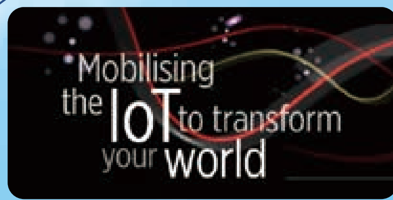
Computime

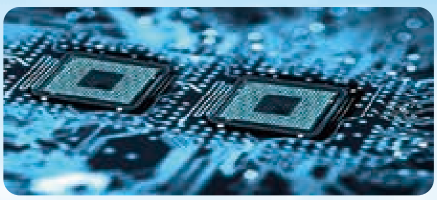
Connectivity & Convergence
- Connected Living -



Smart Home Heating &
Energy Management

Technology & Design
Product Engineering
Manufacturing
Quality Assurance

Contract
Manufacturing



ANNUAL REPORT 2016/2017

COMPUTIME GROUP LIMITED
金寶通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 320)

* For identification purposes only

CONTROL TECHNOLOGY & CONNECTED SOLUTIONS

Computime invests in innovative technology, services and people, creating solutions that exceed customer expectations.

Green Technologies
Energy Management
Connected Product Solutions
Data Driven Predictive Analytics

Contents

Corporate Information

Directors

Executive Directors

Mr. Auyang Ho *(Chairman)*
Dr. Owyang King *(Chief Executive Officer)*
Mr. Au Hing Lun, Dennis *(Deputy Chief Executive Officer)*

Non-executive Directors

Mr. Kam Chi Chiu, Anthony
Mr. Arvind Amratlal Patel
Mr. Wong Chun Kong

Independent Non-executive Directors

Mr. Luk Koon Hoo
Mr. Patrick Thomas Siewert
Mr. Cheung Ching Leung, David

Authorised Representatives under the Listing Rules

Mr. Auyang Ho
Dr. Owyang King

Executive Committee

Mr. Auyang Ho *(Chairman)*
Dr. Owyang King
Mr. Au Hing Lun, Dennis

Audit Committee

Mr. Luk Koon Hoo *(Chairman)*
Mr. Patrick Thomas Siewert
Mr. Kam Chi Chiu, Anthony
Mr. Arvind Amratlal Patel
Mr. Cheung Ching Leung, David

Remuneration Committee

Mr. Patrick Thomas Siewert *(Chairman)*
Mr. Auyang Ho
Mr. Luk Koon Hoo
Mr. Cheung Ching Leung, David

Registered Office

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

Head Office and Principal Place of Business

9th Floor, Tower One, Lippo Centre,
89 Queensway,
Hong Kong
Tel: (852) 2260 0300
Fax: (852) 2790 3996

Website

www.computime.com

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road,
P.O. Box 1586, Grand Cayman,
KY1-1110, Cayman Islands

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

Nomination Committee

Mr. Auyang Ho *(Chairman)*
Mr. Luk Koon Hoo
Mr. Patrick Thomas Siewert

Company Secretary

Ms. Soon Yuk Tai

Investor Relations

9th Floor, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Email: ir@computime.com

Stock Code

320

Auditor

Ernst & Young

Legal Advisor

Burke, Warren, MacKay & Serritella, P.C.

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
BNP Paribas Hong Kong Branch
DBS Bank (Hong Kong) Limited

Chairman's Statement

Dear Stakeholders:

Computime Group Limited ("Computime" or the "Company") is one of the world's most trusted names in Electronic Manufacturing Services ("EMS"), serving as an Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM"). Our OEM and ODM customers value us because we can manufacture high quality products with rapid time-to-market while meeting each customer's unique demands with our superior research and development capabilities.

Founded in 1974, we have never stopped evolving. Since our Initial Public Offering in 2006, we have added our own branded products in smart devices and electronic controls, and started a new business in strategic brand marketing and distribution focused on mainland China. We have a competitive edge in our ability to continually upgrade our products, both the products that we develop for our customers and for our own brands.

As we look back at fiscal year ended 31 March 2017 ("FY2017" or the "Year"), we are gratified to see that our years of hard work have resulted in exceptional financial performance and exceedingly satisfied customers. In FY2017, we achieved the highest level of net profits in the last ten years while setting new records for both our sales and cash balance, and we continue to sustain healthy compounded annual growth rates for key financial metrics. Our OEM business continues to provide strength, depth, and stability. As a trusted brand, our scale and solid track record gives us the leverage to continually drive cost improvements to remain cost competitive with our customers. At the same time, we have expanded our ODM business, in which we are realising growing profit margins. Our branded products, under the SALUS trademark, faced challenges in the first few years after we started the business in 2008, but are now firmly established in the United Kingdom and the European continent, and growing in important markets such as North America. For our new branded distribution business which is in its development stages, we are looking to capture a tremendous market opportunity in China for high-quality imported products that improve quality of life. We are investing to develop an integrated distribution platform that encompasses ecommerce, digital marketing, and O2O channels. We expect this business to contribute solid results to the Company and its subsidiaries (collectively the "Group") in due course once it has time to develop and mature.

The way we envision our mission is straightforward. How can we make life better, easier, and simpler for the consumer? Our R&D team has produced engineering breakthroughs that allow us to incorporate better and more advanced technology in our products. We recently consolidated our R&D efforts to the Hong Kong Science Park R&D headquarters, benefiting from the Hong Kong government's huge commitment to science and technology innovation as well as homegrown talents from some of the finest universities in Asia. Our Hong Kong R&D headquarters also direct the efforts of our regional R&D centres in the Silicon Valley and Cincinnati, Ohio in the USA, as well as in Shenzhen, China. We now have 12 design, manufacturing, and sales facilities in Asia, Europe, and North America, with a workforce of over 6,000.

We are focusing on wireless and radio frequency technologies such as Wi-Fi and Zigbee, and are investing in these areas along with smart heating controls that learn from customer behavior, understand the customer's usage profile, and maximise heating efficiency. We have gradually developed products that are Internet of Things ("IoT")-capable, which we believe are the future of household devices. Even in white goods – refrigerators and washing machines that we make for our ODM and OEM customers – we have found that smart technology can be used to improve product features and usability.

These technologies have played a major role in keeping Computime ahead of the competition for both our EMS and SALUS segments. R&D innovation has allowed us to better advise our customers and improve their products in the OEM/ODM business, and has increased the value-added that we provide as a design partner. With SALUS, our technologies have helped bring devices such as thermostats into the 21st century. Our ability to introduce advanced products in a traditional marketplace has generated a large user base and brand loyalty. We will invest and grow our R&D capabilities as we continue to transform ourselves into a technology-driven company. We believe this is essential to Computime's future strategy and execution.

At Computime, we focus on things that we do well, and measure our success against our peers in the markets that we compete in. No matter how much we value technology, we will always rely primarily on the tail winds of the market. Energy savings and universal demand for connectivity will be our focus in the foreseeable future.

Message of thanks

This has been a period of significant change for Computime. Like our home town of Hong Kong, the only constant is change itself. Let me take this opportunity to thank all our stakeholders – the board of directors (the "Board"), our esteemed customers, our loyal and dedicated employees, and you, our investors, for staying with us from our pioneering past into an ever more exciting future.

Sincerely,

Auyang Ho
Founder, Chairman, and Executive Director
Computime Group Limited

Hong Kong, 28 June 2017

Management Discussion and Analysis

Business Overview

For the year ended 31 March 2017, Computime set new records in both revenue and cash balance while achieving its highest level of net profit in the last ten years. Revenue rose from HK$3.52 billion in the year ended 31 March 2016 ("FY2016") to HK$3.68 billion, while net profit increased from HK$97.7 million to HK$126.4 million. The Company continued its strong momentum of profitable growth over the last five years, resulting in compounded annual growth rates ("CAGR") of 9.9% for revenue and 42.0% for net profit respectively. The Company also generated net operating cash flow of HK$368.7 million, which helped drive our cash and cash equivalents balance to a record HK$771.9 million at end of FY2017.

