



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)

Annual Report  
**2013/14**

## Corporate Profile

**L.K. Technology Holdings Limited** is the world's largest die-casting machines manufacturer. The Group engages in the design, manufacture and sale of three product lines, i.e. die-casting machines, plastic injection moulding machines and computerised numerical controlled (CNC) machining centres. The Group has manufacturing bases and R&D centres in Shenzhen, Zhongshan, Ningbo, Shanghai, Fuxin and Kunshan in China and in Taiwan and Italy. To capture overseas markets, the Group has established sales and services companies in the USA, India and Russia. 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. Liu Zhuo Ming  
Mr. Tse Siu Sze  
Mr. Wang Xinliang

#### 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

### Company Secretary

Mr. Wong Kin Ming

### Authorised Representatives

Ms. Chong Siw Yin  
Mr. Wong Kin Ming

### Audit Committee

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

### Nomination Committee

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. 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

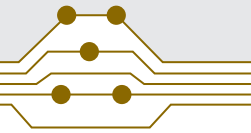
The Hongkong and Shanghai Banking Corporation Limited  
Bank of China  
Hang Seng Bank Limited  
CTBC Bank Co., Ltd  
Intesa Sanpaolo Spa

### Stock Code

558

### Website

<http://www.lktechnology.com>



## Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors of L.K. Technology Holdings Limited, I hereby present the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 (the "Year").

The Year remained a challenging year for the equipment manufacturing industry. The Group recorded revenue of HK\$2,653,436,000 for the Year, representing a slight increase of 4% as compared to HK\$2,559,969,000 of the corresponding period last year. An impairment provision of HK\$59,869,000 for accounts receivable was made due to the disposal of 35% equity interest in Fuxin Li Chang Steel & Iron Foundry Co., Ltd. Profit attributable to owners of the Group, net of the above-mentioned impairment provision, amounted to HK\$70,624,000, representing an increase of 110% as compared to HK\$33,706,000 of the corresponding period last year.

In 2013, China's economic growth slowed down to 7.8%, bidding farewell to the double-digit ultra-high-speed growth in the last decade and entering a stage of moderate growth. Meanwhile, factors such as continued appreciation of Renminbi, rising labour costs in China, volatility in China's financial market, and increasing difficulties in raising funds in the real economy which led to higher financing costs have undoubtedly posed serious challenges for equipment manufacturers in China, including the Group, making the business environment in first half of the Year extremely tough. However, in the third and fourth quarters of 2013, a number of "structural adjustment" and "micro-stimulus" measures implemented by the Chinese Government began to bear fruit, and the Chinese economy began to stabilise. Pessimism about China's economic growth was relieved to a certain extent, encouraging Chinese manufacturers to purchase new equipment or upgrade their existing equipment. The Group successfully captured market opportunities arising from the increase in demand for die-casting machines in the communications industry driven by the issuance of 4G mobile licenses in China, the recovery of demand in China's automobile industry, and the increase in demand for automated equipment due to rising labour costs in China. Competitive products such as the third generation die-casting machines with full-fledge functions and new models of medium and large plastic injection molding machines enabled the Group to achieve revenue of HK\$2,168,348,000 in the China market, representing an increase of 20% from HK\$1,811,334,000 of the corresponding period last year.

In overseas markets, although the continued moderate improvement in the US economy and the gradual stabilisation of the Eurozone economy enabled China's export growth to improve from 6.2% in 2012 to 7.6% in 2013, emerging countries such as India and Brazil continued to experience financial turmoil, currency depreciation and economic downturn, which had seriously affected the desire of equipment manufacturers in these emerging economies to make purchases. On the other hand, factors such as appreciation of Renminbi and depreciation of the Japanese Yen somehow affected the competitiveness of Chinese equipment manufacturers in overseas markets. As a result, the Group's revenue from overseas markets decreased sharply by 35% as compared with the corresponding period last year.

As an innovative, technology-based equipment manufacturer, the Group continued to achieve progress in product R&D during the Year. The 3000-tonne large-tonnage computerised horizontal die-casting machine developed by the Group won the first prize of "Guangdong Provincial Science and Technology Awards for Mechanical Engineering" and the third prize of "China Machinery Industry Science and Technology Awards". The national standards of cold chamber die-casting machine (GBT21269-2007) drafted by the Group was granted the third prize of "Guangdong Provincial Science and Technology Awards for Mechanical Engineering" by Guangdong Mechanical Engineering Society. The die-casting machines of the Group were also awarded "Shenzhen Top Brand" by the Federation of Shenzhen Industries. Such honours reinforced the Group's position as a leader, innovator and benchmark setter in the die-casting machines industry in China. As regards the plastic injection molding machine segment, the Group is now capable of producing 3500-tonne large-tonnage plastic injection molding machines. The "EFFECTA PT 1300V" model especially designed for tri-colour automotive lighting by the Group won



## Chairman's Statement (*Continued*)

the "Machinery and Machine Tools Design Award" in the 2013 Hong Kong Awards for Industries. The Group was selected as "Top 10 Plastic Injection Molding Machine Manufacturers", "Top Ten Enterprises of Shenzhen Polymer Industry" and "China Machinery Enterprises 500" for another year, demonstrating the Group's technological strength in the plastic injection molding machine industry. The Group has also achieved certain breakthroughs in the R&D of CNC machining centre with a number of new products being launched during the Year.

Strategic planning for production facilities and product lines were also made during the Year. To strengthen the Group's capability in R&D, production and sale of plastic injection molding machines in Eastern China, the Phase I plant of the Group's Eastern China plastic injection molding machine production headquarters located in Ningbo commenced operation in March 2014. Following the disposal of relatively small plastic injection molding machine production plant with a site area of 21,180 square meters in Zhongshan, the Group commenced the construction of the Southern China plastic injection molding machine production headquarters with a site area of 88,000 square meters. As a result of the above development, the Group's productivity of plastic injection molding machine products and the economies of scale were both enhanced. In order to improve the competitive edge of the CNC machining centre, the Group has developed and successfully launched the EU-2000 high-speed vertical bridge type CNC machining centre. Meanwhile, the Group has also developed customised products to target the specific markets, such as the MVD series of CNC machining centre for die making, and the MVP series of CNC machining centre and the BTC series of 5-axis CNC machining centre for comprehensive machining for specialised products.

Looking ahead to the coming year, the business environment will remain challenging. As the Chinese economy began to slow down, the risks accumulated during the high-speed growth period in the past may gradually surface, bringing uncertainty to the Chinese economy. At the same time, continuous uptick of labour costs in China and the fluctuation of Renminbi will impact the competitiveness of Chinese manufacturers. However, there are positive signs both within and outside the China market. For example, the stabilisation of the European and American economies will be beneficial to the performance of IDRA, the Group's overseas subsidiary; and the measures implemented by the Chinese government targeting at deepening reforms will help to stabilise the Chinese economy and improve economic expectations. Regarding the consumers market for the products of the Group, the ongoing investment in 4G equipment in China, the revitalisation of the automobile market, the increasing market share of Chinese smart electronic consumer products in the global market and the higher demand for automated facilities due to the hiking labour costs in China will all boost the sales of the Group's products.

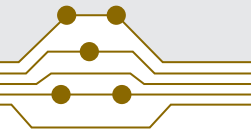
The Group is confident in facing the upcoming challenges with a diversified product structure, the sustainable innovation capability, a strong customer base and the brand effect accumulated for 30 years, as well as the commitment to customer-oriented services. The Group will continuously embrace innovations and keep moving forward in light of the ever-changing 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 2014



## Management Discussion and Analysis

### Financial Review

For the year ended 31 March 2014 (the “Year”), the Group recorded revenue of HK\$2,653,436,000, representing a slight increase of 4% as compared to the revenue of HK\$2,559,969,000 in the same period last year.

During the Year, the overall gross profit margin of the business of the Group was 26%, better than the 25% for the same period last year, which is mainly due to the improvement arising from adjustments in the sales mix of products and in cost control.

In view of the failure of Fuxin Jin Da Steel Casting Company Limited (阜新金達鋼鐵鑄造有限公司) (“Jin Da”) to pay the third installment of RMB27,000,000 (equivalent to HK\$34,177,000) to the Group on the agreed date as part of the consideration for the purchase of the Group’s 35% equity interest in Fuxin Li Chang Steel & Iron Foundry Co., Ltd. (阜新力昌鋼鐵鑄造有限公司), the Group made an impairment provision for the full amount of the receivables outstanding from Jin Da of RMB54,000,000 (equivalent to HK\$63,782,000, taking into account of interest accretion). Subsequently, on 18 March 2014, the Group settled RMB3,092,000 (equivalent to HK\$3,913,000) payable balance against the consideration receivable from Jin Da. Therefore, the final impairment provision was HK\$59,869,000. After making such impairment provision, profit attributable to the owners of the Company amounted to HK\$70,624,000, representing an increase of 110% as compared to the profit of HK\$33,706,000 in the same period last year.

During the Year, the Group disposed of its old factory in Dongsheng Town, Zhongshan City, Guangdong Province, of which one of the plots of land (with an area of 9,804.6 square meters) was assigned to the purchaser by 31 March 2014, resulting in a gain of HK\$32,141,000.

Sales and distribution expenses amounted to HK\$295,240,000, representing an increase of 20% compared with HK\$246,898,000 for the same period last year, which is mainly due to the increase in the overall human resource expenses (including sales and customer service employees) and sales commission as a result of the increase in revenue during the Year. Meanwhile, transportation as well as installation and commissioning expenses for customers also increased.

Administrative expenses amounted to HK\$324,476,000, remaining basically unchanged as compared with HK\$322,727,000 for the same period last year, of which research and development expenses for new products increased as compared to those recorded in the same period last year.

### Business Review

With the deceleration in the economic growth of China during the Year and the tightening of bank credits, labour costs continued to rise and the business environment remained challenging. During the Year, the Group recorded revenue of HK\$2,168,348,000 in the China market, representing an increase of 20% compared with HK\$1,811,334,000 for the same period last year.

In overseas markets, improvement in the US economy was sluggish and the economy of the Eurozone remained stagnate. In addition, the Renminbi appreciated and emerging economies such as India and Brazil remained on the sidelines in investing in fixed assets due to political and economic factors. During the Year, the Group recorded revenue of HK\$485,088,000 in overseas markets, representing a sharp decrease of 35% compared with HK\$748,635,000 for the same period last year; of which IDRA, a wholly owned subsidiary in Italy with Europe and the US as its major markets, recorded revenue of HK\$400,371,000 during the Year, representing a decrease of 24% compared with HK\$523,957,000 for the same period last year. However, as both costs and expenses showed improvements, IDRA was able to make a profit contribution to the Group.



## Management Discussion and Analysis (Continued)

### Die-casting Machines

During the Year, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK\$1,795,023,000, representing a slight increase of 3% compared with HK\$1,738,033,000 for the same period last year, of which the revenue generated in the PRC market amounted to HK\$1,387,450,000, representing an increase of 33% compared with HK\$1,046,703,000 for the same period last year, which is mainly due to the demand in equipment investment in industries such as communications and automobiles in China. However, revenue from overseas markets (including IDRA) only amounted to HK\$407,573,000, representing a significant decrease of 41% compared with HK\$691,330,000 for the same period last year, detracting from the overall performance of the die-casting machine business of the Group.

### Plastic Injection Moulding Machines

During the Year, the Group's revenue from the plastic injection moulding machine business amounted to HK\$589,284,000, representing an increase of 24% compared with HK\$476,181,000 for the same period last year. The growth in the plastic injection moulding machine business is mainly attributable to the Group's major breakthrough in the development of medium to large tonnage models.

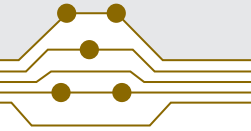
Phase 1 plant of the Group's Eastern China production headquarters of plastic injection moulding machines in Ningbo City, Zhejiang Province has commenced operation in March 2014.

The Group acquired 3 plots of land with a total site area of 88,000 square meters in Dongsheng Town, Zhongshan City, Guangdong Province in 2013. The Group's old factory in Dongsheng Town, Zhongshan City, with a site area of 21,182.9 square meters has been re-zoned by the local government from industrial use to commercial and residential use. In March 2014, the Group entered into an agreement with Zhongshan Huifeng Property Development Company Limited (中山市慧峰房地產開發有限公司) in respect of the sale of the old factory to this property developer for an aggregate consideration of RMB70,000,000. The property developer has made a deposit payment of RMB12,000,000 to the Group as at 31 March 2014. The assignment procedures of one of the plots with a site area of 9,804.6 square meters have been completed by 31 March 2014, and RMB23,000,000 in relation to the assignment was received by the Group subsequent to 31 March 2014 and as at the date of this announcement. Pursuant to the agreement, the assignment procedures of another plot of land with an area of 11,378.3 square meters will be completed by 31 October 2014. It is expected that the Group will be relocated to the new factory within 21 months upon the final completion of the delivery of the property. This new manufacturing base will become the Group's Southern China production headquarters of plastic injection moulding machines after the relocation. By exercising a sale and leaseback arrangement, the Group will continue to manufacture plastic injection moulding machines in the old factory.

### Computerised Numerical Controlled (CNC) Machining Centres

During the Year, the Group's revenue from the CNC machining centre business amounted to HK\$269,129,000, representing a decline of approximately 22% compared with HK\$345,755,000 for the same period last year, which is mainly due to a decrease in orders of relevant CNC machining centres arising from customers' change to production procedures for 3C products in China.





## Research and Development (“R&D”)

### R&D of Die-Casting Machines

During the Year, the Group had been making progress in perfecting three types of new die-casting machines, namely the 1,000-tonne and above large-tonnage servo control die-casting machines series, the third-generation high-end mid-tonnage die-casting machines series “IMPRESS III PLUS+” and the two-platen servo control energy-saving die-casting machines series.

During the Year, the Group earned multiple social recognitions in the area of die-casting machines. The 3,000-tonne large-tonnage computerised horizontal die-casting machine developed by the Group won the first prize of “Guangdong Provincial Science and Technology Awards for Mechanical Engineering” and the third prize of “China Machinery Industry Science and Technology Awards”. The set of national standards of cold chamber die-casting machine (GBT21269-2007) drafted by the Group was granted the third prize of “Guangdong Provincial Science and Technology Awards for Mechanical Engineering” by Guangdong Mechanical Engineering Society. The die-casting machines of the Group were also awarded “Shenzhen Top Brand” by the Federation of Shenzhen Industries.

Meanwhile, automated production process will be one of the key elements for manufacturers to enhance their competitiveness in the future. While devoting more efforts in developing automated peripheral equipment, the Group also acquired the remaining equity interest in its then joint venture, Shanghai Prex, contributing to a more comprehensive product series of automated peripheral equipment of the Group, which will be one of the highlights of the Group’s business growth.

