earnings per share *(Continued)*

(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. 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.

	2013	2012
Profit attributable to owners of the parent (HK$'000)	**33,706**	203,773
Weighted average number of ordinary shares in issue (thousands)	**1,131,765**	1,131,539
Assumed conversion of perpetual convertible securities (thousands)	**58,000**	58,000
Adjustment for share options (thousands)	**983**	1,358
Weighted average number of ordinary shares of diluted earnings per share (thousands)	**1,190,748**	1,190,897
Weighted average number of ordinary shares for diluted earnings per share (HK cents)	**2.8**	17.1

The assumed conversion of potential ordinary shares arising from the warrants during the year would be anti-dilutive (2012: Same).

32 Dividends

	2013 **HK$'000**	2012 HK$'000
Proposed final dividend (2012: HK5 cents)	**–**	56,588

At a meeting held on 27 June 2013, the directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: HK5 cents per ordinary share, totaling HK$56,588,000).

Notes to the Consolidated Financial Statements *(Continued)*

33 Cash generated from operations

	2013 HK$'000	2012 HK$'000
Profit before income tax	**51,382**	250,577
Adjustments for:		
Depreciation and amortisation	**122,735**	111,932
Increase in fair value of investment properties	**(3,692)**	(1,074)
Bank interest income	**(4,823)**	(4,672)
Interests on bank borrowings	**67,078**	59,101
Reversal of provision of trademark	**(1,029)**	–
Provision for impairment of amount due from a jointly controlled entity	**–**	2,000
Provision for impairment of trade receivables	**10,654**	8,381
Write down of inventories	**27,162**	15,564
Net fair value gain on derivative financial instruments	**(3,016)**	(55,690)
Loss on disposals of property, plant and equipment	**1,009**	1,940
Gain on disposal of an investment property	**(210)**	–
Share of profit of an associate	**(235)**	–
Share of (profit)/loss of jointly controlled entities	**(1,166)**	1,315
Gain on disposal of non-current assets held-for-sale	**–**	(5,172)
Imputed interest arising from other receivable	**(4,642)**	–
Operating profit before changes in working capital	**261,207**	384,202
Decrease/(increase) in inventories	**244,872**	(346,629)
Increase in trade and bills receivables	**(205,988)**	(64,431)
Decrease/(increase) in other receivables, prepayments and deposits	**46,017**	(33,868)
Increase in amount due from a jointly controlled entity	**–**	(15,483)
(Decrease)/increase in trade and bills payable, other payables, deposits and accruals	**(65,961)**	60,493
Net settlement of derivative financial instruments	**–**	(711)
(Increase)/decrease in restricted bank balances	**(9,112)**	1,051
Cash generated from/(used in) operations	**271,035**	(15,376)

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

	Group	
	2013 HK$'000	2012 HK$'000
Net book amount *(Note 7)*	**3,577**	3,838
Loss on disposals of property, plant and equipment	**(1,009)**	(1,940)
Proceeds from disposals of property, plant and equipment	**2,568**	1,898

Notes to the Consolidated Financial Statements *(Continued)*

33 Cash generated from operations *(Continued)*

In the statement of cash flows, proceeds from disposal of investment property comprise:

	Group	
	2013	2012
	HK$'000	HK$'000
Net book amount *(Note 8)*	**9,750**	–
Gain on disposal of an investment property	**210**	–
Proceeds from disposal of an investment property	**9,960**	–

34 Commitments – Group

(a) Capital commitments

	2013	2012
	HK$'000	HK$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	**90,474**	67,531
Land use rights	**77,660**	76,701
Other commitments	**411**	566
	168,545	144,798

(b) Operating lease commitments

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:

	2013	2012
	HK$'000	HK$'000
Leases payable:		
Within one year	**13,364**	12,186
In the second to fifth year inclusive	**15,454**	22,217
After the fifth year	**4,272**	4,282
	33,090	38,685

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

Notes to the Consolidated Financial Statements *(Continued)*

34 Commitments – Group *(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 include 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:

	2013	2012
	HK$'000	HK$'000
Leases receivable:		
Within one year	**1,317**	1,813
In the second to fifth year inclusive	**324**	1,459
	1,641	3,272

The Company has no lease arrangement at the end of reporting period.

35 Financial guarantees

	Group	
	2013	2012
	HK$'000	HK$'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	**255,104**	279,046

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$915,977,000 (2012: HK$775,629,000) which are granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks as mentioned in Note 17(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. At 31 March 2013, the directors have assessed that there was no evidence indicating that any of the customers under these arrangements would default in repayment and therefore had not made any provision in this regards.

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$1,552,725,000 (2012: HK$863,048,000). The facilities utilised by the subsidiaries as at 31 March 2013 amounted to HK$911,954,000 (2012: HK$593,484,000).

Notes to the Consolidated Financial Statements *(Continued)*

36 Related party transactions

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

	2013 HK$'000	2012 HK$'000
Wages and salaries, other allowances and benefits	**18,182**	22,514
Retirement scheme contributions	**560**	380
	18,742	22,894

The directors considered the above transaction was made at normal commercial terms, in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those applicable to independent third parties.

37 Events after date of the statement of financial position

(a) Waivers for breach of financial covenants

As a result of the breach of certain financial covenants prescribed under certain bank loan agreements as disclosed in Note 21, the Group has, on 11 June 2013, through the agent bank, obtained the consent from the majority of the lenders of these bank loans for the waiver from the requirements of the relevant financial covenants.

(b) Acquisition of land use rights

The Group acquired two land use rights on 21 May 2013 at a total consideration of HK$45,582,000.

Financial Summary

	Year ended 31 March				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**2,559,969**	3,011,636	2,602,564	1,408,364	1,192,487
Profit/(loss) before income tax	**51,382**	250,577	319,436	27,142	(47,898)
Income tax expense	**(18,051)**	(50,447)	(60,298)	(23,907)	(4,315)
Profit/(loss) for the year	**33,331**	200,130	259,138	3,235	(52,213)
Profit/(loss) attributable to:					
Owners of the parent	**33,706**	203,773	259,365	20,323	(43,671)
Non-controlling interests	**(375)**	(3,643)	(227)	(17,088)	(8,542)
	33,331	200,130	259,138	3,235	(52,213)

	AS at 31 March				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Assets and liabilities					
Total assets	**4,109,800**	4,075,252	3,387,648	2,520,258	2,103,281
Total liabilities	**(2,390,602)**	(2,358,285)	(1,867,212)	(1,631,486)	(1,235,654)
	1,719,198	1,716,967	1,520,436	888,772	867,627
Equity attributable to owners of the parent	**1,718,297**	1,715,691	1,516,997	885,329	853,231
Non-controlling interests	**901**	1,276	3,439	3,443	14,396
	1,719,198	1,716,967	1,520,436	888,772	867,627