Computime continues to be successful in growing our higher margin businesses, with both the Commercial and Industrial Controls ("CIC") and Building and Home Controls ("BHC") segments recording year-to-year revenue growth of 11.5% and 16.3% respectively, rising to HK$636.8 million and HK$1,492.2 million respectively, while revenue recorded by the lower margin Appliance Controls ("APC") segment dropped approximately 6.8% to HK$1,554.7 million.

The growth in the higher margin businesses had a significant impact on gross profit margin. Gross profit for the Year increased to HK$540.1 million, an increase of 15.8% compared to FY2016, while the Company's gross profit margin rose to 14.7% in FY2017 compared to 13.2% in FY2016. The substantial improvement in gross profit margin was a result of the better mix towards higher margin businesses, as well as our continuing strict cost controls and efficiency improvements in our operations. The Company carefully controlled factory expenditures and material costs to ensure efficient operations and improved profitability. We also continued to adopt factory automation in our manufacturing lines in order to save on labor costs and increase labor efficiency.

Total selling, distribution and administrative expenses increased from HK$333.8 million in FY2016 to HK$367.6 million, an increase of 10.1%. This increase was primarily driven by additional headcount supporting the expansion of our higher margin businesses, especially in Europe and North America. The Company's solid track record and reputation, combined with its strong client relations, have allowed it to retain key clients while expanding into new territories and improving profitability.

Computime continues the transition from a traditional manufacturer into a higher-margin technology-driven company through both increasing the value-added in its EMS offerings, while also expanding its own line of branded intelligent home-control products named SALUS. To generate more value-added on the manufacturing front, Computime focused on its ODM segments, investing heavily into R&D initiatives to increase the added engineering value that Computime brings to its customers. Across all of its business lines, Computime's ODM segments grew a combined 30% compared to FY2016. Concurrently, Computime continued to expand its SALUS brand, which offers smart devices such as connected thermostats, sensors, and heating and cooling control systems. During the Year, the Company continued to expand sales channels for SALUS in Europe, while invested heavily to launch new products in North America. When compared to FY2016, sales recorded by all SALUS Europe locations experienced double digit percentage growth except the United Kingdom, which was negatively impacted by the Brexit uncertainty. Overall, the SALUS segment revenue recorded a growth of 5% in FY2017 when measured in local currencies compared to FY2016, and has achieved a five-year CAGR of 15%.

During the Year, Computime continued to develop new technologies and devices through research and development initiatives. Specifically, the Company focused on growing its capabilities in both radiated heating and underfloor heating control systems. The Company also upgraded its backend cloud service in FY2017, which allowed for a more variety and higher number of devices to be connected to a single system. Looking ahead, Computime will further develop HVAC control technologies and expand into electric heating control systems, with a focus on fault detection, RF technologies, and energy harvesting, in order to further grow its technological capabilities and develop more advanced products for the market.

Industry Analysis

The Company believes that there continues to be prime growth opportunities in the markets of EMS and connected devices. Traditional OEM has continued to slow due to increasing labor costs in China, however the ODM segment remains robust. According to Research and Markets, the EMS industry was worth US$460 billion in 2014, and expected to grow to approximately US$621 billion in 2019, recording a CAGR of 6.2%. Given the size of this market, Computime is confident that it will be able to capture more opportunities in the growing ODM segment, as the Company continues to expend efforts towards expanding its value-added technological capabilities.

The market for connected devices is also expected to grow very rapidly in the coming years, as the current market trend is shifting towards the "Internet of Things", whereby electronic controls are embedded into everyday devices, generating a wide network of interconnectivity. Increasingly advanced internet-connected devices and growing cloud capabilities have fueled advancement in this sector, with smart devices such as thermostats, sensors, and alarms becoming more prominent in the market. Computime will look to seize a larger share of this rapidly growing market through its SALUS products, as it continues to expand product sales channels throughout Europe and North America.

Computime also recognises great growth potential for the consumers market in China. As the spending power of China's growing middle class population continues to increase, the demand for foreign branded and imported premium quality-of-life products has grown tremendously. Items such as foreign branded or imported air filtration and water filtration systems have become hugely popular in China. Computime's brand distribution business looks to capture this enormous market by developing an integrated distribution platform encompassing e-commerce, digital marketing, and O2O channels, to help foreign brands to sell their products in China. The brand distribution business currently represents five foreign brands as their sole and exclusive distributor in China covering the categories of air purifiers, water filters, and baby products.

Outlook

Looking ahead to the year ending 31 March 2018 ("FY2018"), Computime expects the macro environment to remain challenging, particularly in China, which will face higher wages, inflation, changing regulatory requirements and currency fluctuations. Additionally, geo-political influences in the US and Europe could potentially drive significant macro-economic uncertainties as well as increase foreign currency risks. In light of these headwinds, the Company will continue to implement strategies to mitigate and minimise any potential effects, as well as be cautious in our investments plans while carefully monitoring any changes in the macro environment.

Computime will continue to focus on growing its CIC and BHC segments, while improving the profitability of the APC segment. Specifically, the Company will further expand the ODM business across all three segments as Computime further evolves from a traditional EMS manufacturer into a technology-driven solutions provider. In conjunction with expanding its higher-margin ODM businesses, Computime will also look to push growth in the SALUS segment. We are hopeful that SALUS' recent expansion into new channels and territories, as well as planned new product introductions in FY2018, will help fuel accelerated growth for this brand. Moreover, the Company will continue its relentless focus on efficiency and cost control to ensure improved profitability goes hand-in-hand with top line growth.

Computime's strong manufacturing foundation, coupled with robust engineering capabilities and a customer service focus, make it a unique, market-leading EMS provider. At the same time, the Group's SALUS division is expected to remain on track for strong growth due to the fast growing connected device market and our experience and track record in this field over the years. The brand distribution business will continue to expand the number of brands it represents. We now operate four ecommerce stores in China and expect to increase the number of ecommerce stores rapidly and roll out our O2O platform. By leveraging the Group's core capabilities in electronic controls and wireless technologies, alongside its proven track record, long heritage of successful products and a trusted brand name, Computime is confident that it can seize various opportunities arising from all three markets to continue introducing high value products and services to our partners and customers worldwide.

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a sound financial and liquidity position in the Year. As at 31 March 2017, the Group maintained a balance of cash and cash equivalents of HK$771,920,000, which included cash and bank balance of HK$99,661,000 denominated in RMB. The remaining balance was mainly denominated in United States dollars ("US dollars") or Hong Kong dollars. Overall, the Group maintained a robust current ratio of 1.83 times.

As at 31 March 2017, total interest-bearing bank borrowings were HK$264,877,000, comprising primarily bank import loans repayable within one year. The majority of these borrowings were denominated either in US dollars, Hong Kong dollars or Euro zone currencies and the interest rates applied were primarily subject to floating rate terms.

As at 31 March 2017, total equity attributable to owners of the Company amounted to HK$1,251,181,000. The Group had a net cash balance of HK$507,043,000, representing total cash and cash equivalents less total interest-bearing bank borrowings.

Treasury Policies

The Group is exposed to foreign exchange risk through sales and purchase that are dominated in currencies other than the functional currency of the operations to which they relate. The currencies involved are primarily Euro, GBP and RMB. As at 31 March 2017, the Group had outstanding foreign currency forward contracts to sell Euro 29.6 million buy US dollars, and sell GBP 5.0 million buy US dollars. These forward contracts were entered into for hedging purposes. The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimise the relevant exposures.

Capital Expenditure and Commitments

During the Year, the Group incurred total capital expenditures of approximately HK$126,108,000 for additions to property, plant and equipment as well as for deferred expenditures associated with the development of new products.

As at 31 March 2017, the Group had capital commitments contracted but not provided for the amount of HK$3,206,000, mainly for the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 March 2017, the Group did not have any significant contingent liabilities.

Charges on Assets

As at 31 March 2017, no bank deposits and other assets have been pledged to secure the Group's banking facilities.

Employee Information

As at 31 March 2017, the Group had a total of approximately 6,400 full-time employees. Total staff costs for the Year amounted to HK$482,455,000. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company currently has a share option scheme (which was adopted on 14 September 2016 due to the expiry of the old share option scheme on 15 September 2016) under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. Up to the date of this report, 34,726,000 share options remained outstanding under the share option schemes.