### R&D of Plastic Injection Moulding Machines

During the Year, the Group continued its efforts in polishing the second-generation of two-platen plastic injection moulding machines and servo control energy-saving plastic injection moulding machines, and has produced 3,500-tonne large-tonnage plastic injection moulding machines. In the meantime, “EFFECTA PT 1,300V”, the 3-colour plastic injection moulding machine developed by the Group that is specially catered for automobile lighting, was awarded the “Machinery and Machine Tools Design Award” under the “2013 Hong Kong Awards for Industries”. Featuring high precision in optical performance, high clarity and shortest production cycle time, the product represents a breakthrough in various aspects of technology and is mainly applied in the production of plastic parts for polycarbonate (PC) automobile headlight covers and polymethylmethacrylate (PMMA) taillight covers. The award represents market recognition of the Group’s multi-colour plastic injection moulding machine products and facilitates the Group’s penetration into the automobile component market. The Group has been selected by HC360.com as the “Top 10 Plastic Injection Moulding Machine Enterprises”, and its subsidiaries Shenzhen Leadwell and Zhongshan L.K. were selected as “Top Ten Enterprises of Shenzhen Polymer Industry” and “China Machinery Enterprises 500” respectively. Ningbo L.K. Machinery Co. Ltd. (寧波力勁機械有限公司), a subsidiary of the Group in Eastern China region that focuses on the manufacturing of plastic injection moulding machines, has been certified as a National High and New Technology Enterprise.



## Management Discussion and Analysis (Continued)

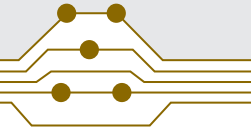
### R&D of CNC Machining Centres

During the Year, the Group's "TC" and "MV" CNC machining centre series adopted a completely upgraded systematic tool changing system that dramatically increased work efficiency. Meanwhile, the Group speeded up its pace in developing CNC machining centres and extended the product line to the high potential mid-to-large CNC machining centres market. The Group has launched new product series including the high-speed vertical bridge type CNC machining centre, specialised machining centre for dies and 5-axis machining centre. Not only widely used for processing 3C products and automobile components, the Group's CNC machining centre series have also successfully penetrated into various industries, including die manufacturing, aircraft component processing and military component processing.

### Prospects

Looking ahead into the prospects of the international market in the coming year, the mild recovery of the economy of the US, coupled with stabilising economy in the Eurozone and decline of bond yields to historical lows, will contribute to the improvement of the business performance of IDRA, the Group's subsidiary in Europe, and will increase the volume of the export business of the Group at the same time, and will allow the Group to take advantage of the increase in orders received by its domestic customers in the export industry. In the domestic market, given the downward pressure on China's economic growth, the government has implemented multiple in-depth reform policies, including monetary policies, after the Third Plenary Session of the 18th CPC Central Committee to maintain a steady economic growth and boost employment, focusing on differentiated minor adjustments which have achieved preliminary results in the stabilisation of economic growth. Meanwhile, the capital invested in the small enterprises arising from Targeted RRR Cuts will create a certain stimulus for the development of small and medium enterprises, and reduction in financing cost can also improve corporate profitability. The government will further carry out full-scale in-depth reform measures, which will improve the growth potential and the economic sustainability of the PRC, and new opportunities in the business environment are expected to follow.

In terms of the end-user markets of the Group, the PRC government has officially issued 4G licences to a number of operators, and the investments in 4G equipment will boost the demands for die-casting machines and peripheral equipment. The steady growth in global smartphone shipments, coupled with the expanding global market share of Chinese smartphone manufacturers, will be conducive to the sales of the Group's die-casting machines and CNC machining centres. According to the statistics revealed by China Association of Automobile Manufacturers, China auto mobile production and sales volumes for the first quarter of 2014 were 5,891,700 units and 5,922,300 units respectively, representing a year-on-year increase of 9.2% for both. A higher growth in the demand for automobiles is expected to continue as urbanisation proceeds, which will enhance the sales of the Group's die-casting machines. Meanwhile, the rise in labour costs nationwide accelerates the adoption of automated peripheral equipment by manufacturers, which will benefit the sales of the Group's peripheral equipment. Benefitting from the growing use of plastic resin, the expanding application of new plastic materials, the expedited urbanisation process and the rising personal income in China, we expect that the demand for plastic injection molding machines in China will continue to grow. The increase in sales of the Group's plastic injection molding machine products, especially the successful breakthrough in the medium to large tonnage plastic injection molding machines, will bring about stable performance of the Group's plastic injection molding machine business.



However, the global macro-economy still faces many uncertainties. Firstly, US manufacturing activities are weak and consumer confidence is still lacking, with the US Federal Reserve accelerating QE tapering. With the debt purchase programme expected to be terminated by the end of this year, the impact on global finance and economy remains to be seen.

In Europe, as economic growth remains stagnant, the problems of heavy debts and deficits have yet to be resolved and unemployment rate remains high. The Eurozone is also exposed to deflation risk.

China is implementing further reforms to promote economic restructuring, but may face a possible drag on economic growth arising from the real estate bubble and excessive credit expansion, which may also increase the downward pressure on its economy.

The World Bank has lowered the global economic forecast for this year from 3.2% to 2.8%, which is mainly due to factors including the inclement weather in the US in the first quarter, the Ukrainian crisis, political turmoil in some of the middle-income economies, as well as the speculation that the US central bank will raise interest rates. The World Bank has also urged all nations to get prepared for a new round of crisis.

In all, the management remains cautious about the next year. In order to cope with the possible challenges ahead, the Group will continue to strengthen its R&D and innovation, enhance its customer services, broaden its product series and optimise its operation efficiency. Taking into account the Group has earned itself a household name for its three major product lines, has established a broad customer base, enjoys competitive advantages in the industry and has capability to satisfy ever-changing requirements of customers, the management is confident in the long-term growth of the Group.

### **Long-term development strategy**

The goals of the Group's development strategy are to provide customers with quality products and services, become an equipment manufacturing group that is highly renowned in the international machinery and equipment industry and greatly respected by clients and peers, and to be committed in promoting long-term sustainable development of its business so as to provide shareholders with stable returns and create increasing value for shareholders.



## Directors and Senior Management Profiles

### Directors

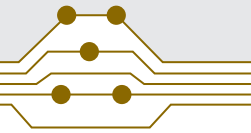
**Ms. Chong Siw Yin**, aged 58, is the chairperson of the Board and an Executive Director of the Company. Ms. Chong joined the Group in March 1988, and was appointed as an Executive Director in August 2004. She is also a director of certain subsidiaries of the Company. Ms. Chong is responsible for the strategic planning, administration and human resources management of the Group and has over 26 years of management experience.

**Mr. Cao Yang**, aged 47, 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 22 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. Liu Zhuo Ming**, aged 28, is an Executive Director of the Company. Mr. Liu joined the Group in October 2008 and has served a number of positions in the Group. He was appointed as an Executive Director in April 2014. Mr. Liu is also a director of certain subsidiaries of the Company. He graduated from Oregon State University, USA with a bachelor degree in Computer Science. Mr. Liu has extensive experience in business operations and management. Mr. Liu is the son of Ms. Chong Siw Yin (an Executive Director and Chairperson of the Board of the Company) and Mr. Liu Siong Song (a substantial shareholder and the controlling shareholder of the Company).

**Mr. Tse Siu Sze**, aged 46, is an Executive Director of the Company. Mr. Tse joined the Group in July 1990 and has served a number of positions in the Group. Mr. Tse was appointed as an Executive Director in December 2013. He is currently the general manager and a director of Zhongshan L.K. Machinery Co. Ltd. Mr. Tse has over 24 years of experience in production management, sales and marketing. He is responsible for the management and development of the Group's plastic injection moulding machine business.

**Mr. Wang Xinliang**, aged 46, is an Executive Director of the Company. Mr. Wang joined the Group in July 1993 and has served a number of positions in the Group. Mr. Wang was appointed as an Executive Director in March 2014. He is currently the general manager and director of both Ningbo L.K. Machinery Co. Ltd. and Ningbo L.K. Technology Co. Ltd. Mr. Wang has over 21 years of experience in production management, sales and marketing. Mr. Wang holds an EMBA from Fudan University. He is responsible for the management and development of the Group's die-casting machine business.



**Mr. Hu Yongmin**, aged 44, 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 64, was appointed as an Independent Non-executive Director of the Company in September 2004. He was the associate professor of the Nanyang Technological University of Singapore before his retirement in November 2012. Dr. Low has more than 30 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is a board member of three publicly listed companies in Singapore, namely CASA Holdings Limited, Hor Kew Corporation Limited and Hai Leck Holdings Limited. Dr. Low received a Doctor of Philosophy Degree from The Victoria University of Manchester, U.K.

**Dr. Lui Ming Wah**, SBS, JP, aged 76, was appointed as an Independent Non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association Ltd. and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association and a member of The Hong Kong International Arbitration Center Advisory Council. He is also a member of the Hong Kong Economic Development Commission. In the PRC, he is a member of Daya Bay Nuclear Power Station Nuclear Safety Advisory Board and an honorary member of China Overseas Friendship Association. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. Dr. Lui is also member of the tenth and eleventh National Committee of the Chinese People's Political Consultative Conference. He is the managing director of Keystone Electronics Co., Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited, S.A.S Dragon Holdings Limited (all being listed companies on the Stock Exchange in Hong Kong) and Asian Citrus Holdings Limited (also listed on the London Stock Exchange). Dr. Lui obtained a master 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 60, 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.



## Directors and Senior Management Profiles (*Continued*)

### Senior Management

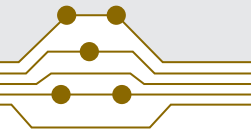
**Mr. CHAN Kwok Keung**, aged 48, is the engineering manager of the Group. He joined the Group in December 1998 and is responsible for the technical support, customer services and product development. Mr. Chan was appointed as a director of L.K. Machinery International Limited in March 2012. He has 25 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 master degree of Science in Management from The Hong Kong Polytechnic University.

**Mr. William P. DAMIAN**, aged 55, is the president of L.K. Machinery, Inc. (USA). Mr. Damian joined the Group in 2006, and is responsible for all its operational management of the company and for sales activities of die casting machines and CNC machining centres, and large die cast dies. Mr. Damian graduated from the University of Michigan with a bachelor degree in Mechanical Engineering and from Massachusetts Institute of Technology's (M.I.T.) Sloan School with a master degree in Management. Prior to joining the Group, he served as vice president of sales and marketing with a die casting company and also held key positions as president of StrikoDynamad, a manufacturer of advanced melting furnaces, and as director of engineering and international sales with Prince Machine Corporation (BuhlerPrince). Mr. Damian holds a patent related to die casting equipment, has been involved in the design and development of advanced casting technology, and has managing several very large die casting machine projects.

**Mr. Riccardo FERRARIO**, aged 57, is the general manager of Ildra S.r.l and has full responsibility of the Ildra S.r.l business worldwide. Mr. Ferrario joined the Group in April 2009. He has over 30 years of experience in the light alloy foundry business and worked for global companies such as Teksid (Fiat Group metallurgical product division), EurAlcom Group and Meridian Technologies. Mr. Ferrario is a metallurgical engineer graduated at Polytechnic of Turin (Italy) in 1982 and possesses strong experience in foundry manufacturing process and business development. He is member of the board of High Pressure Die Casting Technology of AIM (Italian Metallurgical Association) and AMAFOND (Italian Foundry Supplier Association) and is well known in the aluminum and magnesium foundry community worldwide.

**Mr. FUNG Chi Yuen**, aged 47, joined the Group in August 2007 as general manager and chief engineer of plastic injection molding machine business unit and was appointed as a director of L.K. Machinery International Limited in March 2012. Mr. Fung holds a master degree and a bachelor degree of science in Engineering from the University of Hong Kong. He has 25 years' experience in product design, production and research and development of plastic injection molding machines both locally and overseas. Before joining the Group, Mr. Fung was the acting operation manager and engineering manager of Husky Injection Molding Systems Ltd., Machine Business Unit, Shanghai, Asia Pacific, a Canada-based company.

**Mr. HONG Ka Kei**, aged 44, is the financial controller of the Group. He joined the Group in 2005 and is responsible for financial management and reporting, and banking relations of the Group. Mr. Hong is a qualified accountant. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Hong has over 20 years of experience in corporate finance, merger and acquisition, accounting and finance gained from various listed companies in Hong Kong.



**Mr. TE Yi Ming**, aged 51, 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 25 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. YANG Yi Zhong**, aged 71, 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 49 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 2014, 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

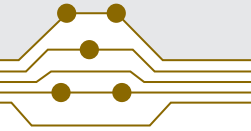
The Board currently comprises five Executive Directors, a Non-executive Director and three Independent Non-executive Directors. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operation and development of the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

All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has received from each of the Independent Non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. Biographical details of each board member are set out on pages 10 to 11 of this report. There is no relationship (including financial, business, family or other material relationship) among members of the Board save as those disclosed in the section headed “Directors and Senior Management Profiles”.

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

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





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

#### **Corporate Governance Functions**

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

#### **Directors' and Officers' Liability Insurance**

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

#### **Chairperson and Chief Executive Officer**

The roles of the Chairperson and Chief Executive Officer of the Company are segregated and are not exercised by the same individual. Ms. Chong Siw Yin is the Chairperson and Mr. Cao Yang is the Chief Executive Officer. 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**

During the year, newly appointed Directors were provided with a comprehensive, formal and tailored induction in order that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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



## Corporate Governance Report (Continued)

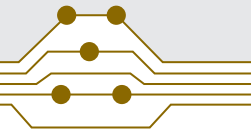
Records of the Directors' training during the year are as follows:

Members of the Board	Training received
<b>Executive Directors</b>	
Ms. Chong Siw Yin ( <i>Chairperson</i> )	(i)
Mr. Cao Yang ( <i>Chief Executive Officer</i> )	(i)
Mr. Chung Yuk Ming	(i)
Mr. Tse Siu Sze ( <i>appointed with effect from 1 December 2013</i> )	(i)
Mr. Wang Xinliang ( <i>appointed with effect from 1 March 2014</i> )	(i)
<b>Non-executive Director</b>	
Mr. Hu Yongmin	(i)
<b>Independent Non-executive Directors</b>	
Dr. Low Seow Chay	(i)
Dr. Lui Ming Wah	(i)
Mr. Tsang Yiu Keung, Paul	(i) and (ii)
Mr. Chan Wah Tip, Michael ( <i>retired with effect from 24 September 2013</i> )	(i)
(i)	Reading materials in relation to latest developments in rules and regulations
(ii)	Attending training seminars

### Attendance at meetings

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

	Number of meetings attended/held				Annual General Meeting
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	
<b>Executive Directors</b>					
Ms. Chong Siw Yin	4/4	N/A	N/A	N/A	1/1
Mr. Cao Yang	3/4	N/A	N/A	N/A	1/1
Mr. Chung Yuk Ming	4/4	N/A	N/A	N/A	1/1
Mr. Tse Siu Sze ( <i>i</i> )	1/1	N/A	N/A	N/A	N/A
Mr. Wang Xinliang ( <i>ii</i> )	1/1	N/A	N/A	N/A	N/A
<b>Non-executive Director</b>					
Mr. Hu Yongmin	4/4	4/4	3/3	3/3	0/1
<b>Independent Non-executive Directors</b>					
Dr. Low Seow Chay	4/4	N/A	3/3	N/A	1/1
Dr. Lui Ming Wah	4/4	4/4	3/3	3/3	1/1
Mr. Tsang Yiu Keung, Paul	4/4	4/4	N/A	3/3	1/1
Mr. Chan Wah Tip, Michael ( <i>iii</i> )	1/1	2/2	N/A	N/A	1/1



Notes:

- (i) Mr. Tse Siu Sze was appointed as an Executive Director with effect from 1 December 2013 and attended one board meeting held after his appointment.
- (ii) Mr. Wang Xinliang was appointed as an Executive Director with effect from 1 March 2014 and attended one board meeting held after his appointment.
- (iii) Mr. Chan Wah Tip, Michael retired as an Independent Non-executive Director with effect from 24 September 2013 and attended one board meeting and two audit committee meetings before his retirement.