Profile of Directors, Senior Management and Company Secretary

Directors

Executive Directors

Auyang Ho, aged 85

Mr. Auyang is an executive Director, Chairman of the Board, chairman of both the executive committee and nomination committee and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, Mr. Auyang is a director and a shareholder of Solar Power Group Limited, the controlling shareholder of the Company. He is an elder brother of Dr. Owyang King, the Chief Executive Officer of the Company and father-in-law of Mr. Au Hing Lun, Dennis, Deputy Chief Executive Officer of the Company. He co-founded the Group in 1974. Mr. Auyang graduated from the South China Institute of Technology (now known as the South China University of Technology), where he studied structural engineering. Mr. Auyang has more than 30 years of experience in manufacturing operations, product management and development in the electronics industry. Prior to founding the Group, Mr. Auyang has been an engineer in the Ministry of Railways of the People's Republic of China (the "PRC"). During the period from April 1965 to January 1973, he worked in the group of The Hong Kong Chiap Hua Manufactory Company, (1947) Limited (now known as "Chiaphua Limited") (this group is hereinafter referred to as "Chiap Hua Group"). He had served as an Assistant Plant Manager of the extrusion plant for The Hong Kong Chiap Hua Manufactory Company, (1947) Limited from April 1965 to December 1970. From January to September 1970, he acted as a Project Manager for International Containers Limited (a company formed by Chiap Hua Group and another party and has now been dissolved) and was responsible for supervising and co-ordinating the setting-up of a new manufacturing plant and all the facilities. In September 1970, he was formally promoted as the Plant Manager of International Containers Limited and held the position until he left Chiap Hua Group in January 1973. He then formed the Group and under his leadership, the Group received The Chinese Manufacturers' Association of Hong Kong New Product Award in 1976. Mr. Auyang has been instrumental in spearheading the Group's expansion and has secured many key customers since 1980 up to 2003. He currently acts as an advisor to our Chief Executive Officer and senior management and provides guidance on management issues.

Owyang King, aged 71

Dr. Owyang is an executive Director, the Chief Executive Officer and a member of the executive committee of the Company. He is a younger brother of Mr. Auyang Ho, the Chairman of the Company. Mr. Au Hing Lun, Dennis, the Deputy Chief Executive Officer of the Company, is a son-in-law of Mr. Auyang. Accordingly, Dr. Owyang is an uncle of Mr. Au. Dr. Owyang joined the Group in April 2010. He obtained a degree of Bachelor of Science in Physics and a degree of Doctor of Philosophy in the field of Materials Science from Massachusetts Institute of Technology, United States in 1968 and 1974, respectively. Dr. Owyang joined General Electric Company as a member of technical staff in 1974 and held various technical and managerial positions, including directing research and development activities for the Semiconductor Division. Dr. Owyang was responsible for developing many enabling semiconductor technologies, including the world's first 500V Power Integrated Circuit and Insulated Gate Bipolar Transistor technologies. Dr. Owyang received the company's prestigious Outstanding Achievement Award in 1981. In 1988, Dr. Owyang joined Siliconix Incorporated (a NASDAQ listed company) in California as Vice President of Research and Development and directed the work of 70 scientists, engineers and technical staff in the area of electronic devices, circuits, processing technology and packaging development. He was promoted to Executive Vice President in 1992 and assumed additional responsibility for all Silicon Operations where he restructured the engineering resources and Wafer Fab Operations to enhance the technical capability and overall productivity. He turned the company from a technology follower and position-losing firm to a highly profitable company with industry leading products. In 1997, Dr. Owyang was promoted to the position of President and Chief Executive Officer. Under his leadership and management, the company has firmly established itself as the world leader in power switching and management products and its sales grew to a record level in 2008. Dr. Owyang is a recognised leader in the Power Metaloxide Semiconductor Field-effect Transistor Industry. He has published over 20 technical papers and has been awarded more than 25 patents. He received the Industry IR100 Award in 1979 and 1983 based on his pioneering works in silicon power device technologies and products. Dr. Owyang has also been listed in the "National Register's WHO'S WHO in Executives and Professionals", which demonstrates his recognisable success in the field. In 2015, he was awarded the Asia Pacific Entrepreneurship Award by Enterprise Asia, in recognition of his achievements in transforming Computime from an OEM electronics manufacturing service company to a market driven technology solution provider. He currently also serves as a director of Alpha and Omega Semiconductor Limited, a company listed on the NASDAQ Stock Market.

Au Hing Lun, Dennis, aged 57

Mr. Au is an executive Director, the Deputy Chief Executive Officer and a member of the executive committee of the Company. Mr. Au is a son-in-law of Mr. Auyang Ho, the Chairman of the Company. Dr. Owyang King, the Chief Executive Officer of the Company and younger brother of Mr. Auyang, is accordingly an uncle of Mr. Au. Mr. Au joined the Group in May 2014 to head up the newly established Brand Distribution Division. He has over 30 years of experience in accounting, finance, consultancy, business development and general management spanning manufacturing, technology and real estate industries. Mr. Au commenced his career at the tax division of Arthur Andersen & Co (1983 to 1988) specialising in Hong Kong, China and US taxation. He joined Andersen Consulting (now known as "Accenture plc") in North America in 1988, responsible for IT system design and integration projects for governments and multinational companies. In 1994, Mr. Au joined Wing Tai Properties Limited ("Wing Tai" and, together with its subsidiaries, collectively the "Wing Tai Group") (formerly known as "USI Holdings Limited") serving as chief financial officer, and he also served as the company secretary of Wing Tai from 1996 to 2006. Wing Tai is listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He joined the board of Wing Tai as an executive director in 2004 and became managing director of the Wing Tai Group's property division in 2006 and has been responsible for the Wing Tai Group's corporate finance function. Mr. Au resigned as an executive director of Wing Tai and managing director of the Wing Tai Group's property division with effect from 6 May 2014. He was also an executive director of the Wing Tai Group's subsidiary, Winsor Properties Holdings Limited (now known as "Vanke Property (Overseas) Limited", a company listed on the main board of the Stock Exchange) from 2007 to 2012. Mr. Au is a fellow member of the Association of Chartered Certified Accountants. He has a Master of Business Administration degree from the University of Hong Kong and a Bachelor of Science degree from Dalhousie University, Halifax, Nova Scotia, Canada.

Non-Executive Directors

Kam Chi Chiu, Anthony, aged 55

Mr. Kam is a non-executive Director and a member of the audit committee of the Company. Mr. Kam is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. He holds a Master's degree in Mathematics from the University of Oxford in the United Kingdom. He qualified as a chartered accountant in London and currently practices as a certified public accountant in Hong Kong. Mr. Kam was appointed as a non-executive Director of the Group in November 1993.

Arvind Amratlal Patel, aged 76

Mr. Patel is a non-executive Director and a member of the audit committee of the Company. He was appointed as a non-executive Director of the Group in November 2005. Mr. Patel has retired with 40 years of experience with several U.S.–based public and private manufacturing companies. After earning his Bachelor's degree in Electrical Engineering from The Maharaja Sayajirao University of Baroda in India, Mr. Patel immigrated to United States to pursue further studies. He began his professional career with Culligan International in 1966. After working with certain smaller companies, he returned to a management position at Culligan International in 1971 while simultaneously earning his Master's degree in Business Administration from Loyola University Chicago. He then joined Intermatic Incorporated, an international manufacturer of electrical and electronic products. During his 20 years at Intermatic Incorporated, Mr. Patel held several executive positions, including president and chief operating officer, until his retirement in 2005. In addition to the management positions, Mr. Patel was elected to the boards of Intermatic Incorporated and Intermatic – A.T.C., a manufacturing joint venture in China, from July 2000 until his retirement in December 2005. Since his retirement from full time business activities, Mr. Patel became a partner and a member of the board of directors of TADD LLC, a privately held company engaged in design, manufacture and distribution of LED retro-fit lighting products in the U.S.A. In January 2011, Mr. Patel was elected to the board of directors of Rogan Corporation, a privately held company engaged in design, manufacture and distribution of sophisticated injection molded plastic components for industrial and consumer applications. He resigned from this position in April 2012.