In addition, the Chairperson of the Board met one time during the year with all the Independent Non-executive Directors and the Non-executive Director without the presence of the Executive Directors on 28 November 2013.

## Board Committees

### Remuneration Committee

The Remuneration Committee currently comprises two Independent Non-executive Directors, namely Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul and a Non-executive Director, namely 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 three meetings during the year. The members of the Remuneration Committee discussed and reviewed the remuneration package of the newly appointed executive directors and made recommendations to the Board.

Pursuant to code provision of B.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2014 is as follows:

	<b>Number of employees</b>
Nil – HK\$1,000,000	5
HK\$1,500,001 – HK\$2,000,000	2
HK\$2,000,001 – HK\$2,500,000	1
HK\$3,000,001 – HK\$3,500,000	1
HK\$5,000,001 – HK\$5,500,000	1

Details of the remuneration of each director for the year ended 31 March 2014 are set out in note 31 to the financial statements.



## Corporate Governance Report (Continued)

### Nomination Committee

The Nomination Committee currently comprises two Independent Non-executive Directors, namely Dr. Low Seow Chay and Dr. Lui Ming Wah, and a Non-executive Director, namely Mr. Hu Yongmin. Dr. Low Seow Chay is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors and the management of the board succession. The Nomination Committee can reasonably ensure that only candidates with capability and relevant experience will be appointed as future directors. Under its terms of reference, the Nomination Committee shall meet at least twice a year.

During the year, the Nomination Committee held three meetings. The Nomination Committee formulated the Board Diversity Policy. They made recommendations to the Board on the appointment of new directors. They also reviewed the structure, size and composition of the Board.

### Board Diversity Policy

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

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

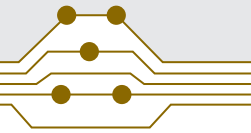
### Strategy Committee

The Strategy Committee was established to oversee certain strategy-related matters of the Company, including without limitation, the Company’s future expansion strategies (both domestic and international), major merger and acquisitions, and other significant investment activities of the Company. The Strategy Committee comprises two Executive Directors namely, Ms. Chong Siw Yin and Mr. Cao Yang, 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 two Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul and Dr. Lui Ming Wah 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 one time during the year with the external auditor in the absence of management to discuss and make enquiries on various financial and operational matters.



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

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

#### Auditor's Remuneration

The financial statements of the Group for the year ended 31 March 2014 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	<b>Fee paid/payable</b>
	HK\$'000
Audit services	2,861
Non-audit services	531
	<b>3,392</b>

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

#### Model Code for Securities Transactions

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

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

#### Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2014.

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 32 and 33.



## Corporate Governance Report (Continued)

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

### Internal Controls

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

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

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

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

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

### Company Secretary

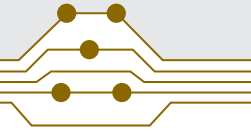
The Company Secretary of the Company is a full time employee of the Company. For the year ended 31 March 2014, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

### 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](http://www.lktechnology.com) which includes past and present information relating to the Group and its businesses.

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



## **Shareholders' Rights**

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

Pursuant to article 58 of the articles of association of the Company, shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

### **Putting forward proposals at general meetings**

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

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

### **Putting forward enquiries to the Board**

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

## **Constitutional Documents**

During the year ended 31 March 2014, 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 2014.

### Principal Activities

The Company acts as an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerized numerical controlled machining centres and related accessories. The Group is also engaged in steel casting. The activities of the Company's principal subsidiaries, an associate and joint ventures are set out in notes 13, 12 and 11 respectively to the consolidated financial statements.

### Results and Appropriations

The results of the Group for the year ended 31 March 2014 are set out in the consolidated income statement on page 37.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

### 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 20 to the consolidated financial statements.

### Donations

During the year, the Group made charitable or other donations totalling HK\$112,000.

### 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 22 to the consolidated financial statements respectively.

### Distributable Reserves of the Company

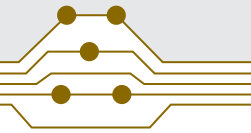
As at 31 March 2014, the Company's reserves available for distribution to shareholders of the Company were HK\$528,148,000, representing share premium of HK\$498,607,000, share option reserve of HK\$889,000 and retained profits of HK\$28,652,000.

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 124.





## 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 (*resigned with effect from 1 April 2014*)  
Mr. Liu Zhuo Ming (*appointed with effect from 1 April 2014*)  
Mr. Tse Siu Sze (*appointed with effect from 1 December 2013*)  
Mr. Wang Xinliang (*appointed with effect from 1 March 2014*)

### 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 (*retired with effect from 24 September 2013*)

The biographical details of the Directors are set out on page 10 to page 11 of this annual report.

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

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Tse Siu Sze, Mr. Wang Xinliang and Mr. Liu Zhuo Ming who were newly appointed as Executive Directors, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The three Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul were re-appointed for a term of three years in September 2013. Each of the Independent Non-executive Directors or the Company may terminate the appointment at any time during the three-year term by giving the other party at least three months' notice in writing.

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

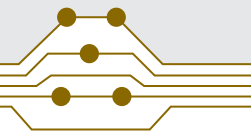
As at 31 March 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required 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 <sup>(1)</sup>	57.08%
	the Company	Beneficial owner	Long position 1,050,000	0.09%
	the Company	Beneficial owner	Long position 1,500,000 <sup>(2)</sup>	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%
Mr. Tse Siu Sze	the Company	Beneficiary owner	1,235,000 Long position	0.11%

Notes:

- 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 Siang 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.
- 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 2014, 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 <sup>(1)</sup> Long position	57.08%
Mr. Liu	See Note (2)	645,980,000 <sup>(2)</sup> Long position	57.08%
		1,050,000 <sup>(2)</sup> Long position	0.09%
		1,500,000 <sup>(2)</sup> Long position	0.13%
Fullwit	See Note (1)	645,980,000 <sup>(1)</sup> Long position	57.08%
HSBC International Trustee Limited	See Note (3)	645,980,000 <sup>(3)</sup> Long position	57.08%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner See Note (4)	112,000,000 <sup>(4)</sup>	9.90%
		58,000,000 <sup>(4)</sup>	5.12%
Kui Tang	Investment manager See Note (5)	112,000,000 <sup>(4)</sup>	9.90%
		58,000,000 <sup>(4)</sup>	5.12%
Munsun Asset Management (Asia) Ltd	Investment manager	126,737,000	11.20%

Notes:

- 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.
- 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.
- 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)

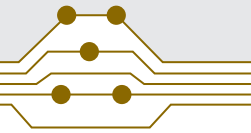
4. On 26 January 2011, the Company and China Machinery Investment Holdings Limited ("China Machinery") entered into an investment agreement relating to, amongst other things, the issue of new subscription shares, the issue of perpetual convertible securities at an aggregate principal amount of HK\$145,000,000 ("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. The Warrants had expired on 25 August 2013. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to China Machinery.
5. Kui Tang is deemed to be interested in the shares held by FountainVest by virtue of his 34% interest in FountainVest through One Venture Limited.

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

### Share Option Schemes

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2014 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			Outstanding as at 31/03/2014
				Outstanding as at 01/04/2013	Exercised during the year	Lapsed during the year	
<b>Directors</b>							
Ms. Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	1,500,000	–	–	1,500,000
<b>Others</b>							
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:

<b>Period (as from 16 October 2006, the day on which the shares of the Company commenced trading on the Stock Exchange, the “Listing Date”)</b>	<b>Maximum cumulative percentage of the shares under option exercisable by the grantee</b>
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 2014.

#### A. Pre-IPO Share Option Scheme

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

- (a) the subscription price for the shares is HK\$0.666;
- (b) the total number of shares subject to the Pre-IPO Share Option Scheme is 36,800,000 shares and there are no similar requirements on granting options to connected persons as detailed in the Share Option Scheme;
- (c) only employees, executive directors, non-executive directors and independent non-executive directors are eligible for the grant of options under the Pre-IPO Share Option Scheme;
- (d) save for the options which have been granted (with details set out in the Prospectus), no further options will be granted as the right to do so has ended on the day on which the Prospectus was registered with the Registrar of Companies in Hong Kong;
- (e) the options granted under the Pre-IPO Share Option Scheme will not be exercised within the first six months of the Listing Date;
- (f) the grantees will not exercise any option as a result of which the Company will not be able to comply with the public float requirement of the Listing Rules; and
- (g) each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme is subject to the restrictions on the exercise of the options granted to him/her as mentioned in the preceding paragraph.



## Directors' Report (*Continued*)

### 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*

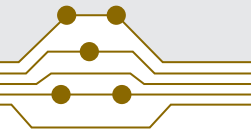
The total number of shares issued and which may fall to be issued on the exercise of options granted under the Share Option Scheme and any other share option scheme(s) of the Group (including both exercised and outstanding options) to each Participant shall not exceed 1% of the total issued share capital 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, Giorgio, Ms. Chong, Mr. Liu Zhuo Ming (son of Mr. Liu and Ms. Chong) and Fullwit has provided a written confirmation, which has been reviewed and confirmed by the Independent Non-executive Directors of the Company, confirming compliance with the terms the Non-competition Undertaking entered into between them and the Company.

### **Major Customers and Suppliers**

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

### **Staff and Remuneration Policies**

As at 31 March 2014, the Group employed approximately 4,000 full time staff. The staff costs for year amounted to HK\$489,073,000 (2013: HK\$425,325,000). 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.



## Directors' Report (*Continued*)

### **Sufficiency of Public Float**

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

### **Purchase, Sale or Redemption of Listed Securities of the Company**

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 2014.

### **Continuing Disclosure Requirement under Rule 13.21 of Chapter 13 of the Listing Rules**

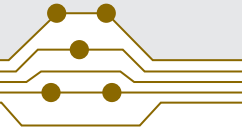
In accordance with the requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of the two facility agreements (the "Facility Agreements") both with a covenant relating to specific performance of the controlling shareholder of the Company at 31 March 2014.

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 2014.





**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 2014



## Independent Auditor's Report



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 34 to 123, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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.

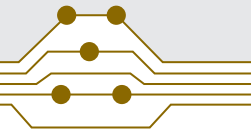
### **Auditor's Responsibility**

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.



## 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 2014 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 2014



## Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Intangible assets	6	25,314	16,681
Property, plant and equipment	7	1,049,055	995,842
Investment properties	8	66,360	28,250
Land use rights	9	348,173	257,175
Interests in joint ventures	11	–	4,468
Interest in an associate	12	28,367	25,488
Deposits paid	16	20,307	57,947
Deferred income tax assets	14	46,811	37,435
Trade and bills receivables	15	8,889	46,060
Other receivables	16	2,695	35,298
Available-for-sale financial assets	17	7,801	–
Restricted bank balances	19(b)	18,279	16,639
<b>Total non-current assets</b>		<b>1,622,051</b>	<b>1,521,283</b>
<b>Current assets</b>			
Inventories	18	1,126,902	918,650
Amount due from a joint venture	11	–	13,503
Trade and bills receivables	15	949,775	995,328
Other receivables, prepayments and deposits	16	195,442	199,240
Restricted bank balances	19(b)	79,902	71,337
Cash and cash equivalents (excluding bank overdrafts)	19(a)	353,853	390,459
		<b>2,705,874</b>	<b>2,588,517</b>
Non-current assets held-for-sale	10	6,358	–
<b>Total current assets</b>		<b>2,712,232</b>	<b>2,588,517</b>
<b>Total assets</b>		<b>4,334,283</b>	<b>4,109,800</b>
<b>Equity</b>			
Share capital	20	113,177	113,177
Reserves	22	979,093	1,001,313
Retained earnings	22	661,610	603,807
Equity attributable to owners of the parent		<b>1,753,880</b>	<b>1,718,297</b>
Non-controlling interests		279	901
<b>Total equity</b>		<b>1,754,159</b>	<b>1,719,198</b>



## Consolidated Statement of Financial Position (Continued)

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Deferred income tax liabilities	14	5,183	6,247
Borrowings	23	202,807	31,250
Other payables		11,075	11,033
<b>Total non-current liabilities</b>		<b>219,065</b>	48,530
<b>Current liabilities</b>			
Trade and bills payables, other payables, deposits and accruals	24	1,126,509	950,732
Derivative financial instruments	25	–	893
Borrowings	23	1,201,485	1,354,738
Current income tax liabilities		33,065	35,709
<b>Total current liabilities</b>		<b>2,361,059</b>	2,342,072
<b>Total liabilities</b>		<b>2,580,124</b>	2,390,602
<b>Total equity and liabilities</b>		<b>4,334,283</b>	4,109,800
<b>Net current assets</b>		<b>351,173</b>	246,445
<b>Total assets less current liabilities</b>		<b>1,973,224</b>	1,767,728

Approved by the Board of Directors on 27 June 2014 and signed on behalf of the Board by:

**Chong Siw Yin**  
Director

**Cao Yang**  
Director

The notes on pages 41 to 123 are an integral part of these consolidated financial statements.



## Statement of Financial Position

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	13(a)	65,000	65,000
<b>Current assets</b>			
Other receivables, prepayments and deposits		225	107
Amounts due from subsidiaries	13(b)	760,773	760,849
Cash and cash equivalents	19(a)	227	477
<b>Total current assets</b>		<b>761,225</b>	761,433
<b>Total assets</b>		<b>826,225</b>	826,433
<b>EQUITY</b>			
Share capital	20	113,177	113,177
Reserves	22	613,549	626,856
<b>Total equity</b>		<b>726,726</b>	740,033
<b>Current liabilities</b>			
Other payables, deposits and accruals		4,216	4,389
Amount due to subsidiaries	13(b)	95,283	81,118
Derivative financial instruments	25	–	893
<b>Total current liabilities</b>		<b>99,499</b>	86,400
<b>Total equity and liabilities</b>		<b>826,225</b>	826,433
<b>Net current assets</b>		<b>661,726</b>	675,033
<b>Total assets less current liabilities</b>		<b>726,726</b>	740,033

Approved by the Board of Directors on 27 June 2014 and signed on behalf of the Board by:

**Chong Siw Yin**  
Director

**Cao Yang**  
Director

The notes on pages 41 to 123 are an integral part of these consolidated financial statements.