Wong Chun Kong, aged 56

Mr. Wong is a non-executive Director of the Company. He is a solicitor of the High Court of Hong Kong and a Partner of Philip K H Wong, Kennedy Y H Wong & Co., Solicitors & Notaries. Mr. Wong was educated in both Hong Kong and England. He has substantial experience in civil litigation and deals mainly in commercial, personal injuries, banking and administrative law litigation, corporate acquisition, cross-border joint ventures etc.. He had served as a Deputy Adjudicator of the Small Claims Tribunal in 1998 and as an Adjudicator of the Registration of Persons Tribunal of Hong Kong Special Administrative Region during period from March 2005 to February 2011. He was also a panel member of the Municipal Services Appeals Board of Hong Kong Special Administrative Region during period from January 2009 to December 2014. He is now a Deputy Chief Adjudicator of the Registration of Persons Tribunal of Hong Kong Special Administrative Region. Mr. Wong has been a non-executive Director of the Company since February 2008.

Independent Non-Executive Directors

Luk Koon Hoo, aged 65, *BBS, JP*

Mr. Luk is an independent non-executive Director of the Company, the chairman of the audit committee and a member of both the remuneration committee and nomination committee of the Company. He is a retired banker, and has 30 years of comprehensive experience in accounting and financial management. He began at Hang Seng Bank in 1975 as a trainee officer. He was appointed as personal assistant to the deputy general manager and held that office from 1987 to 1989. Mr. Luk served as the head of financial control in 1989, as director and deputy chief executive in 1994 and as managing director and deputy chief executive from 1996 to his retirement in May 2005. Regarding Mr. Luk's other directorships, he is an independent non-executive director of China Properties Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited (companies listed on the main board of the Stock Exchange) and is an independent non-executive director of AXA General Insurance Hong Kong Limited and Octopus Cards Limited. Mr. Luk also serves as a council member of The Chinese University of Hong Kong and a non-executive director of Urban Renewal Authority. Mr. Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Board of Trustees of the Sir Edward Youde Memorial Fund and the Advisory Committee, the Investor Education Advisory Committee of the Securities and Futures Commission ("SFC"), Barristers Disciplinary Tribunal Panel, the Operations Review Committee of ICAC and Town Planning Board. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council. He holds a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. Mr. Luk is a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services. Mr. Luk was appointed as a non-executive Director of the Group in January 2006.

Patrick Thomas Siewert, aged 61

Mr. Siewert is an independent non-executive Director, the chairman of the remuneration committee and a member of both the audit committee and nomination committee of the Company. He is a Managing Director and Partner of The Carlyle Group, advising on investments in consumer and retail businesses across Asia since April 2007. Previous to joining The Carlyle Group he held various positions in Asia with The Coca-Cola Company including group president and president and chief operating officer and corporate executive committee member during the period from 2001 to 2007. He was responsible for some of the highest growth businesses in The Coca-Cola Company and some of its most innovative and successful product launches. Mr. Siewert's early career experiences were with the Eastman Kodak Company, where he had worked since 1974, holding positions in sales management, marketing, finance, brand management, business planning and general management in various countries/regions around the world, including the Americas, Europe and Asia. He served as chairman, Greater China Region, chief operating officer of Kodak's global consumer business and president, Kodak Professional, its global commercial business. He was a senior vice-president of Eastman Kodak Company. Mr. Siewert attended the Rochester Institute of Technology in Imaging Science, Business and Service Management and received a Bachelor of Science in Business Administration/Finance from Elmhurst College, Illinois and a Master of Science from the Rochester Institute of Technology. He currently serves as a director in Avery Dennison Corporation, a company listed on the New York Stock Exchange, Mondelēz International, Inc., a company listed on the NASDAQ Stock Market and Eastern Broadcasting Company. He has served as past director of several companies in the health and beauty, hotel/tourism and animal nutrition and natural resources sectors. He has also served as past director of several trade organisations including the US-Hong Kong Business Council, US China Business Council, US-ASEAN Business Council and board of governors, American Chamber of Commerce in Hong Kong. He is a member of the Young Presidents' Organization, World Presidents' Organization and Chief Executives Organization. Mr. Siewert is a recipient of several diversity awards and a United Nations IPC Lifetime Achievement Award. Mr. Siewert was appointed as an independent non-executive Director of the Company in September 2006.

Cheung Ching Leung, David, aged 49

Mr. Cheung is an independent non-executive Director and a member of both the audit committee and remuneration committee of the Company. Mr. Cheung is currently a Chief Investment Officer of Degroof Petercam Asset Management (HK) Limited ("Degroof"), a licensed entity with the SFC. Mr. Cheung has over twenty years of fund management experience. Prior to joining Degroof, Mr. Cheung was Chief Investment Officer of OP Investment Management Limited. Mr. Cheung also held senior positions at CITIC Securities International Investment Management (HK) Limited and Aetos Capital Management (Asia) Limited. He was an Investment Director at Prudential Asset Management (Hong Kong) Limited and responsible for their Greater China equity investments. Prior to that, Mr. Cheung was a Fund Manager at Chase Asset Management Limited, the fund management arm of Chase Manhattan Bank. Mr. Cheung currently serves as a member of the Investment Committee of the Hong Kong Polytechnic University. Previously, Mr. Cheung was a member of the Listing Committee of the Stock Exchange from 2006 to 2007 and was also a member of the SFC Public Shareholders Group and the SFC Dual Filing Advisory Group. Mr. Cheung obtained a Master's degree in economics from York University, Canada and a Bachelor's degree in monetary economics from the London School of Economics and Political Science, UK. Mr. Cheung is a holder of the Chartered Financial Analyst designation awarded by the CFA Institute. Mr. Cheung was appointed as an independent non-executive Director of the Company in October 2011.

Senior Management

Au Matthew Kam-yuen, aged 52

Mr. Au joined the Company in 2015 as Chief Financial Officer. Mr. Au has more than 25 years of leadership experience in global multi-national enterprises. He has held senior management roles with several high growth US-listed companies, including VP Finance at Gilead Sciences and VP Controller at KLA-Tencor and Tesla Motors. Most recently, he was Chief Operating Officer of DiagCor Bioscience Limited in Hong Kong. Mr. Au earned his B.S. in Accounting & Finance from the University of California, Berkeley, USA and an M.B.A. in Finance and Operations Management from the University of Chicago, USA.

Ha Wai Leung, aged 58

Dr. Ha is Executive Vice President – Technologies of the Group, and also the President of Cincinnati Holdings Limited, a subsidiary of the Group. He is a chartered engineer and a member of The Institute of Measurement and Control, The Institution of Engineering and Technology as well as senior member of The Institution of Electrical and Electronics Engineers, with over 30 years of working experience in engineering and research and development. Prior to joining us in October 1998, he worked as senior management in research and development in various electronics companies in Hong Kong and Singapore. He obtained an Engineering Doctorate's Degree in Engineering Management from City University of Hong Kong, a Master's Degree in Electronic Systems Design from City University of Hong Kong, a Master's Degree in Engineering from The University of Hong Kong, and an Associateship and Higher Diploma in Electrical Engineering from The Hong Kong Polytechnic University.

Chu Wing Kit, aged 60

Mr. Chu joined the Company in 2017 as Vice President – Manufacturing. He has over 30 years of all rounded operational experiences, covering manufacturing, product development, sourcing, program management, quality, supply chain management and compliance. He has served in senior management positions with strategic leadership responsibilities in various reputable Hong Kong- and US-listed organisations. Mr. Chu graduated from the Hong Kong Polytechnic University and obtained his Master's Degree in Engineering Management from the University of Technology, Sydney, Australia.

Ho Pak Tong, Jimmy, aged 54

Mr. Ho is Vice President – Global Human Resources. He joined the Company in 2014 and has over 25 years of experience in Human Resources. Mr. Ho has held senior positions as Regional and Global Head of Human Resources in sizable multinational and local companies including WL Gore & Associates, Novo Nordisk, ASML, Spotless Group and Lee Kum Kee. Mr. Ho graduated from the Hong Kong Polytechnic University and has an MSc. degree in Human Resources Management from the College of Dublin, National University of Ireland.