## Consolidated Income Statement

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	26	2,653,436	2,559,969
Cost of sales	29	(1,963,867)	(1,923,761)
Gross profit		689,569	636,208
Other income	26	41,246	33,240
Other gains – net	27	53,663	12,413
Gain on disposal of properties	10	32,141	–
Provision for impairment of other receivables	28	(59,869)	–
Selling and distribution expenses	29	(295,240)	(246,898)
General and administration expenses	29	(324,476)	(322,727)
Operating profit		137,034	112,236
Finance income	32	4,457	4,823
Finance costs	32	(61,470)	(67,078)
Finance costs – net	32	(57,013)	(62,255)
Share of profit of joint ventures	11	2,030	1,166
Share of profit of an associate	12	2,915	235
Profit before income tax		84,966	51,382
Income tax expense	33	(14,964)	(18,051)
Profit for the year		70,002	33,331
Profit attributable to:			
Owners of the parent		70,624	33,706
Non-controlling interests		(622)	(375)
		70,002	33,331
Earnings per share for profit attributable to owners of the parent during the year (expressed in HK cents per share)			
– Basic	34(a)	6.2	3.0
– Diluted	34(b)	5.9	2.8
		HK\$'000	HK\$'000
Dividends	35	–	–

The notes on pages 41 to 123 are an integral part of these consolidated financial statements.



## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Profit for the year		<b>70,002</b>	33,331
Other comprehensive income for the year:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation difference	22	<b>(27,031)</b>	28,388
Realisation of currency translation difference arising from de-registration of a subsidiary	22	<b>(6,540)</b>	–
Realisation of currency translation difference upon de-recognition of interest in a joint venture	22	<b>(2,802)</b>	–
Change in value of available-for-sale financial assets	22	<b>(1,215)</b>	–
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Change in value of property, plant and equipment	22	<b>2,547</b>	–
Total comprehensive income for the year, net of tax		<b>34,961</b>	61,719
Attributable to:			
– Owners of the parent		<b>35,583</b>	62,094
– Non-controlling interests		<b>(622)</b>	(375)
		<b>34,961</b>	61,719

The notes on pages 41 to 123 are an integral part of these consolidated financial statements.



## Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Perpetual convertible securities HK\$'000	Available-for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 April 2013</b>	113,177	498,607	889	13,771	240,503	159,942	2,200	85,401	-	603,807	1,718,297	901	1,719,198
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	70,624	70,624	(622)	70,002
<b>Other comprehensive income</b>													
Currency translation differences	-	-	-	-	(27,031)	-	-	-	-	-	(27,031)	-	(27,031)
Realisation of currency translation difference arising from de-registration of a subsidiary	-	-	-	-	(6,540)	-	-	-	-	-	(6,540)	-	(6,540)
Realisation of currency translation difference upon de-recognition of interest in a joint venture	-	-	-	-	(2,802)	-	-	-	-	-	(2,802)	-	(2,802)
Change in value of available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,215)	-	(1,215)	-	(1,215)
Change in value of property, plant and equipment	-	-	-	-	-	-	2,547	-	-	-	2,547	-	2,547
<b>Total comprehensive income</b>	-	-	-	-	(36,373)	-	2,547	-	(1,215)	70,624	35,583	(622)	34,961
<b>Transactions with owners</b>													
Transfer to reserve	-	-	-	-	-	12,821	-	-	-	(12,821)	-	-	-
<b>At 31 March 2014</b>	113,177	498,607	889	13,771	204,130	172,763	4,747	85,401	(1,215)	661,610	1,753,880	279	1,754,159

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Perpetual convertible securities HK\$'000	Available-for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 April 2012</b>	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
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	33,706	33,706	(375)	33,331
<b>Other comprehensive income</b>													
Currency translation differences	-	-	-	-	28,388	-	-	-	-	-	28,388	-	28,388
<b>Total comprehensive income</b>	-	-	-	-	28,388	-	-	-	-	33,706	62,094	(375)	61,719
<b>Transactions with owners</b>													
Transfer to reserve	-	-	-	-	-	13,281	-	-	-	(13,281)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(59,488)	(59,488)	-	(59,488)
<b>At 31 March 2013</b>	113,177	498,607	889	13,771	240,503	159,942	2,200	85,401	-	603,807	1,718,297	901	1,719,198

The notes on pages 41 to 123 are an integral part of these consolidated financial statements.

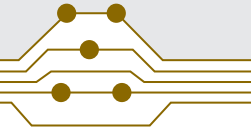


## Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	36	295,614	271,035
Interest paid		(70,194)	(77,745)
Income tax paid		(29,477)	(28,075)
Net cash generated from operating activities		195,943	165,215
<b>Cash flow from investing activities</b>			
Cash and cash equivalents in a subsidiary acquired	40(b)	3,158	–
Payments for intangible assets		(4,626)	(6,577)
Purchases of property, plant and equipment		(160,704)	(238,197)
Payment for interest in an associate		–	(25,250)
Payment for available-for-sale financial assets		(9,016)	–
Payment for interest in a joint venture		–	(500)
Deposits for acquisition of property, plant and equipment		(18,492)	(16,963)
Payments for land use rights		(79,509)	(5,635)
Proceeds from disposals of properties	36	15,000	–
Proceeds from disposals of other property, plant and equipment	36	5,008	2,568
Proceeds from disposal of non-current assets held-for-sale		–	6,250
Interest received		4,457	4,823
Proceeds from disposal of an investment property	36	–	9,960
Net cash used in investing activities		(244,724)	(269,521)
<b>Cash flow from financing activities</b>			
Inception of new bank borrowings		519,444	828,304
Repayment of bank borrowings		(552,500)	(689,570)
Net increase/(decrease) in trust receipt loans		45,120	(34,765)
Dividend paid		–	(59,488)
Net cash generated from financing activities		12,064	44,481
Net decrease in cash and cash equivalents		(36,717)	(59,825)
Cash and cash equivalents at beginning of year		390,459	439,231
Exchange gains on cash and cash equivalents		111	11,053
Cash and cash equivalents at end of year	19(a)	353,853	390,459

The notes on pages 41 to 123 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 consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 June 2014.

## 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 available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

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

#### *Changes in accounting policy and disclosures*

(a) New/revised standards and amendments to existing standards adopted by the Group

The following new/revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2013.

- Amendments to HKAS 1, ‘Presentation of Financial Statements’ regarding other comprehensive income are effective for annual period beginning on or after 1 July 2012.

The main change resulting from the amendments is a requirement for entities to group items presented in other comprehensive income (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.



## 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)*

(a) New/revised standards and amendments to existing standards adopted by the Group (*Continued*)

- Amendments to HKFRS 7, 'Financial Instruments: Disclosures' on asset and liability offsetting are effective for annual period beginning on or after 1 January 2013.

The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- HKFRS 10, 'Consolidated Financial Statements' is effective for annual period beginning on or after 1 January 2013.

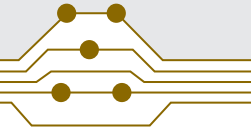
The objective of HKFRS 10 is to establish principles for the presentation and preparation of the consolidated financial statements when an entity controls one or more other entities to present the consolidated financial statements. HKFRS 10 defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore the investor must consolidate the investee. It also sets out the accounting requirements for the preparation of the consolidated financial statements.

- HKFRS 11, 'Joint Arrangements' is effective for annual period beginning on or after 1 January 2013.

HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- HKFRS 12, 'Disclosure of Interests in Other Entities' is effective for annual period beginning on or after 1 January 2013.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.



## 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)*

(a) New/revised standards and amendments to existing standards adopted by the Group (*Continued*)

- Amendments to HKFRSs 10, 11 and 12, 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance' are effective for annual period beginning on or after 1 January 2013.

These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

- HKFRS 13, 'Fair Value Measurements' is effective for annual period beginning on or after 1 January 2013.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

- HKAS 27 (2011), 'Separate Financial Statements' is effective for annual period beginning on or after 1 January 2013.

HKAS 27 (2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKAS 28 (2011), 'Investments in Associates and Joint Ventures' is effective for annual period beginning on or after 1 January 2013.

HKAS 28 (2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.



## 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)*

(a) New/revised standards and amendments to existing standards adopted by the Group (*Continued*)

- Annual Improvements Project 2011 is effective for annual period beginning on or after 1 January 2013.

These annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to:

HKFRS 1, 'First-time Adoption of Hong Kong Financial Reporting Standards'  
HKAS 1, 'Presentation of Financial Statements'  
HKAS 16, 'Property, Plant and Equipment'  
HKAS 32, 'Financial Instruments: Presentation'  
HKAS 34, 'Interim Financial Reporting'

(b) The following revised and amended standards and interpretation to existing standard are effective for the financial year beginning 1 April 2013 but not relevant to the Group (although they may affect the accounting for future transactions and events).

- Amendments to HKFRS 1, 'First-time Adoption of Hong Kong Financial Reporting Standards', on government loans are effective for annual period beginning on or after 1 January 2013.

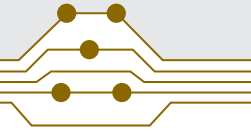
These amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to HKFRS. The amendments also add an exception to the retrospective application of HKFRS, which provides the same relief to first-time adopters granted to existing preparers of HKFRS financial statements when the requirement was incorporated into HKAS 20 in 2008.

- HKAS 19 (2011), 'Employee Benefits' is effective for annual period beginning on or after 1 January 2013.

HKAS 19 (2011) eliminates the corridor approach and calculates finance costs on a net funding basis.

- HK(IFRIC) – Int 20, 'Stripping Costs in the Production Phase of a Surface Mine' is effective for annual period beginning on or after 1 January 2013.

It sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. The interpretation may require mining entities reporting under HKFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.



## 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, interpretation and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted:
- HKFRS 9 Financial Instruments<sup>4</sup>
  - HKFRS 14 Regulatory Deferral Accounts<sup>3</sup>
  - Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities<sup>1</sup>
  - Amendments to HKAS 19 (2011) Employee Benefits – Defined Benefit Plans: Employee Contributions<sup>2</sup>
  - Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities<sup>1</sup>
  - Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets<sup>1</sup>
  - Amendments to HKAS 39 Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting<sup>1</sup>
  - HK(IFRIC) – Int 21 Levies<sup>1</sup>
  - Annual Improvements Project 2012<sup>2</sup>
  - Annual Improvements Project 2013<sup>2</sup>

##### Notes:

- (1) Effective for financial periods beginning on or after 1 January 2014
- (2) Effective for financial periods beginning on or after 1 July 2014
- (3) Effective for financial periods beginning on or after 1 January 2016
- (4) The Group intends to adopt this new standard when the effective date is determined

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

##### (a) Business combinations

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

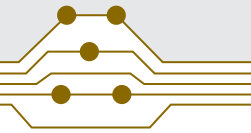
If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement.

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

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.





## 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 the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the 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 Joint ventures

The Group recognises its investment in joint ventures using the equity method of accounting where interests in joint ventures 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 joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.4 Associates

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

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.

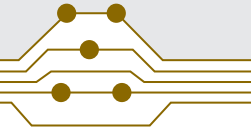
The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises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

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

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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 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.

(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 joint venture that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures that do not result in the Group losing joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

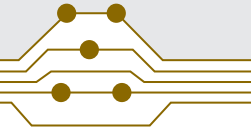
#### 2.7 Property, plant and equipment

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

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

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

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



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.7 Property, plant and equipment (*Continued*)

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

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

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

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

#### 2.8 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'.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 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.

(b) *Trademarks*

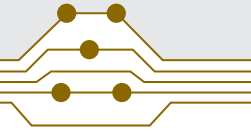
Trademarks are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives of not more than ten years.

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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.10 Intangible assets (*Continued*)

(d) *Research and development expenditures*

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

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

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

#### 2.11 Land use rights

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

#### 2.12 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.13 Financial assets

##### 2.13.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

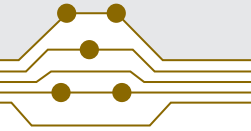
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting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

##### 2.13.2 Recognition and measurement

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





## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.13 Financial assets (*Continued*)

##### 2.13.2 Recognition and measurement (*Continued*)

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

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

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

#### 2.14 Impairment of financial assets

##### (a) *Assets carried at amortised cost*

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

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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.14 Impairment of financial assets (*Continued*)

(a) *Assets carried at amortised cost (Continued)*

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

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

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

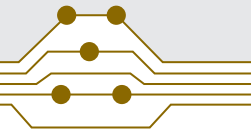
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria as disclosed in (a) above. In the case of equity investments classified as available-for-sale, 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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 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.

#### 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 payables

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

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

#### 2.21 Perpetual convertible securities

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

#### 2.22 Financial liabilities

##### (i) *Financial guarantee contracts*

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

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



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.22 Financial liabilities (*Continued*)

##### (ii) Other financial liabilities

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

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

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

#### 2.23 Borrowings

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

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

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

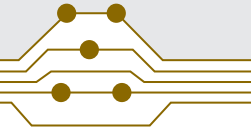
#### 2.24 Borrowing costs

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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.25 Current and deferred income tax (*Continued*)

(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.

(b) *Deferred income tax*

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

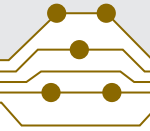
When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### 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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 2.29 Contingent liabilities

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

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

#### 2.30 Revenue recognition

Revenue 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.



## Notes to the Consolidated Financial Statements (*Continued*)

### 2 Summary of significant accounting policies (*Continued*)

#### 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.

#### 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 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.

#### 2.35 Sales and leaseback transaction

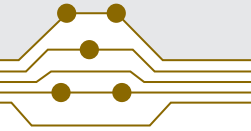
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease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

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

#### 2.36 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.





## Notes to the Consolidated Financial Statements (*Continued*)

### 3 Financial risk management

#### 3.1 Financial risk factors

(a) *Market risk*

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

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank balances, cash and cash equivalents and borrowings which are carried at prevailing market interest rates as shown in Notes 19 and 23. 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 2014 and 31 March 2013.

*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 2014 would decrease/increase by HK\$11,259,000/HK\$12,912,000 (2013: pre-tax profit decrease/increase by HK\$11,081,000/HK\$14,727,000).

(ii) *Foreign exchange risk*

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

*For companies with HK\$ as their functional currency*

As at 31 March 2014, there were no significant assets and liabilities denominated in currencies other than HK\$ and the United States dollars ("US\$"). Since HK\$ is pegged to US\$, there is no significant foreign currency exposure between those two currencies to the Group.



## 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 (*Continued*)

For companies with RMB as their functional currency

As at 31 March 2014, if US\$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK\$1,985,000 lower/higher (2013: HK\$281,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US\$ denominated cash and bank deposits.

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

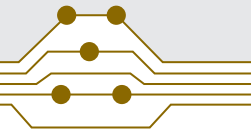
(b) *Credit risk*

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

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

(c) *Liquidity risk*

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



## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

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

	On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
<b>As at 31 March 2014</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings subject to a repayment on demand clause	218,896	–	–	–	218,896
Other bank borrowings (Note i)	–	1,011,058	220,023	–	1,231,081
Trade and bills payables, other payables, deposits and accruals	–	987,915	–	–	987,915
	218,896	1,998,973	220,023	–	2,437,892
<b>Financial guarantees issued</b>					
Maximum amount guaranteed (Note 38)	–	342,103	–	–	342,103

- (i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2014, 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 2014.



## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

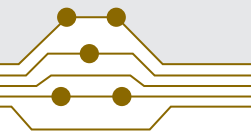
	On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
<b>As at 31 March 2013</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings subject to a repayment on demand clause	879,904	–	–	–	879,904
Other bank borrowings (Note i)	–	489,295	21,875	10,673	521,843
Trade and bills payables, other payables, deposits and accruals	–	920,848	–	–	920,848
	879,904	1,410,143	21,875	10,673	2,322,595
<b>Financial guarantees issued</b>					
Maximum amount guaranteed (Note 38)	–	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.

#### 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
<b>At 31 March 2014</b>	<b>201,950</b>	<b>16,548</b>	<b>2,444</b>	–	<b>220,942</b>
At 31 March 2013	321,441	365,751	210,850	–	898,042

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 38.



## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial risk management (Continued)

#### 3.2 Capital risk management

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

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

During 2014, the Groups' strategy, which was unchanged from 2013, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2014 HK\$'000	2013 HK\$'000
Total borrowings (Note 23)	<b>1,404,292</b>	1,385,988
Less: cash and cash equivalents	<b>(353,853)</b>	(390,459)
Net debt	<b>1,050,439</b>	995,529
Total equity	<b>1,754,159</b>	1,719,198
Gearing ratio	<b>59.9%</b>	57.9%

The increase in the gearing ratio is resulted primarily from the increase in net debt due to increase in 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 financial assets and liabilities that are measured at fair value at 31 March 2014.

##### As at 31 March 2014

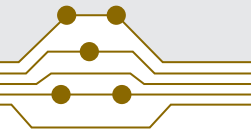
	Group			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	7,801	7,801
<b>Financial liabilities</b>				
Derivative financial instruments:				
Subscription Options	–	–	–	–

The following table presents the Group's financial 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
<b>Financial liabilities</b>				
Derivative financial instruments:				
Warrants	–	–	–	–
Subscription Options	–	–	893	893
<b>Total</b>	–	–	893	893

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



## Notes to the Consolidated Financial Statements (Continued)

### 3 Financial risk management (Continued)

#### 3.3 Fair value estimation (Continued)

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

	As at 31 March 2014 HK\$'000	As at 31 March 2013 HK\$'000
<b>Financial assets</b>		
Balance at 1 April	–	–
Additions	9,016	–
Net losses recognised in the consolidated statement of comprehensive income (Note 22)	(1,215)	–
Balance at 31 March	7,801	–
<b>Total loss recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year</b>		
	<b>(1,215)</b>	<b>–</b>
<b>Changes in unrealised loss in the consolidated statement of comprehensive income relating to those instruments held at the end of year</b>		
	<b>(1,215)</b>	<b>–</b>
<b>Financial liabilities</b>		
Balance at 1 April	893	3,909
Gains recognised in the consolidated income statement (Note 27)	(893)	(3,016)
Balance at 31 March	–	893
<b>Total gain recognised in the consolidated income statement relating to those instruments held at the end of year</b>		
	<b>893</b>	<b>3,016</b>
<b>Changes in unrealised gain in the consolidated income statement relating to those instruments held at the end of year</b>		
	<b>893</b>	<b>3,016</b>

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

The Group's and the Company's "trade, bills and other receivables", "deposits", "amount due from a joint venture", "restricted bank balances", "cash and cash equivalents" and "trade and bills payables" are financial assets and liabilities not carried at fair value. As at both 31 March 2014 and 31 March 2013, the carrying values of these financial assets and liabilities approximated their respective fair values. For such fair value determination, except for "restricted bank balances" and "cash and cash equivalents" which are under Level 1 of the fair value hierarchy, all the other financial assets and liabilities as mentioned above are under Level 3 of the fair value hierarchy.



## Notes to the Consolidated Financial Statements (*Continued*)

### 3 Financial risk management (*Continued*)

#### 3.4 Offsetting financial assets and financial liabilities

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

### 4 Critical accounting estimates and judgments

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

#### (a) Provision for impairment of inventories

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

#### (b) Provision for impairment of receivables

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

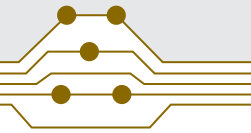
The Group has implemented a credit policy with an aim to maintain the trade receivables at an acceptable level. The trade receivables will be reviewed by the Group's senior management of the finance department on a monthly basis. Impairment loss is recognised and estimated when the recoverability of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

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

(e) **Fair value of derivatives and other instruments**

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

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

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

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

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

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

(h) **Fair value of investment properties**

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



## Notes to the Consolidated Financial Statements (Continued)

### 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.

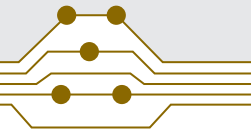
The measure used for reporting segment results is “profit from operations”, i.e. profit before finance income, finance costs and income taxes. To arrive at the profit from operations, the Group’s profit is further adjusted for items not specifically attributed to individual segments.

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 segment results for the year ended 31 March 2014 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
<b>Revenue</b>						
External sales	1,795,023	589,284	269,129	2,653,436	–	2,653,436
Inter-segments sales	91,217	–	–	91,217	(91,217)	–
	<b>1,886,240</b>	<b>589,284</b>	<b>269,129</b>	<b>2,744,653</b>	<b>(91,217)</b>	<b>2,653,436</b>
<b>Results</b>						
Segment results	166,528	77,316	(12,241)	231,603	–	231,603
Administrative expenses						(35,593)
Unallocated other gain						893
Provision for impairment of other receivables						(59,869)
Finance income						4,457
Finance costs						(61,470)
Share of profit of joint ventures						2,030
Share of profit of an associate						2,915
Profit before income tax						84,966



## Notes to the Consolidated Financial Statements (Continued)

### 5 Segment information (Continued)

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
<b>Revenue</b>						
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
<b>Results</b>						
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 joint ventures						1,166
Share of profit of an associate						235
Profit before income tax						51,382

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)

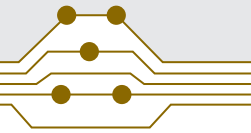
#### Segment assets and liabilities

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

As at 31 March 2014				
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	2,869,259	882,674	549,504	4,301,437
Unallocated assets				32,846
Consolidated total assets				4,334,283
<b>Liabilities</b>				
Segment liabilities	2,108,091	257,400	192,801	2,558,292
Unallocated liabilities				21,832
Consolidated total liabilities				2,580,124
As at 31 March 2013				
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
<b>Assets</b>				
Segment assets	2,740,304	616,456	731,051	4,087,811
Unallocated assets				21,989
Consolidated total assets				4,109,800
<b>Liabilities</b>				
Segment liabilities	1,836,087	183,360	343,116	2,362,563
Unallocated liabilities				28,039
Consolidated total liabilities				2,390,602

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.



## Notes to the Consolidated Financial Statements (Continued)

### 5 Segment information (Continued)

#### Other segment information

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

	For the year ended 31 March 2014				
	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 <sup>1</sup>	90,786	177,395	49,457	305	317,943
Depreciation and amortisation	100,866	9,356	11,921	2,745	124,888
(Reversal of provision)/provision for inventories write-down	(20,659)	3,272	2,883	–	(14,504)
Provision for impairment of trade receivables	11,759	(342)	763	–	12,180

	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 <sup>1</sup>	144,568	62,972	59,633	153	267,326
Depreciation and amortisation	98,901	13,467	7,901	2,466	122,735
Provision for inventories write-down	16,511	5,062	5,589	–	27,162
Provision for impairment of trade receivables	10,654	–	–	–	10,654

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



## Notes to the Consolidated Financial Statements (Continued)

### 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 2014 and 31 March 2013.

	2014 HK\$'000	2013 HK\$'000
<b>Analysis of revenue by category</b>		
Sales of die-casting machine	1,795,023	1,738,033
Sales of plastic injection moulding machine	589,284	476,181
Sales of CNC machining centre	269,129	345,755
	<b>2,653,436</b>	2,559,969
Other income (Note 26)	41,246	33,240
	<b>2,694,682</b>	2,593,209

#### 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 <sup>1</sup>	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Mainland China	2,168,348	1,811,334	1,391,692	1,239,837
Hong Kong	–	–	20,762	21,713
Europe	217,830	333,756	17,563	22,193
Central America and South America	96,862	174,215	–	–
North America	95,723	108,525	10,881	690
Other countries	74,673	132,139	68,311	71,462
	<b>2,653,436</b>	2,559,969	<b>1,509,209</b>	1,355,895

<sup>1</sup> Non-current assets exclude interests in joint ventures, interest in an associate, available-for-sale financial assets, 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

	Development costs				Total HK\$'000
	Goodwill HK\$'000 (Note)	Trademarks HK\$'000	Patents HK\$'000	and others HK\$'000	
At 31 March 2012					
Cost	2,799	4,886	3,420	27,833	38,938
Accumulated amortisation and impairment losses	–	(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 losses	–	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					
Cost	2,799	5,812	3,420	33,794	45,825
Accumulated amortisation and impairment losses	–	(4,289)	(820)	(24,035)	(29,144)
Net book amount	2,799	1,523	2,600	9,759	16,681
Year ended 31 March 2014					
Opening net book amount	2,799	1,523	2,600	9,759	16,681
Exchange difference	–	55	–	525	580
Additions	–	203	–	4,423	4,626
Acquisition of a subsidiary (Note 40)	9,607	–	–	–	9,607
Amortisation	–	(1,259)	(214)	(4,707)	(6,180)
Closing net book amount	12,406	522	2,386	10,000	25,314
At 31 March 2014					
Cost	12,406	6,265	3,420	39,949	62,040
Accumulated amortisation and impairment losses	–	(5,743)	(1,034)	(29,949)	(36,726)
Net book amount	12,406	522	2,386	10,000	25,314

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:

	2014 HK\$'000	2013 HK\$'000
Die-casting machine	12,406	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 a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 13% (2013: 9%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill. There was no impairment provision for intangible assets for the year ended 31 March 2014 (2013: 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
<b>At 1 April 2012</b>							
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)
<b>Net book amount</b>	<b>381,058</b>	<b>120,489</b>	<b>23,691</b>	<b>289,054</b>	<b>20,420</b>	<b>13,896</b>	<b>848,608</b>
<b>Year ended 31 March 2013</b>							
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	-	-
<b>Closing net book amount</b>	<b>425,454</b>	<b>233,658</b>	<b>17,942</b>	<b>279,532</b>	<b>27,414</b>	<b>11,842</b>	<b>995,842</b>
<b>At 31 March 2013</b>							
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)
<b>Net book amount</b>	<b>425,454</b>	<b>233,658</b>	<b>17,942</b>	<b>279,532</b>	<b>27,414</b>	<b>11,842</b>	<b>995,842</b>
<b>Year ended 31 March 2014</b>							
Opening net book amount	425,454	233,658	17,942	279,532	27,414	11,842	995,842
Additions	11,165	130,453	2,903	34,444	8,856	5,755	193,576
Acquisition of a subsidiary (Note 40)	-	-	231	1,639	415	1,106	3,391
Reclassified as investment properties (Note 8)	(28,023)	-	-	-	-	-	(28,023)
Disposals	-	-	-	(1,413)	(221)	(2,326)	(3,960)
Depreciation charge	(27,394)	-	(6,474)	(65,492)	(8,902)	(3,878)	(112,140)
Exchange difference	(610)	(43)	203	825	(39)	33	369
Reclassification	79,954	(111,986)	(97)	32,180	(51)	-	-
<b>Closing net book amount</b>	<b>460,546</b>	<b>252,082</b>	<b>14,708</b>	<b>281,715</b>	<b>27,472</b>	<b>12,532</b>	<b>1,049,055</b>
<b>At 31 March 2014</b>							
Cost	621,875	252,082	66,804	748,983	92,406	40,370	1,822,520
Accumulated depreciation and impairment losses	(161,329)	-	(52,096)	(467,268)	(64,934)	(27,838)	(773,465)
<b>Net book amount</b>	<b>460,546</b>	<b>252,082</b>	<b>14,708</b>	<b>281,715</b>	<b>27,472</b>	<b>12,532</b>	<b>1,049,055</b>

During the year ended 31 March 2014, land and buildings with net book value of HK\$28,023,000 were reclassified as investment properties (Note 8).



## Notes to the Consolidated Financial Statements (Continued)

### 7 Property, plant and equipment – Group (Continued)

Depreciation charge of HK\$85,148,000 (2013: HK\$87,385,000) has been charged in “cost of sales”, HK\$2,579,000 (2013: HK\$2,632,000) in “selling and distribution expenses” and HK\$24,413,000 (2013: HK\$21,639,000) in “general and administration expenses”.

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in Note 23.

### 8 Investment properties – Group

HK\$'000

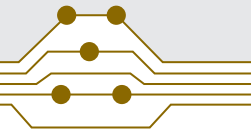
#### At fair value

At 1 April 2012	34,090
Increase in fair value during the year (Note 27)	3,692
Disposal of an investment property	(9,750)
Exchange difference	218
At 31 March 2013 and 1 April 2013	28,250
Transferred from property, plant and equipment (Note 7)	28,023
Increase in fair value on date of change in use (Note 22) (Note a)	2,547
Increase in fair value during the year (Note 27)	7,616
Exchange difference	(76)
At 31 March 2014	66,360

Note a: During the year ended 31 March 2014, land and buildings with net book value of HK\$28,023,000 were reclassified as investment properties with a revaluation surplus of HK\$2,547,000 being credited to other comprehensive income on the date of change in use. The valuation as at date of transfer was carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer.

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

	2014 HK\$'000	2013 HK\$'000
Rental income	3,301	1,966
Direct operating expenses from property that generated rental income	(209)	(169)
	3,092	1,797



## Notes to the Consolidated Financial Statements (Continued)

### 8 Investment properties – Group (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Land and buildings in Hong Kong under leases of between 10 to 50 years	12,100	10,600
Land and buildings in the PRC under leases of between 10 to 50 years	54,260	17,650
	<b>66,360</b>	28,250

Certain investment properties are pledged to secure bank borrowings of the Group as details in Note 23.