Leung Man Sze, Bendick, aged 61
Mr. Leung is Vice President – Quality of the Group. He joined us in 2010. Before joining us, he had been working as key positions in various business units in Philips for almost 20 years. He has extensive experience in quality management, process engineering, manufacturing operation as well as product design and supply base management. Mr. Leung obtained a Master's degree in Business Administration from the Open University of Hong Kong and a Bachelor of Science Degree in Mechanical Engineering from the University of Calgary, Alberta, Canada.

Nguyen Minh Van, aged 60
Mr. Nguyen joined the Company in 2011 and is the Vice President – Finance. He is a fellow member of the American Institute of Certified Public Accountants. Mr. Nguyen graduated from the University of New Orleans, USA with a bachelor degree in Accounting, and has a Master in Business Administration in Finance from the University of Santa Clara, USA. He has over 39 years of experience in finance, accounting, controlling, investor relations and M&A, and had worked for several publicly listed international companies in the USA, including Siemens, Vishay and Siliconix.

Hamza Yilmaz, aged 62
Dr. Yilmaz joined the Company in 2015 as Vice President – Engineering. Dr. Yilmaz has more than 25 years of R&D and technical management experience having held senior executive positions with US-listed companies including Fairchild Semiconductor, Volterra Semiconductor and Alpha & Omega Semiconductor. Dr. Yilmaz earned his MSc. in Electrical Engineering from the University of Texas, USA and a Ph.D in Solid State Electronics from the University of Michigan, USA. He is a senior member of IEEE and holds 185 patents and more pending.

Company Secretary

Soon Yuk Tai, aged 51
Ms. Soon was appointed as the Secretary of the Company in April 2007. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Soon is a Chartered Secretary and Fellow of both the Institute of Chartered Secretaries and Administrators in United Kingdom and the Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also a holder of the Practitioner's Endorsement from HKICS. Apart from the Company, Ms. Soon has been providing professional secretarial services to many listed companies.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries of the Company are primarily engaged in research and development, design, manufacture and trading of electronic control products. There was no significant change in the Group's principal activities during the Year.

An analysis of the Group's performance for the Year by business and geographical segments is set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2017 and financial position of the Group as at that date are set out in the sections headed "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Financial Position" respectively in this annual report.

The Board has resolved to recommend to the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on Wednesday, 13 September 2017 (the "2017 AGM") a final dividend of 7.5 HK cents per share for the year ended 31 March 2017 (the "Proposed Final Dividend") to be paid on Thursday, 12 October 2017 to those Shareholders whose names appear on the register of members of the Company on Wednesday, 27 September 2017.

Closure of Register of Members

(a) Entitlement to attend and vote at the 2017 AGM

The 2017 AGM is scheduled to be held on Wednesday, 13 September 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Friday, 8 September 2017 to Wednesday, 13 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2017 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 7 September 2017.

(b) Entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of the Shareholders at the 2017 AGM. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Monday, 25 September 2017 to Wednesday, 27 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 22 September 2017.

Business Review

A review of the Group's business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group, an analysis of the Group's performance using financial key performance indicators, an indication of likely future developments in the Group's business, discussion on the Group's environmental policies and performance and discussion on the relationships with its stakeholders, can be found in the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Report and the Environmental, Social and Governance Report contained in this annual report. The review forms part contained in this directors' report.

Donations

Charitable and other donations made by the Group during the Year amounted to approximately HK$95,000.

Share Capital

Details of the share capital of the Company are set out in note 27 to the financial statements.

Equity-Linked Agreements

Details of the equity-linked agreements entered into by the Company are disclosed under the paragraph headed "Share Option Schemes" in this directors' report and in note 28 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 March 2017, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK$743,714,000 (before deduction of the proposed final dividend of HK$62,732,000).

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 March 2017 are set out in note 25 to the financial statements.

Pension Scheme

The pension scheme contributions are set out in note 7 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the previous financial years is set out in the section headed "Financial Summary" in this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

Directors

The directors of the Company during the Year and up to the date of this report are as follows:

Executive Directors:

Mr. Auyang Ho *(Chairman)*
Dr. Owyang King *(Chief Executive Officer)*
Mr. Au Hing Lun, Dennis *(Deputy Chief Executive Officer)*

Non-executive Directors:

Mr. Kam Chi Chiu, Anthony
Mr. Arvind Amratlal Patel
Mr. Wong Chun Kong

Independent Non-executive Directors:

Mr. Luk Koon Hoo
Mr. Patrick Thomas Siewert
Mr. Cheung Ching Leung, David

Pursuant to article 87 of the Articles of Association, Dr. Owyang King, Mr. Au Hing Lun, Dennis and Mr. Luk Koon Hoo will retire from office by rotation at the 2017 AGM.

All the above three retiring directors, being eligible, will offer themselves for re-election at the 2017 AGM.

Independence Confirmation

The Company has received annual confirmations of independence from Mr. Luk Koon Hoo, Mr. Patrick Thomas Siewert and Mr. Cheung Ching Leung, David pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of these independent non-executive directors remain independent as at the date of this report.

Directors' Service Contracts

None of the directors being proposed for re-election at the 2017 AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed in note 32 to the financial statements, no transaction, arrangement or contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Biographical Details of Directors and Senior Management

Biographical details of directors and senior management are set out under the section headed "Profile of Directors, Senior Management and Company Secretary" in this annual report. The directors' biographies are also available on the Company's website.

Directors' and Senior Management's Emoluments

A summary of the directors' and senior management's remuneration is set out in note 8 to the financial statements and in the section headed "Corporate Governance Report" in this annual report respectively.

Indemnity of Directors

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the Year.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 31 March 2017, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	*Approximate percentage of the Company's issued share capital
Mr. Auyang Ho	Interest of a controlled corporation	352,500,000 *(Note)*	42.14%
	Beneficial owner	10,716,000	1.29%
		363,216,000	43.43%
Dr. Owyang King	Beneficial owner	3,094,000	0.37%
Mr. Au Hing Lun, Dennis	Beneficial owner	5,500,000	0.66%

Note: These shares were held by Solar Power Group Limited ("SPGL"). SPGL is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Auyang Ho.

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2017.*

(2) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of the share options granted	*Approximate percentage of the Company's issued share capital
Dr. Owyang King	Beneficial owner	26,800,000	3.20%
Mr. Au Hing Lun, Dennis	Beneficial owner	3,320,000	0.40%

Details of the above share options as required to be disclosed by the Listing Rules are disclosed in note 28 to the financial statements.

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2017.*

Save as disclosed above, as at 31 March 2017, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

Save as disclosed in note 28 to the financial statements about the Company's share option schemes, at no time during the Year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

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

As at 31 March 2017, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares of the Company

Name of substantial shareholder	**Capacity**	**Number of ordinary shares interested**	***Approximate percentage of the Company's issued share capital**
SPGL	Beneficial owner	352,500,000 *(Note 1)*	42.14%
Ms. Tse Shuk Ming	Interest of spouse	363,216,000 *(Note 2)*	43.43%
Crystalplaza Limited	Beneficial owner	133,500,000 *(Note 3)*	15.96%
Little Venice Limited	Beneficial owner	81,690,000 *(Note 3)*	9.77%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	215,190,000 *(Note 3)*	25.73%
Mr. Heung Lap Chi, Eugene	Interest of spouse	215,190,000 *(Note 4)*	25.73%

Notes:

1. *The interest of SPGL was also disclosed as the interest of Mr. Auyang Ho in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".*

2. *Ms. Tse Shuk Ming was deemed to be interested in 363,216,000 shares of the Company through the interest of her spouse, Mr. Auyang Ho.*

3. *These shares were owned by Crystalplaza Limited (as to 133,500,000 shares) and Little Venice Limited (as to 81,690,000 shares), both companies were wholly-owned by Ms. Leung Yee Li, Lana.*

4. *Mr. Heung Lap Chi, Eugene was deemed to be interested in 215,190,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.*

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2017.*

Save as disclosed above, as at 31 March 2017, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Schemes

The purpose of the share option schemes of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme adopted by the Company on 15 September 2006 (the "2006 Scheme") has expired on 15 September 2016. Unless otherwise cancelled or lapsed in accordance with the 2006 Scheme, the outstanding share options granted under the 2006 Scheme would remain exercisable. At the annual general meeting of the Company held on 14 September 2016, the Company adopted a new share option scheme (the "2016 Scheme") which, unless otherwise cancelled or terminated, would remain in force for 10 years from the adoption date. Further details of the 2006 Scheme and the 2016 Scheme are set out in note 28 to the financial statements.

As at 31 March 2017, no share options have been granted under the 2016 Scheme since its adoption.

Details and movements of the share options of the Company granted under the 2006 Scheme during the year ended 31 March 2017 are as follows:

	Number of share options								
Category of participants	As at 1 April 2016	Granted during the Year[1]	Exercised during the Year[2]	Cancelled during the Year	Lapsed during the Year	As at 31 March 2017	Date of grant of share options[3]	Exercise period of share options	Exercise price per share HK$
Senior management and other employees in aggregate	262,000	–	–	–	(60,000)	202,000	27 September 2007	from 31 August 2008 to 30 August 2017	1.75
	262,000	–	–	–	(60,000)	202,000	27 September 2007	from 31 August 2009 to 30 August 2017	1.75
	262,000	–	–	–	(60,000)	202,000	27 September 2007	from 31 August 2010 to 30 August 2017	1.75
	240,000	–	–	–	–	240,000	22 October 2015	from 22 October 2016 to 21 October 2025	1.24
	240,000	–	–	–	–	240,000	22 October 2015	from 22 October 2017 to 21 October 2025	1.24
	320,000	–	–	–	–	320,000	22 October 2015	from 22 October 2018 to 21 October 2025	1.24
	–	240,000	–	–	–	240,000	28 April 2016	from 28 April 2017 to 27 April 2026	1.174
	–	360,000	–	–	–	360,000	28 April 2016	from 28 April 2018 to 27 April 2026	1.174
	–	440,000	–	–	–	440,000	28 April 2016	from 28 April 2019 to 27 April 2026	1.174
	–	160,000	–	–	–	160,000	28 April 2016	from 28 April 2020 to 27 April 2026	1.174
	1,586,000	1,200,000	–	–	(180,000)	2,606,000			

Category of participants	As at 1 April 2016	Granted during the Year[1]	Exercised during the Year[2]	Cancelled during the Year	Lapsed during the Year	As at 31 March 2017	Date of grant of share options[3]	Exercise period of share options	Exercise price per share HK$
	Number of share options								
Director									
Dr. Owyang King	2,400,000	–	–	–	–	2,400,000	30 April 2010	from 30 April 2011 to 29 April 2020	1.05
	2,400,000	–	–	–	–	2,400,000	30 April 2010	from 30 April 2012 to 29 April 2020	1.05
	3,200,000	–	–	–	–	3,200,000	30 April 2010	from 30 April 2013 to 29 April 2020	1.05
	2,400,000	–	–	–	–	2,400,000	28 June 2011	from 28 June 2012 to 27 June 2021	0.79
	2,400,000	–	–	–	–	2,400,000	28 June 2011	from 28 June 2013 to 27 June 2021	0.79
	3,200,000	–	–	–	–	3,200,000	28 June 2011	from 28 June 2014 to 27 June 2021	0.79
	1,200,000	–	–	–	–	1,200,000	6 August 2012	from 6 August 2014 to 5 August 2022	0.375
	1,600,000	–	–	–	–	1,600,000	6 August 2012	from 6 August 2015 to 5 August 2022	0.375
	–	1,600,000	–	–	–	1,600,000	28 April 2016	from 28 April 2017 to 27 April 2026	1.174
	–	1,600,000	–	–	–	1,600,000	28 April 2016	from 28 April 2018 to 27 April 2026	1.174
	–	1,600,000	–	–	–	1,600,000	28 April 2016	from 28 April 2019 to 27 April 2026	1.174
	–	1,600,000	–	–	–	1,600,000	28 April 2016	from 28 April 2020 to 27 April 2026	1.174
	–	1,600,000	–	–	–	1,600,000	28 April 2016	from 28 April 2021 to 27 April 2026	1.174
	18,800,000	8,000,000	–	–	–	26,800,000			

Category of participants	Number of share options: As at 1 April 2016	Granted during the Year[1]	Exercised during the Year[2]	Cancelled during the Year	Lapsed during the Year	As at 31 March 2017	Date of grant of share options[3]	Exercise period of share options	Exercise price per share HK$
Mr. Au Hing Lun, Dennis	2,490,000	–	(2,490,000)	–	–	–	4 July 2014	from 4 July 2016 to 3 July 2024	0.68
	3,320,000	–	–	–	–	3,320,000	4 July 2014	from 4 July 2017 to 3 July 2024	0.68
	5,810,000	–	(2,490,000)	–	–	3,320,000			
Sub-total of director category	24,610,000	8,000,000	(2,490,000)	–	–	30,120,000			
Total	26,196,000	9,200,000	(2,490,000)	–	(180,000)	32,726,000			

Notes:

1. *8,000,000 share options were granted to a director while 1,200,000 share options were granted to a member of the senior management of the Company under the 2006 Scheme on 28 April 2016. The closing price of the Company's shares immediately before such date of grant was HK$1.13 per share.*

2. *2,490,000 share options were exercised by a director on 19 August 2016. The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK$1.08 per share as at 18 August 2016.*

3. *The vesting period of the share options granted is from the date of grant until the commencement of the exercise period.*

Management Contracts

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

Major Customers and Suppliers

The percentages of sales for the year ended 31 March 2017 attributable to the Group's major customers are as follows:

Sales

- the largest customer: 24%
- five largest customers combined: 57%

None of the Company's directors, their close associates or any shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had an interest in the major customers noted above.

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the Year was less than 30% of the Group's purchases.

Directors' Interest in Competing Business

As at 31 March 2017, to the best knowledge of the directors, none of the directors was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

Corporate Governance

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Audit Committee

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely, Mr. Luk Koon Hoo (Chairman of the Audit Committee), Mr. Patrick Thomas Siewert and Mr. Cheung Ching Leung, David and two non-executive directors of the Company, namely, Mr. Kam Chi Chiu, Anthony and Mr. Arvind Amratlal Patel, has reviewed the consolidated financial statements of the Group for the year ended 31 March 2017 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

Auditor

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the 2017 AGM.

Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the Year.

By Order of the Board

Auyang Ho
Chairman

Hong Kong, 28 June 2017

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2017.

Corporate Governance Principles and Practices of the Company

The Board believes that good corporate governance practices are important for enhancing corporate value and investors' confidence and interests. The Company has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of the business of the Group, the cornerstone of which is to have an experienced and committed Board and an effective internal control and to enhance its transparency and accountability to Shareholders.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 March 2017.

The Board will continue to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments. The key corporate governance principles and practices of the Company are summarised as follows:

The Board of Directors

Responsibilities and Delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to Shareholders, and, on behalf of the Shareholders, overseeing the Company's financial performance. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The day-to-day management, administration and operation of the Company are led by the Executive Committee and the Chief Executive Officer of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management to discharge its responsibilities.

The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

Board Composition

As at 31 March 2017, the Board comprised nine members in total, with three executive directors, three non-executive directors and three independent non-executive directors. The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of its Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The list of all directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company. The Company also has maintained on its website an updated list of its directors identifying their roles and functions.

The relationships among the members of the Board are disclosed under the section headed "Profile of Directors, Senior Management and Company Secretary" in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each executive director supervises specific areas of the Group's business in accordance with his expertise. The non-executive directors are of sufficient caliber and number for their views to carry weight and they bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the non-executive directors have made various contributions to the effective direction of the Company.

The Company has received a written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all of its independent non-executive directors independent in accordance with the independence guidelines set out in the Listing Rules.