The revaluation gain is included in "Other gains – net" in the consolidated income statement (Note 27). The following table analyses the investment properties carried at fair value, by valuation method.

#### Fair value hierarchy

Description	Fair value measurements at 31 March 2014 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements:			
Investment properties	–	–	66,360

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



## Notes to the Consolidated Financial Statements (Continued)

### 8 Investment properties – Group (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Properties		
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
At 1 April 2013	10,600	17,650	28,250
Transferred from property, plant and equipment	–	28,023	28,023
Increase in fair value on date of change in use	–	2,547	2,547
Increase in fair value during the year	1,500	6,116	7,616
Exchange difference	–	(76)	(76)
At 31 March 2014	12,100	54,260	66,360
Total gains for the year included in the consolidated income statement for assets held at the end of the year, under 'Other gains – net'	1,500	6,116	7,616
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the year	1,500	6,116	7,616

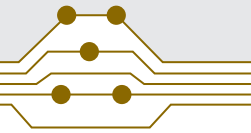
#### Valuation processes of the Group

As at 31 March 2014, the fair values of the investment properties have been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer. LCH (Asia-Pacific) Surveyors Limited is a member of the Hong Kong Institute of Surveyors (“HKIS”), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

At each financial year end, the finance department:

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



## Notes to the Consolidated Financial Statements (Continued)

### 8 Investment properties – Group (Continued)

#### Valuation technique

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

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

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

Description	Fair value at 31 Mar 2014 (HK\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	12,100	Income approach	Unit rate	HK\$2,764/ saleable area	The higher the unit rate, the higher the fair value
			Yield	2.8%	The higher the yield, the lower the fair value
PRC properties	54,260	Income approach	Unit rate	From HK\$2,878/sq.m. to HK\$16,221/sq.m.	The higher the unit rate, the higher the fair value
			Yield	4.7% to 9.0%	The higher the yield, the lower the fair value



## Notes to the Consolidated Financial Statements (Continued)

### 9 Land use rights – Group

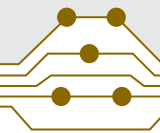
	HK\$'000
<b>Cost</b>	
At 1 April 2012	272,184
Additions	5,635
Exchange difference	3,402
At 31 March 2013 and 1 April 2013	281,221
Additions	110,134
Disposal (Note 10)	(7,794)
Transferred to non-current assets held-for-sale (Note 10)	(7,615)
Exchange difference	–
<b>At 31 March 2014</b>	<b>375,946</b>
<b>Amortisation</b>	
At 1 April 2012	18,168
Amortisation	5,582
Exchange difference	296
At 31 March 2013 and 1 April 2013	24,046
Amortisation	6,568
Disposal (Note 10)	(1,502)
Transferred to non-current assets held-for-sale (Note 10)	(1,257)
Exchange difference	(82)
<b>At 31 March 2014</b>	<b>27,773</b>
<b>Net book value</b>	
<b>At 31 March 2014</b>	<b>348,173</b>
At 31 March 2013	257,175

Amortisation charge of HK\$6,568,000 (2013: HK\$5,582,000) has been charged in “general and administration expenses”.

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

	2014 HK\$'000	2013 HK\$'000
Land use rights in the PRC under leases of between 10 to 50 years	348,173	244,282
Land use rights in the PRC under leases of over 50 years	–	12,893
	<b>348,173</b>	257,175

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in Note 23.



## Notes to the Consolidated Financial Statements (Continued)

### 10 Gain on disposal of properties and non-current assets held-for-sale

On 25 March 2014, Zhongshan L.K., Co. Limited (“Zhongshan L.K.”), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Zhongshan Huifeng Property Development Company Limited (the “Buyer”) in respect of the disposal of its interests in the following properties at an aggregate consideration of RMB70,000,000 (equivalent to HK\$87,500,000).

- Two plots of land situated at Zhongshan City, Guangdong Province, PRC with an aggregate site area of approximately 21,182.9m<sup>2</sup>, and all the permanent and temporary buildings erected on those plots of land, together with utility and fire service and other ancillary facilities (collectively, the “Zhongshan Properties”).

The said consideration was agreed after arm’s length negotiations between Zhongshan L.K. and the Buyer with reference to the assets valuation report issued by an independent and qualified PRC valuer, Guoxin Real Estate Appraisal & Consultant Co., Limited.

As at 31 March 2014, the disposal of the first plot of land with site area of approximately 9,804.6m<sup>2</sup> and all the permanent and temporary buildings erected on this plot of land, together with utility and fire service and other ancillary facilities, with total net book value of HK\$6,292,000, has been completed. A gain of HK\$32,141,000 has been recognised in the consolidated income statement.

The disposal of the second plot of land with site area of approximately 11,378.3m<sup>2</sup> and all the permanent and temporary buildings erected on this plot of land, together with utility and fire service and other ancillary facilities is expected to be completed on or before 31 October 2014. The net book value of this plot of land of HK\$6,358,000 has been classified as non-current assets held-for-sale in the consolidated statement of financial position as at 31 March 2014.

In order to facilitate the Group’s relocation of its manufacturing facilities following the disposal, the Zhongshan Properties will be leased back to Zhongshan L.K. for an initial term of 12 months subject to extension to a maximum term of 21 months from the date of signing of the sale and purchase agreement. The leaseback transaction is accounted for as operating leases as the Group does not retain any risks and rewards incidental to the ownership of the Zhongshan Properties.



## Notes to the Consolidated Financial Statements (Continued)

### 11 Interests in joint ventures – Group

	2014 HK\$'000	2013 HK\$'000
Share of net assets	–	4,468
Amount due from a joint venture	–	15,503
Less: Provision for impairment	–	(2,000)
	–	13,503
	2014 HK\$'000	2013 HK\$'000
At 1 April	4,468	1,315
Addition	–	500
De-recognition of interest in a joint venture (Note 40)	(3,696)	–
Share of profit	2,030	1,166
Share of exchange translation reserve	–	1,487
Realisation of currency translation difference upon de-recognition of interest in a joint venture (Note 22)	(2,802)	–
At 31 March	–	4,468

During the year ended 31 March 2014, share of profit of joint ventures is attributable to Shanghai Prex Mfg. Co., Ltd. and Charm Energy Limited whereas share of other comprehensive income is attributable to Shanghai Prex Mfg. Co., Ltd., L.K. Japan Co. Ltd. and Thai Prex Engineering Co., Ltd. did not have significant operations during the year ended 31 March 2014 and the Group did not share any profit or loss from these joint ventures. Directors of the Company consider that L.K. Japan Co. Ltd. and Thai Prex Engineering Co., Ltd. are not significant joint ventures.



## Notes to the Consolidated Financial Statements (Continued)

### 11 Interests in joint ventures – Group (Continued)

Set out below are the particulars of Charm Energy Limited, which is unlisted, as at 31 March 2014 and 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	Loss HK\$'000	Interest held	Measurement method	Proportionate interest in joint venture's commitment HK\$'000
31 March 2014										
Charm Energy Limited	HK	Research and development	1,000,000 ordinary shares of HK\$1 each	61	102	-	(1,026)	50%	Equity	325
31 March 2013										
Charm Energy Limited	HK	Research and development	1,000,000 ordinary shares of HK\$1 each	1,472	487	-	(15)	50%	Equity	1,329

Charm Energy Limited is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the joint venture.

Particulars of other joint ventures, which are unlisted, as at 31 March 2014 and 31 March 2013:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued/registered share capital	Interest held in 2014	Interest held in 2013	Measurement method	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	70%	70%	Equity	-
Thai Prex Engineering Co., Ltd.	Thailand	Manufacture and sales of peripheral equipment in Thailand	60,000 ordinary shares of THB 100 each	70%	70%	Equity	-
上海普萊克斯自動設備製造有限公司 Shanghai Prex Mfg. Co., Ltd.	PRC	Manufacture and sales of peripheral equipment in the PRC	US\$800,000	Note 1	70%	Equity	-

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

*Note 1* The Group acquired the remaining 30% equity interest in Shanghai Prex Mfg. Co., Ltd. on 30 June 2013. It became a subsidiary of the Group since then.



## Notes to the Consolidated Financial Statements (Continued)

### 12 Interest in an associate – Group

	2014 HK\$'000	2013 HK\$'000
At 1 April	25,488	–
Additions	–	25,250
Share of profit	2,915	235
Exchange difference	(36)	3
At 31 March	28,367	25,488

Particulars of the associate, which is unlisted, as at 31 March 2014 are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of registered share capital	Assets	Liabilities	Revenue	Profit	Interest held	Measurement method
				HK\$'000	HK\$'000	HK\$'000	HK\$'000		
深圳市精工小額貸款有限公司 (Shenzhen Jinggong Microcredit Limited)	PRC	Microcredit business	RMB101,000,000	143,945	2,110	30,273	14,575	20%	Equity

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

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 registered share capital	Assets	Liabilities	Revenue	Profit	Interest held	Measurement method
				HK\$'000	HK\$'000	HK\$'000	HK\$'000		
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%	Equity

## Notes to the Consolidated Financial Statements (Continued)

### 13 Investments in subsidiaries – Company

#### (a) Investments in subsidiaries

	Company	
	2014 HK\$'000	2013 HK\$'000
Investments in unlisted shares, at cost	65,000	65,000

Details of the Company's principal subsidiaries as at 31 March 2014 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
<b>Subsidiaries directly held by the Company</b>					
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
<b>Subsidiaries indirectly held by the Company</b>					
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd. <sup>1</sup>	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. <sup>1</sup>	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)

### 13 Investments 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
<b>Subsidiaries indirectly held by the Company</b>					
<i>(Continued)</i>					
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. <sup>1</sup>	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. <sup>1</sup>	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. <sup>1</sup>	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. <sup>1</sup>	WFOE	PRC	US\$33,660,000	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. <sup>1</sup>	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. <sup>1</sup>	WFOE	PRC	US\$4,900,000	100%	Manufacture and sale of die-casting machines

## Notes to the Consolidated Financial Statements (Continued)

### 13 Investments 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
<b>Subsidiaries indirectly held by the Company</b>					
<i>(Continued)</i>					
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd. <sup>1</sup>	Sino-foreign Equity Joint Venture	PRC	RMB127,000,000	100%	Manufacture and sale of die-casting machines
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd. <sup>1</sup>	WFOE	PRC	US\$13,580,000	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. <sup>1</sup>	WFOE	PRC	HK\$140,000,000	100%	Steel casting
上海普萊克斯自動設備製造有限公司 Shanghai Prex Mfg. Co., Ltd. <sup>1&amp;2</sup>	WFOE	PRC	US\$800,000	100%	Manufacture and sales of peripheral equipment
Idra S.r.l	Corporation	Italy	EUR5,032,661	100%	Design, manufacture and sale of die-casting machines and equipment

<sup>1</sup> The English name is made for identification purpose only.

<sup>2</sup> The Group acquired the remaining 30% equity interest in Shanghai Prex Mfg. Co., Ltd on 30 June 2013. It became a subsidiary of the Group since then.

<sup>3</sup> During the year, the Group de-registered a subsidiary named Leadwell Precision Machinery (Shanghai) Co. Ltd.

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)

### 14 Deferred income tax – Group

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

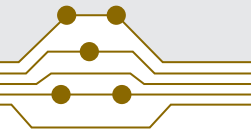
	2014 HK\$'000	2013 HK\$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	46,811	37,435
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(5,183)	(6,247)
Deferred income tax assets, net	41,628	31,188

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

	2014 HK\$'000	2013 HK\$'000
At the beginning of the year	31,188	26,133
Exchange difference	28	293
Credited to the consolidated income statement (Note 33)	10,412	4,762
At the end of the year	41,628	31,188

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 2012	1,122	20,072	12,331	33,525
(Charged)/credited to the consolidated income statement	(173)	2,610	2,096	4,533
Exchange difference	–	202	187	389
At 1 April 2013	949	22,884	14,614	38,447
Credited to the consolidated income statement	5,016	2,600	4,091	11,707
Exchange difference	92	(32)	(51)	9
<b>At 31 March 2014</b>	<b>6,057</b>	<b>25,452</b>	<b>18,654</b>	<b>50,163</b>



## Notes to the Consolidated Financial Statements (Continued)

### 14 Deferred income tax – Group (Continued)

	Deferred income tax liabilities		
	Revaluation of investment properties	Others	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	(1,413)	(5,979)	(7,392)
(Charged)/credited to the consolidated income statement	(44)	273	229
Exchange difference	(18)	(78)	(96)
At 1 April 2013	(1,475)	(5,784)	(7,259)
Charged to the consolidated income statement	(1,237)	(58)	(1,295)
Exchange difference	16	3	19
<b>At 31 March 2014</b>	<b>(2,696)</b>	<b>(5,839)</b>	<b>(8,535)</b>

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	
	2014 HK\$'000	2013 HK\$'000
Tax losses expiring:		
Within 5 years	40,597	20,389
Over 5 years	20,854	22,979
Without expiry date	34,885	28,651
	<b>96,336</b>	72,019

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 2014, deferred tax liabilities of HK\$4,100,000 (2013: HK\$4,300,000) have been recognised and are included in 'others' within the deferred tax liabilities.

Deferred income tax liabilities of HK\$36,873,000 (2013: HK\$30,432,000) 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\$819,463,000 at 31 March 2014 (2013: HK\$694,640,000).



## Notes to the Consolidated Financial Statements (Continued)

### 15 Trade and bills receivables – Group

	2014 HK\$'000	2013 HK\$'000
Trade receivables	887,876	981,719
Less: Provision for impairment	(70,914)	(58,213)
Bills receivables	816,962	923,506
	141,702	117,882
Less: Balance due after one year shown as non-current assets	958,664	1,041,388
	(8,889)	(46,060)
Trade and bills receivables, net	949,775	995,328

The amount of provision for impaired trade receivables was HK\$70,914,000 (2013: HK\$58,213,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

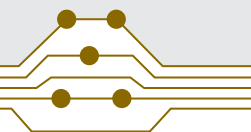
The aging analysis of gross trade receivables based on invoice date at the end of reporting date is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 90 days	459,353	645,848
91-180 days	142,942	112,290
181-365 days	96,884	65,028
Over one year	188,697	158,553
	887,876	981,719

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

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. 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)

### 15 Trade and bills receivables – Group (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Not past due	608,925	688,381
Past due:		
Within 90 days	81,699	70,025
91-180 days	32,412	64,018
181-365 days	44,509	51,298
Over one year	49,417	49,784
Balances past due but not impaired	208,037	235,125
Total trade receivables net of provision for impairment	816,962	923,506

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:

	2014 HK\$'000	2013 HK\$'000
Beginning of the year	58,213	47,144
Exchange realignment	521	415
Provision for impairment losses	12,180	10,654
End of the year	70,914	58,213

The Group has recognised a provision of HK\$12,180,000 (2013: HK\$10,654,000) for impairment of trade receivables for the year ended 31 March 2014. The Group has not written off any impaired receivables (2013: HK\$Nil) against prior year provision during the year ended 31 March 2014. 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)

### 15 Trade and bills receivables – Group (Continued)

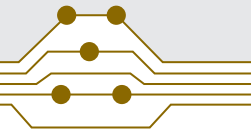
The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
RMB	729,774	764,212
US\$	94,113	75,224
EUR	133,305	198,305
Other currencies	1,472	3,647
Trade and bills receivables, net	958,664	1,041,388

Certain trade and bills receivables are pledged to secure bank borrowings of the Group as detailed in Note 23.