The Company firmly believes that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has formulated Board Diversity Policy. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can bring to the Board. All nominees proposed by the Board shall comply with the principle of appointment based on merits and fully take into account objective conditions and benefits of diversity of the Board while considering candidates. The Nomination Committee will report the composition of the Board at a diversity level, supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. The Nomination Committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board.

Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company fully supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Currently, Mr. Auyang Ho, who is the Chairman of the Board, takes up the responsibility of the management of the Board whereas Dr. Owyang King, the Chief Executive Officer of the Company, is responsible for the day-to-day management of the Group's business. The respective responsibilities between the Chairman of the Board and the Chief Executive Officer have been clearly established and set out in writing.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Company has established a Nomination Committee, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Additional information on such Nomination Committee is set out in the "Board Committees and Corporate Governance Functions" section below.

Each of the executive directors of the Company is engaged on a service contract with the Company for a term of three years. The Company has also issued respective letters of appointment to its non-executive directors and independent non-executive directors specifying their term of appointment. The current term of appointment of all the non-executive directors and independent non-executive directors is 2 years.

In addition, in accordance with the Articles of Association, all the directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Induction and Continuing Development for Directors

Each newly appointed director of the Company receives an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

Directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

Besides, continuing briefings and professional development for directors will be arranged whenever necessary.

Under code provision A.6.5 of the CG Code, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

According to the records of training maintained by the Company, during the year ended 31 March 2017, all the directors pursued continuous professional development and relevant details are set out below:

Name of Director	**Type of Training** *(Notes)*
Mr. Auyang Ho	A
Dr. Owyang King	A
Mr. Au Hing Lun, Dennis	A
Mr. Kam Chi Chiu, Anthony	A, B
Mr. Arvind Amratlal Patel	A
Mr. Wong Chun Kong	A, B
Mr. Luk Koon Hoo	A, B
Mr. Patrick Thomas Siewert	A, B
Mr. Cheung Ching Leung, David	A, B

Notes: A: reading journals, updates, articles and/or materials, etc.
B: attending seminars, conference and/or forums

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group, when necessary, and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their close associates have a material interest.

Model Code for Securities Transactions

The Company has adopted its own code of conduct (the "Own Code") regarding dealings in the securities of the Company by the directors, senior personnel and certain employees of the Group (who are likely to be in possession of inside information in relation to the Company or its securities) on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. The Company will notify its directors and relevant employees in advance in respect of the restricted period on dealings in the Company's securities, if the period is known to the Company.

Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the period from 1 April 2016 to the date of this report.

In addition, no incident of non-compliance of the Own Code by the employees of the Group was noted for the period from 1 April 2016 to the date of this report.

Board Committees and Corporate Governance Functions

The Board has established four Board committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.computime.com" (the terms of reference of the Remuneration, Audit and Nomination Committees are also posted on the website of the Stock Exchange) and are available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee comprises a total of four members, being one executive director, namely, Mr. Auyang Ho and three independent non-executive directors, namely, Mr. Patrick Thomas Siewert, Mr. Luk Koon Hoo and Mr. Cheung Ching Leung, David. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Patrick Thomas Siewert.

The principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; make recommendations on the remuneration packages of executive directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) is adopted); and review and approve performance-based remuneration by reference to corporate goals and objectives.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Board and the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2017, the Remuneration Committee has met once and performed the following works:

– Review and recommendation of the remuneration packages of directors of the Company and senior management of the Group;

– Review and recommendation of the terms of the director's service contract; and

– Review and recommendation of performance-based remuneration and bonus to the directors and senior management of the Group.

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

	Number of Employees
Nil to HK$500,000	**0**
HK$500,001 to HK$1,000,000	**1**
HK$1,000,001 to HK$1,500,000	**1**
HK$1,500,001 to HK$2,000,000	**1**
HK$2,000,001 to HK$2,500,000	**3**
HK$2,500,001 to HK$3,000,000	**2**
HK$3,000,001 to HK$3,500,000	**1**
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Details of the remuneration of each director for the year ended 31 March 2017 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises a total of five members, being the three independent non-executive directors, namely, Mr. Luk Koon Hoo, Mr. Patrick Thomas Siewert and Mr. Cheung Ching Leung, David and two non-executive directors, namely, Mr. Kam Chi Chiu, Anthony and Mr. Arvind Amratlal Patel. The chairman of the Audit Committee is Mr. Luk Koon Hoo who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 March 2017, the Audit Committee met four times with the presence of the Company's senior management and/or the external auditor and performed the following major works:

– Review of the financial statements, results announcements and reports for the year ended 31 March 2016 and for the six months ended 30 September 2016, the accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion with the auditor on the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and the review of the arrangements for employees of the Company to raise concerns about possible improprieties; and

– Consideration of the internal audit plan and report.

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. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

Nomination Committee

The Nomination Committee comprises a total of three members, being one executive director, namely, Mr. Auyang Ho and two independent non-executive directors, namely, Mr. Luk Koon Hoo and Mr. Patrick Thomas Siewert. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Nomination Committee is Mr. Auyang Ho.

The principal duties of the Nomination Committee are reviewing and giving recommendation on the composition of the Board, formulating relevant procedures for nomination and appointment of directors, identifying qualified individuals to become members of the Board, monitoring the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

The Company has adopted a memorandum of directors' nomination criteria, procedure and process for providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. The Human Resources Department of the Company will assist and an external recruitment agency may be engaged in carrying out the recruitment and selection process where necessary.

In addition, in accordance with the Board Diversity Policy issued by the Company, the Nomination Committee shall supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. Meanwhile, the Nomination Committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board. The Nomination Committee considered that during the reporting period, the composition of the members of the Board was in accordance with the requirements of the Board Diversity Policy.

During the year ended 31 March 2017, the Nomination Committee has met once and performed the following major works:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the independent non-executive directors; and

– Recommendation on the re-appointment of retiring directors at the 2016 annual general meeting of the Company.

Pursuant to article 87 of the Articles of Association, Dr. Owyang King, Mr. Au Hing Lun, Dennis and Mr. Luk Koon Hoo will retire from office by rotation at the 2017 AGM.

The Nomination Committee recommended the re-appointment of these three retiring directors at the 2017 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring directors pursuant to the Listing Rules requirements.

Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Auyang Ho, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

During the year ended 31 March 2017, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

During the year ended 31 March 2017, the Board held four Board meetings. The attendance records of each director at the Board and Board Committee meetings (except the Executive Committee) and the annual general meeting of the Company held during the year ended 31 March 2017 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. Auyang Ho	4/4	–	1/1	1/1	1/1
Dr. Owyang King	4/4	–	–	–	1/1
Mr. Au Hing Lun, Dennis	4/4	–	–	–	1/1
Mr. Kam Chi Chiu, Anthony	4/4	4/4	–	–	1/1
Mr. Arvind Amratlal Patel	4/4	4/4	–	–	1/1
Mr. Wong Chun Kong	3/4	–	–	–	0/1
Mr. Luk Koon Hoo	4/4	4/4	1/1	1/1	1/1
Mr. Patrick Thomas Siewert	4/4	4/4	1/1	1/1	0/1
Mr. Cheung Ching Leung, David	4/4	4/4	–	1/1	1/1

Directors' Responsibilities for Financial Reporting in respect of the Financial Statements

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

Risk Management and Internal Controls

The Board has delegated the responsibilities to oversee the Group's Risk Management and Internal Control Systems to the Audit Committee of the Group. These Systems include responsibilities to oversee the Group's Enterprise Risk Management Framework, to advise the Board on the Group's risk-related matters, to approve the Group's risk policies, and to assess the effectiveness of the Group's risk controls and mitigation tools.

The Board acknowledges that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Risk Management Process

Risk context establishment

The Enterprise Risk Management Framework and the Risk Management Committee was set up in April 2016. The Group's risk appetite defining the extent of risks that the Group is willing to undertake was set up for the Group as to ensure risks are assessed in a consistent manner.

Risk identification

Management's input on risk exposures across the business lines is solicited through facilitated workshops and a series of Internal Control Questionnaires. A comprehensive list of threats and opportunities based on those events that might enhance, prevent, degrade, accelerate or delay the achievement of objectives is generated.