### 16 Other receivables, prepayments and deposits – Group

	2014 HK\$'000	2013 HK\$'000
Non-current		
Deposits for acquisition of land use rights	–	37,500
Deposits for acquisition of property, plant and equipment	16,401	20,447
Other deposits	3,906	–
Consideration receivable	–	30,479
Others	2,695	4,819
	23,002	93,245
Current		
Value added tax refund receivable from government	4,735	4,684
Value added tax receivable	35,092	54,169
Trade deposits	54,058	54,708
Advances to staff for business purpose	7,529	4,113
Sundry, rental and utility deposits	6,197	4,541
Consideration receivable	27,794	32,506
Others	60,037	44,519
	195,442	199,240
Total	218,444	292,485



## Notes to the Consolidated Financial Statements (Continued)

### 17 Available-for-sale financial assets – Group

	2014 HK\$'000	2013 HK\$'000
As at 1 April	–	–
Additions	9,016	–
Net losses (Note 22)	(1,215)	–
As at 31 March	7,801	–

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

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

### 18 Inventories – Group

	2014 HK\$'000	2013 HK\$'000
Raw materials	512,205	476,678
Work in progress	414,228	269,245
Finished goods	274,297	261,145
	1,200,730	1,007,068
Less: Provision for impairment of inventories	(73,828)	(88,418)
	1,126,902	918,650

The cost of inventories recognised as an expense and included in cost of sales amounted to HK\$1,496,264,000 (2013: HK\$1,486,466,000).



## Notes to the Consolidated Financial Statements (Continued)

### 19 Cash and cash equivalents and restricted bank balances – Group and Company

#### (a) Cash and cash equivalents

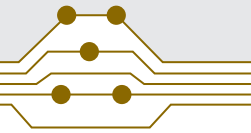
	Group	
	2014 HK\$'000	2013 HK\$'000
Cash at banks and on hand	284,154	371,709
Short-term bank deposits	69,699	18,750
Cash and bank deposits	353,853	390,459
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	353,853	390,459

	Company	
	2014 HK\$'000	2013 HK\$'000
Cash at banks and on hand	227	477

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

	Group	
	2014 HK\$'000	2013 HK\$'000
US\$	50,603	42,043
HK\$	30,111	28,373
RMB	227,522	305,597
Other currencies	45,617	14,446
	353,853	390,459

	Company	
	2014 HK\$'000	2013 HK\$'000
HK\$	215	466
Other currencies	12	11
	227	477



## Notes to the Consolidated Financial Statements (Continued)

### 19 Cash and cash equivalents and restricted bank balances – Group and Company (Continued)

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

The effective interest rate on short-term bank deposits was 1.47% (2013: 2.60%) per annum; these deposits have an average maturity period of 90 days (2013: 90 days).

The Group's cash and bank balances of approximately HK\$224,795,000 and HK\$290,448,000 as at 31 March 2014 and 2013, 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% (2013: 0.00% to 3.50%) per annum.

### 20 Share capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
<b>Authorised:</b>		
At 1 April 2012, 31 March 2013 and 31 March 2014	3,000,000,000	300,000
<b>Issued and fully paid:</b>		
At 1 April 2012, 31 March 2013 and 31 March 2014	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 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.



## Notes to the Consolidated Financial Statements (Continued)

### 20 Share capital (Continued)

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.

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 25).

### 21 Share option schemes

#### (a) Pre-IPO Share option scheme

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

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding as at 1 April 2013	Exercised during the year	Outstanding as at 31 March 2014
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)

### 21 Share option schemes (Continued)

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

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding as at 1 April 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

No share options were exercised and lapsed during the year (2013: Nil).

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

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

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

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

#### (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 2014.



## Notes to the Consolidated Financial Statements (Continued)

### 22 Reserves – Group and Company

	Group									
	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000 <i>(Note i)</i>	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000 <i>(Note ii)</i>	Property revaluation reserve HK\$'000	Perpetual convertible securities HK\$'000	Available-for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2013	498,607	889	13,771	240,503	159,942	2,200	85,401	-	603,807	1,605,120
Profit for the year	-	-	-	-	-	-	-	-	70,624	70,624
Currency translation difference	-	-	-	(27,031)	-	-	-	-	-	(27,031)
Realisation of currency translation difference arising from de-registration of a subsidiary	-	-	-	(6,540)	-	-	-	-	-	(6,540)
Realisation of currency translation difference upon de-recognition of interest in a joint venture	-	-	-	(2,802)	-	-	-	-	-	(2,802)
Change in value of available-for-sale financial assets	-	-	-	-	-	-	-	(1,215)	-	(1,215)
Change in value of property, plant and equipment	-	-	-	-	-	2,547	-	-	-	2,547
Transfer to reserve	-	-	-	-	12,821	-	-	-	(12,821)	-
At 31 March 2014	498,607	889	13,771	204,130	172,763	4,747	85,401	(1,215)	661,610	1,640,703



## Notes to the Consolidated Financial Statements (Continued)

### 22 Reserves – Group and Company (Continued)

	Group									Total HK\$'000
	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000 (Note i)	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Perpetual convertible securities HK\$'000	Available- for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	
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
Currency translation difference	-	-	-	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:

- (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.

	Company				
	Share premium HK\$'000	Share option reserve HK\$'000	Perpetual convertible securities HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2012					
Loss for the year				(10,155)	(10,155)
Dividend paid				(59,488)	(59,488)
At 1 April 2013				41,959	626,856
Loss for the year				(13,307)	(13,307)
<b>At 31 March 2014</b>	<b>498,607</b>	<b>889</b>	<b>85,401</b>	<b>28,652</b>	<b>613,549</b>

The consolidated loss for the year attributable to owners of the Company includes a loss of HK\$13,307,000 (2013: a loss of HK\$10,155,000) which has been dealt with in the financial statements of the Company.



## Notes to the Consolidated Financial Statements (Continued)

### 23 Borrowings – Group

The borrowings of the Group comprise:

	2014 HK\$'000	2013 HK\$'000
Non-current		
Bank borrowings	202,807	31,250
Current		
Bank borrowings	1,155,558	1,353,916
Trust receipt loans	45,927	822
	1,201,485	1,354,738
	1,404,292	1,385,988

	2014 HK\$'000	2013 HK\$'000
Secured:		
Bank borrowings	356,074	241,629
Unsecured:		
Bank borrowings	1,002,291	1,143,537
Trust receipt loans	45,927	822
	1,048,218	1,144,359
	1,404,292	1,385,988

## Notes to the Consolidated Financial Statements (Continued)

### 23 Borrowings – Group (Continued)

At 31 March 2014, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within 1 year	45,927	822	1,132,529	790,848	1,178,456	791,670
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	–	–	223,459	376,188	223,459	376,188
After 2 years but within 5 years	–	–	2,377	218,130	2,377	218,130
After 5 years	–	–	–	–	–	–
	–	–	225,836	594,318	225,836	594,318
	45,927	822	1,358,365	1,385,166	1,404,292	1,385,988

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	
	2014 HK\$'000	2013 HK\$'000
HK\$	496,610	534,712
US\$	497,962	328,851
RMB	331,250	359,583
EUR	37,544	139,428
Other currencies	40,926	23,414
	1,404,292	1,385,988



## Notes to the Consolidated Financial Statements (Continued)

### 23 Borrowings – Group (Continued)

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

	As at 31 March 2014					As at 31 March 2013				
	US\$	HK\$	RMB	EUR	TWD	US\$	HK\$	RMB	EUR	TWD
Bank borrowings	3.03%	2.77%	6.41%	5.10%	3.05%	1.02%	2.75%	6.31%	5.40%	3.03%
Trust receipt bank loans	3.18%	2.72%	–	2.90%	2.53%	2.39%	2.62%	–	2.90%	0.61%

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

	2014 HK\$'000	2013 HK\$'000
Restricted bank balances	98,181	87,976
Land use rights	181,263	56,413
Investment properties	31,720	–
Property, plant and equipment	415,458	173,110
Trade and bills receivables	37,500	27,750
Available-for-sale financial assets	6,920	–
	<b>771,042</b>	345,249

### 24 Trade and bills payables, other payables, deposits and accruals – Group

	2014 HK\$'000	2013 HK\$'000
Trade payables	589,499	483,921
Bills payables	75,766	126,495
Trade and other deposits and receipts in advance	227,425	105,772
Accrued salaries, bonuses and staff benefits	66,420	62,579
Accrued sales commission	32,057	36,893
Value added tax payable	40,117	29,884
Others	95,225	105,188
	<b>1,126,509</b>	950,732

## Notes to the Consolidated Financial Statements (Continued)

### 24 Trade and bills payables, other payables, deposits and accruals – Group (Continued)

The following is the aging analysis of the trade payables:

	2014 HK\$'000	2013 HK\$'000
Within 90 days	479,373	396,780
91-180 days	93,331	62,405
181-365 days	7,610	12,760
Over one year	9,185	11,976
	<b>589,499</b>	483,921

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

	2014 HK\$'000	2013 HK\$'000
US\$	3,899	66,359
HK\$	11,694	6,827
RMB	453,045	429,257
EUR	173,008	90,914
Taiwan dollars	23,619	17,000
Other currencies	–	59
	<b>665,265</b>	610,416

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

### 25 Derivative financial instruments – Group and Company

	Group	
	2014 HK\$'000	2013 HK\$'000
Balance classified as current liabilities		
Warrants	–	–
Subscription Options	–	893
	–	893



## Notes to the Consolidated Financial Statements (Continued)

### 25 Derivative financial instruments – Group and Company (Continued)

	Company	
	2014 HK\$'000	2013 HK\$'000
Balance classified as current liabilities		
Warrants	–	–
Subscription Options	–	893
	–	893

#### 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 20.

#### 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 as at 31 March 2013 was measured using the binomial tree model. The key assumptions used for the valuation were as follows:

	2013
Expected dividend	2.19%
Expected volatility	46%
Risk free interest rate	0.07%

Note: The Warrants expired on 25 August 2013.

(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:

	Effect to valuation if increase in input assumption	2014	2013
Expected exercise year	Not applicable	<b>Note</b>	3.5 years following the grant
Discount rate	Decrease	<b>13% – 20%</b>	13% – 16%
Gross margin	Increase	<b>15% – 24%</b>	20% – 22%
Long term average growth rate	Increase	<b>0% – 5%</b>	0% – 5%

Note: The Subscription Options are deeply out-of-the-money and therefore not expected to be exercised.

## Notes to the Consolidated Financial Statements (Continued)

### 26 Revenue and other income

	2014 HK\$'000	2013 HK\$'000
Revenue		
Sales of die-casting machine	1,795,023	1,738,033
Sales of plastic injection moulding machine	589,284	476,181
Sales of CNC machining centre	269,129	345,755
	<b>2,653,436</b>	2,559,969
Other income		
Value added tax refund	20,924	13,930
Other subsidies from government	10,056	7,631
Rental income	3,301	1,966
Sundry income	6,965	9,713
	<b>41,246</b>	33,240
Total revenue and other income	<b>2,694,682</b>	2,593,209

### 27 Other gains – net

	2014 HK\$'000	2013 HK\$'000
Net foreign exchange gain	24,037	173
Increase in fair values of investment properties (Note 8)	7,616	3,692
Net fair value gain on derivative financial instruments	893	3,016
Gain/(loss) on disposals of property, plant and equipment	1,048	(1,009)
Gain on disposal of an investment property	–	210
Gain on de-registration of a subsidiary	6,540	–
Remeasurement gains upon business combination (Note 40)	13,443	–
Imputed interest arising from other receivables	86	4,642
Others	–	1,689
	<b>53,663</b>	12,413



## Notes to the Consolidated Financial Statements (Continued)

### 28 Provision for impairment of other receivables

On 28 March 2012, the Group disposed of its 35% equity interest in 阜新力昌鋼鐵鑄造有限公司 (Fuxin Li Chang Steel & Iron Foundry Co., Ltd., the “Target Company”) to 阜新金達鋼鐵鑄造有限公司 (Fuxin Jin Da Steel Casting Company Limited, the “Purchaser”), the 65% shareholder of the Target Company, at a total cash price of RMB69,000,000 (equivalent to HK\$84,870,000), payable in four installments.

Two installments aggregating RMB15,000,000 (equivalent to HK\$18,445,000) have been paid as agreed. The third installment of RMB27,000,000 (equivalent to HK\$34,177,000) was due on 30 October 2013 and the fourth installment of RMB27,000,000 (equivalent to HK\$34,177,000) will be due on 30 October 2014. As at 31 March 2014, the third installment remained unpaid.

In view of the failure of the Purchaser to settle the third installment of the sale price described above, the Directors have carried out an impairment assessment regarding the third and fourth installments and have made an impairment provision for the full amount of the receivable outstanding from the Purchaser of RMB54,000,000 (equivalent to HK\$63,782,000, taking into account of interest accretion). Subsequently, on 18 March 2014, the Group settled RMB3,092,000 (equivalent to HK\$3,913,000) payable balance against the consideration receivable from the Purchaser. Therefore, the final impairment provision was RMB50,908,000 (equivalent to HK\$59,869,000, taking into account of interest accretion) in the consolidated income statement.



## Notes to the Consolidated Financial Statements (Continued)

### 29 Expenses by nature

	2014 HK\$'000	2013 HK\$'000
Raw materials and consumables used	<b>1,654,399</b>	1,281,451
Change in inventories of finished goods and work in progress	<b>(158,135)</b>	205,015
Staff costs (Note 30)	<b>489,073</b>	425,325
Amortisation of land use rights	<b>6,568</b>	5,582
Amortisation of trademarks <sup>1</sup>	<b>1,259</b>	202
Amortisation of patents <sup>1</sup>	<b>214</b>	214
Amortisation of development costs and others <sup>2</sup>	<b>4,707</b>	5,081
Depreciation of property, plant and equipment	<b>112,140</b>	111,656
Research costs	<b>26,835</b>	26,581
Transportation expenses	<b>50,367</b>	48,246
Auditor's remuneration		
– Audit services	<b>2,861</b>	2,861
– Non-audit services	<b>531</b>	1,286
Provision for impairment of trade receivables	<b>12,180</b>	10,654
(Reversal of provision)/provision for inventories write-down <sup>2</sup>	<b>(14,504)</b>	27,162
Reversal of provision for impairment of amount due from a joint venture (Note 11)	<b>(2,000)</b>	–
Other expenses	<b>397,088</b>	342,070
	<b>2,583,583</b>	2,493,386
Represented by:		
Cost of sales	<b>1,963,867</b>	1,923,761
Selling and distribution expenses	<b>295,240</b>	246,898
General and administration expenses	<b>324,476</b>	322,727
	<b>2,583,583</b>	2,493,386

<sup>1</sup> Included in general and administration expenses

<sup>2</sup> Included in cost of sales



## Notes to the Consolidated Financial Statements (Continued)

### 30 Employees' benefits (including directors' emoluments)

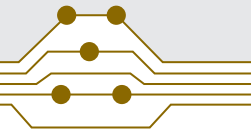
	2014 HK\$'000	2013 HK\$'000
Wages and salaries	418,639	355,076
Retirement scheme contributions	42,800	38,964
Other allowances and benefits	27,634	31,285
	<b>489,073</b>	<b>425,325</b>

### 31 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	Share- based payments HK\$'000	Total HK\$'000
<b>Year ended 31 March 2014</b>						
<i>Executive directors</i>						
Chong Siw Yin	-	3,900	-	15	-	3,915
Cao Yang	-	1,996	-	191	-	2,187
Chung Yuk Ming (Resigned with effect from 1 April 2014)	-	2,196	-	15	-	2,211
Tse Siu Sze (Appointed with effect from 1 December 2013)	-	576	-	5	-	581
Wang Xinliang (Appointed with effect from 1 March 2014)	-	104	-	7	-	111
	-	<b>8,772</b>	-	<b>233</b>	-	<b>9,005</b>
<i>Non-executive director</i>						
Hu Yongmin	200	-	-	-	-	200
<i>Independent non-executive directors</i>						
Low Seow Chay	200	-	-	-	-	200
Lui Ming Wah	290	-	-	-	-	290
Tsang Yiu Keung	290	-	-	-	-	290
Chan Wah Tip (Resigned with effect from 24 September 2013)	290	-	-	-	-	290
	<b>1,070</b>	-	-	-	-	<b>1,070</b>
	<b>1,270</b>	<b>8,772</b>	-	<b>233</b>	-	<b>10,275</b>



## Notes to the Consolidated Financial Statements (Continued)

### 31 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	Share- based payments HK\$'000	Total HK\$'000
Year ended 31 March 2013						
<i>Executive directors</i>						
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
<i>Non-executive director</i>						
Hu Yongmin	200	-	-	-	-	200
<i>Independent non-executive directors</i>						
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:

- (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 2014 (2013: None).



## Notes to the Consolidated Financial Statements (Continued)

### 31 Directors' and senior executives' emoluments (Continued)

#### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2013: two) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2013: three) individuals were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other allowances	3,744	4,312
Discretionary bonuses	–	2,693
Retirement scheme contributions	972	1,170
Compensation for loss of office		
Non-contractual payments	3,800	–
	<b>8,516</b>	8,175

The emoluments fell within the following bands:

	2014	2013
HK\$1,500,001 – HK\$ 2,000,000	–	1
HK\$2,000,001 – HK\$ 2,500,000	–	–
HK\$2,500,001 – HK\$ 3,000,000	–	1
HK\$3,000,001 – HK\$ 3,500,000	1	–
HK\$3,500,001 – HK\$ 4,000,000	–	1
HK\$5,000,001 – HK\$ 5,500,000	1	–

### 32 Finance costs – net

	2014 HK\$'000	2013 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(4,457)	(4,823)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	63,837	75,458
Charges on bills receivables discounted without recourse	6,357	2,287
Less: Capitalised in property, plant and equipment (Note i)	(8,724)	(10,667)
	<b>61,470</b>	67,078
	<b>57,013</b>	62,255

- (i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.90% (2013: 4.25%) to expenditure on qualifying assets.

## Notes to the Consolidated Financial Statements (Continued)

### 33 Income tax expense

	2014 HK\$'000	2013 HK\$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	24,489	15,446
– Overseas tax	–	1,200
– Hong Kong profits tax	–	–
– Under-provision in prior years	887	6,167
	<b>25,376</b>	22,813
Deferred income tax (Note 14)	<b>(10,412)</b>	(4,762)
Tax charge	<b>14,964</b>	18,051

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2013: 12.5% to 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% (2013: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2014 as the subsidiaries in Hong Kong either have unutilised tax losses available to set off current year's estimated assessable profits or have no assessable profits for the current year.

No overseas profits tax has been provided for the year ended 31 March 2014 as the overseas subsidiaries either have unutilised tax losses available to set off current year's estimated assessable profits or have no assessable profits for the current year. For the year ended 31 March 2013, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operated.



## Notes to the Consolidated Financial Statements (Continued)

### 33 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:

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	84,966	51,382
Tax calculated at applicable tax rates in the respective jurisdictions	25,552	15,248
Effect of preferential tax rates applicable to relevant jurisdictions	(16,324)	(8,628)
Effect of recognition of temporary differences not previously recognised	(4,701)	–
Tax effects of:		
– Tax concession	(2,647)	(1,571)
– Income not subject to tax	(8,685)	(4,054)
– Expenses not deductible for tax purposes	14,500	7,420
– Changes in tax rates	–	(1,563)
– Undistributed profits of subsidiaries in the PRC	(200)	1,178
Tax effect of unrecognised tax losses	6,582	3,854
Under-provision in prior years	887	6,167
Tax charge	14,964	18,051

The weighted average applicable tax rate was 30.1% (2013: 29.7%). 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 2014 and 31 March 2013.

### 34 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\$70,624,000 (2013: HK\$33,706,000) and on the weighted average number of approximately 1,131,765,000 (2013: 1,131,765,000) ordinary shares in issue during the year.

	2014	2013
Profit attributable to owners of the parent (HK\$'000)	70,624	33,706
Weighted average number of ordinary shares in issue (thousands)	1,131,765	1,131,765
Basic earnings per share (HK cents)	6.2	3.0

## Notes to the Consolidated Financial Statements (Continued)

### 34 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.

	2014	2013
Profit attributable to owners of the parent (HK\$'000)	70,624	33,706
Weighted average number of ordinary shares in issue (thousands)	1,131,765	1,131,765
Assumed conversion of perpetual convertible securities (thousands)	58,000	58,000
Adjustment for share options (thousands)	801	983
Weighted average number of ordinary shares of diluted earnings per share (thousands)	1,190,566	1,190,748
Weighted average number of ordinary shares for diluted earnings per share (HK cents)	5.9	2.8

### 35 Dividends

	2014 HK\$'000	2013 HK\$'000
Proposed final dividend	-	-

At a meeting held on 27 June 2014, the directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).



## Notes to the Consolidated Financial Statements (Continued)

### 36 Cash generated from operations

	2014 HK\$'000	2013 HK\$'000
Profit before income tax	84,966	51,382
Adjustments for:		
Depreciation and amortisation	124,888	122,735
Increase in fair value of investment properties	(7,616)	(3,692)
Bank interest income	(4,457)	(4,823)
Interests on bank borrowings	61,470	67,078
Reversal of provision of trademark	–	(1,029)
Reversal of provision for impairment of amount due from a joint venture	(2,000)	–
Provision for impairment of trade receivables	12,180	10,654
Provision for impairment of other receivables	59,869	–
(Reversal of provision)/provision for inventories write-down	(14,504)	27,162
Net fair value gain on derivative financial instruments	(893)	(3,016)
Remeasurement gains upon business combination	(13,443)	–
(Gain)/loss on disposals of other property, plant and equipment	(1,048)	1,009
Gain on disposal of an investment property	–	(210)
Gain on disposal of properties	(32,141)	–
Gain on de-registration of a subsidiary	(6,540)	–
Share of profit of an associate	(2,915)	(235)
Share of profit of joint ventures	(2,030)	(1,166)
Imputed interest arising from other receivables	(86)	(4,642)
Operating profit before changes in working capital	255,700	261,207
(Increase)/decrease in inventories	(180,060)	244,872
Decrease/(increase) in trade and bills receivables	97,791	(205,988)
Decrease in other receivables, prepayments and deposits	17,787	46,017
Increase/(decrease) in trade and bills payables, other payables, deposits and accruals	114,601	(65,961)
Increase in restricted bank balances	(10,205)	(9,112)
Cash generated from operations	295,614	271,035

In the statement of cash flows, proceeds from disposals of properties (Note 10) comprise:

	Group	
	2014 HK\$'000	2013 HK\$'000
Net book amount (Note 9)	6,292	–
Consideration receivable (Note 16)	(27,794)	–
Gain on disposals of properties (Note 10)	32,141	–
Transaction taxes on disposals	4,361	–
Proceeds from disposals of properties	15,000	–



## Notes to the Consolidated Financial Statements (Continued)

### 36 Cash generated from operations (Continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Net book amount (Note 7)	3,960	3,577
Gain/(loss) on disposals of other property, plant and equipment (Note 27)	1,048	(1,009)
Proceeds from disposals of other property, plant and equipment	<b>5,008</b>	2,568

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Net book amount (Note 8)	–	9,750
Gain on disposal of an investment property (Note 27)	–	210
Proceeds from disposal of an investment property	–	9,960

### 37 Commitments – Group

#### (a) Capital commitments

	2014 HK\$'000	2013 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	25,478	90,474
Land use rights	–	77,660
Other commitments	250	411
	<b>25,728</b>	168,545



## Notes to the Consolidated Financial Statements (Continued)

### 37 Commitments – Group (Continued)

#### (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:

	2014 HK\$'000	2013 HK\$'000
Leases payable:		
Within one year	14,877	13,364
In the second to fifth year inclusive	6,479	15,454
After the fifth year	5,245	4,272
	<b>26,601</b>	33,090

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.

#### *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:

	2014 HK\$'000	2013 HK\$'000
Leases receivable:		
Within one year	7,836	1,317
In the second to fifth year inclusive	9,426	324
	<b>17,262</b>	1,641

## Notes to the Consolidated Financial Statements (Continued)

### 38 Financial guarantees

	Group	
	2014 HK\$'000	2013 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	<b>342,103</b>	255,104

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$1,312,318,000 (2013: HK\$915,977,000) 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 19(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 2014, 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\$1,713,048,000 (2013: HK\$1,552,725,000). The facilities utilised by the subsidiaries as at 31 March 2014 amounted to HK\$1,015,436,000 (2013: HK\$911,954,000).

### 39 Related party transactions

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

	2014 HK\$'000	2013 HK\$'000
Wages and salaries, other allowances and benefits	<b>20,574</b>	18,182
Retirement scheme contributions	<b>562</b>	560
Compensation for loss of office – non-contractual payments	<b>3,800</b>	–
	<b>24,936</b>	18,742

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.



## Notes to the Consolidated Financial Statements (Continued)

### 40 Business combination

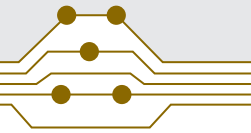
On 30 June 2013, the Group acquired the remaining 30% equity interest in Shanghai Prex Mfg. Co., Ltd. ("Shanghai Prex") at a consideration of RMB13,443,000 (equivalent to HK\$16,952,000). Shanghai Prex was a joint venture of the Group in which the Group had 70% equity interest, and it is mainly engaged in the provision of advisory services, manufacturing and sales of peripheral equipment in the PRC. Upon completion of the transaction, Shanghai Prex becomes a wholly owned subsidiary of the Group. The acquisition is expected to increase the Group's market share and reduce cost through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill of HK\$9,607,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale.

The following table summarises the consideration paid for Shanghai Prex and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

(a) Details of net assets acquired and goodwill recognised in the business combination are as follows

	HK\$'000
Total purchase consideration	16,952
Add: Fair value of previously held interest	
Carrying value of previously held interest before acquisition date (Note 11)	3,696
Remeasurement gains upon business combination (Note 27)	13,443
	17,139
Less: Recognised amounts of identifiable assets acquired and liabilities assumed at fair value	
Property, plant and equipment	3,391
Inventories	13,721
Trade and bills receivables	28,011
Other receivables, prepayments and deposits	8,954
Cash and cash equivalents	3,158
Trade and bills payables	(9,861)
Other payables, deposits and accruals	(21,467)
Current income tax payables	(1,423)
	24,484
Net assets acquired	24,484
Goodwill recognised in the business combination	9,607



## Notes to the Consolidated Financial Statements (*Continued*)

### 40 Business combination (*Continued*)

#### (b) Analysis of net inflow of cash and cash equivalents in respect of the acquisition

	HK\$'000
Cash flow in relation to the acquisition, net of cash acquired	
– cash consideration ( <i>Note</i> )	–
– cash and cash equivalents in a subsidiary acquired	3,158
Cash inflow on acquisition	3,158

*Note:* The consideration was settled against the amount due from a joint venture.

#### (c) Acquired receivables

The fair value of trade and bills receivables is HK\$28,011,000. The gross contractual amount for trade and bills receivables due is HK\$28,973,000, of which HK\$962,000 is expected to be uncollectible.

#### (d) Revenue and loss contribution

The acquired business contributed revenue of HK\$36,645,000 and net loss of HK\$2,021,000 to the Group for the period from 1 July 2013 to 31 March 2014. If the acquisition had occurred on 1 April 2013, consolidated revenue and consolidated profit for the year would have been HK\$2,681,029,000 and HK\$72,632,000 respectively.



## Financial Summary

	Year ended 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	<b>2,653,436</b>	2,559,969	3,011,636	2,602,564	1,408,364
Profit before income tax	<b>84,966</b>	51,382	250,577	319,436	27,142
Income tax expense	<b>(14,964)</b>	(18,051)	(50,447)	(60,298)	(23,907)
Profit for the year	<b>70,002</b>	33,331	200,130	259,138	3,235
Profit attributable to:					
Owners of the parent	<b>70,624</b>	33,706	203,773	259,365	20,323
Non-controlling interests	<b>(622)</b>	(375)	(3,643)	(227)	(17,088)
	<b>70,002</b>	33,331	200,130	259,138	3,235
	As at 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Assets and liabilities					
Total assets	<b>4,334,283</b>	4,109,800	4,075,252	3,387,648	2,520,258
Total liabilities	<b>(2,580,124)</b>	(2,390,602)	(2,358,285)	(1,867,212)	(1,631,486)
	<b>1,754,159</b>	1,719,198	1,716,967	1,520,436	888,772
Equity attributable to owners of the parent	<b>1,753,880</b>	1,718,297	1,715,691	1,516,997	885,329
Non-controlling interests	<b>279</b>	901	1,276	3,439	3,443
	<b>1,754,159</b>	1,719,198	1,716,967	1,520,436	888,772