Risk assessment and prioritisation

Identified risks are further evaluated by management using a scale to evaluate their likelihood of occurrence and impact to the Group's business activities, finances, operations and regulatory compliance. The risks are then prioritised based on the evaluation results.

Risk treatment

Identified risk owners assess effectiveness of existing controls and provide treatment plans when required. Individual risks that fall outside the Group's risk tolerance are treated, monitored and reviewed in accordance with a priority order.

Risk review

The Risk Officers and the respective process owners in Risk Management Committee review and update their risk registers, facilitate and monitor the implementation of effective risk management practices, report adequate risk-related information throughout the Group to the Board and Audit Committee. Risk Management Committee is responsible for identifying and assessing risks in a macroscopic and strategic view, including emerging risks.

Risk reporting

Management reports key corporate and business level risks and action plans to Audit Committee on a regular basis. Significant changes in key risks on a day-to-day basis are mitigated and reported to management as they arise.

Risk monitoring activities

The Board and Audit Committee oversee the process, assisted by Internal Audit Department. Management updates its updated reports to the Audit Committee on movements of top risks and appropriate mitigating measures.

Risk Governance

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and directions from the Audit Committee at Computime, as below:

Board of Directors

- Establishes business strategy and approves risk appetite

Audit Committee

Risk related duties

- Oversees the Group ERM Framework and approves risk management policies
- Advises the Board on the Group's risk-related matters
- Reviews the overall risk assessment along with the effectiveness of the risk controls and mitigation process
- Considers emerging risks related to the Group's business and strategies
- Reviews risk reports and breaches of risk tolerances and the related policies

Financial and fiduciary duties

- Oversees financial reporting
- Oversees internal control systems

Risk Management Committee

Functions that oversee risks

- Reviews departmental reports on key risks and considers common risks across the Group
- Oversees implementation of the Group's ERM Framework applicable throughout the Group

Internal Audit Department

- Provides independent assurance

Management

Functions that own and manage risks

- Maintains effective internal controls and for executing risk and controls procedures on a day-to-day basis
- Implements corrective actions to address process and controls deficiencies
- Identifies, assesses, controls, and mitigates risks, guides the development and implementation of internal policies and procedures and ensures that activities are consistent with the Group's goals and objectives

The Three Lines of Defence model distinguishes among three groups (or lines) involved in effective risk management:

1. First Line of Defence, functions that own and manage risks:

   At the first line of defence, operational managers own and manage risks. They are also responsible for implementing corrective actions to address process and controls deficiencies. Operational management is responsible for maintaining effective internal controls and for executing risk and controls procedures on a day-to-day basis. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. Through a cascading responsibility structure, mid-level managers design and implement detailed procedures that serve as controls and supervise execution of those procedures by their employees.

   Operational management naturally serves as the first line of defence because controls are designed into systems and processes under their guidance of operational management. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight controls breakdown, inadequate processes, and unexpected events.

2. Second Line of Defence, functions that oversee risks:

   Management establishes various risk management and compliance functions to help building and/or monitoring the first line of defence controls. The Risk Management Committee facilitates and monitors the implementation of effective risk management practices by operational management and assists different risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the Company. The Risk Management Committee classifies all identified risks into four major categories, and delegates to the corresponding management to oversee and manage the associated identified risks. The four major categories comprise of financial, compliance, operational and business related risk matters. Each corresponding management is required to ensure that the first line of defence is properly designed, in place, and operating as intended.

3. Third Line of Defence, functions that provide independent assurance:

   Internal audit function provides the Audit Committee and senior management with assurance based on the highest level of independence and objectivity within the Company. This high level of independence is not available in the second line of defence. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls.

Disclosure of Inside Information Procedures

Computime has incorporated procedures for reporting and disseminating inside information. These procedures ensure the timely disclosure of information on the Group and the fulfilment of the Group's continuous disclosure obligations.

Review on the Effectiveness of Risk Management and Internal Controls

During the Year, Computime conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to both existing and new businesses of the Group.

In respect of the year ended 31 March 2017, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern that may affect the financial, operational, compliance, business controls, and risk management functions of the Group have been identified.

During the review, the Board also considered the resources, qualification and experience of staff of the Group's internal controls, accounting and financial reporting function, and their training and budget were adequate.

Forward-looking in Risk Management and Internal Controls

In the context of a fast-changing global and local environment, the monitoring of "emerging risks" will be a focus. In general, maintaining an effective risk management system on a day-to-day basis by our operating units is a continuous journey. The Group shall continue this path, with further integration of internal controls and risk management into its business processes.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

A summary of audit and non-audit services provided by the external auditor for the year ended 31 March 2017 and their corresponding remuneration is as follows:

Nature of services	**Amount** HK$'000
Audit services	1,940
Non-audit services	
(i) Tax services	281
(ii) Services rendered in connection with the Company's interim report	166
(iii) Advisory service on Environmental, Social and Governance Reporting	218
(iv) Advisory service on enterprise risk management	180

Company Secretary

Ms. Soon Yuk Tai of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Dr. Owyang King, executive director and Chief Executive Officer of the Company.

During the year ended 31 March 2017, Ms. Soon has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

Communications with Shareholders and Investors

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.computime.com" as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong or via email to "hq@computime.com" or "ir@computime.com" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Group's developments.

Shareholders' Rights

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objectives of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: 9th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong

Email: "hq@computime.com" or "ir@computime.com"

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement, or enquiry (as the case may be), in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the Year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions proposed at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.computime.com) immediately after the relevant general meetings.

Environmental, Social and Governance Report

Overview

This is the first Environmental, Social and Governance ("ESG") Report published by Computime, which discloses ESG performance related information on our product responsibility, labour management, environmental protection, anti-corruption, and supply chain management. The reporting year of this report is aligned with our financial year ended 31 March 2017.

Basis of compiling the report

This report was compiled in accordance with the Environmental, Social and Governance Reporting Guide published by the Stock Exchange. The content of this report was determined by a set of procedures, including identifying and prioritising stakeholders, identifying and prioritising material ESG issues, collecting environmental metrics, and verifying the reported metrics.

Reporting scope and boundary

Unless otherwise specified, the contents and metrics reported in this report cover Computime and the Group.

Source of data and assurance to reliability

The data and case studies reported in this report were prepared based on our internal statistical reports, internal policies and other internal documents. The Board hereby confirms that no false or misleading statements were made in this report.

Board approval

Upon review of the management team, this report has been approved by the Board on 28 June 2017.

Our Environmental, Social and Governance performance

Computime is a global enterprise primarily focusing on the design, manufacturing, and distribution of electronic control systems and connected devices through leveraging our core capabilities in electronics and wireless technologies. In a world where natural resources are becoming scarce, we play a part in advancing technology which maximises our resource consumption efficiency. Connected devices, control systems and the IoT are leading us to a greener and smarter lifestyle. Computime has invested in development of solutions which helps to manage how resources are being consumed, in particular saving energy and avoiding wastage. We are excited about this important role that we play, and look forward to contributing to a brighter world for future generations to come.

Environmental protection and upholding labour standards are key priorities of the global electronic supply chain. As a responsible member of this supply chain, Computime pays close attention to our compliance with environment, labour, business ethics, industry standards, and applicable regulations. On behalf of our customers, we also select our suppliers in accordance with the environmental and social responsible principles.

This report discusses our approach and performance on various environmental, social and governance areas.

Our management perspective in Environmental, Social and Governance issues

Computime understands that ESG issues are not only compliance issues, but effective management of these issues also reflects a culture of sound business practices. As such, multiple departments and team members work diligently to ensure ESG issues are managed effectively. Our Human Resources Department and Environmental, Health and Safety ("EHS") team are tasked to oversee the implementation of labour, community engagement, environmental, and health and safety related practices respectively. At the same time, our Research and Development ("R&D"), Engineering and Manufacturing teams are diligently designing and manufacturing innovative products and ensuring our materials and products are in line with our core principles of enhancing the sustainability of our limited natural resources. Our Quality Department verifies and validates our products are safe, delivered with the best quality, and without significant impact to the environment.

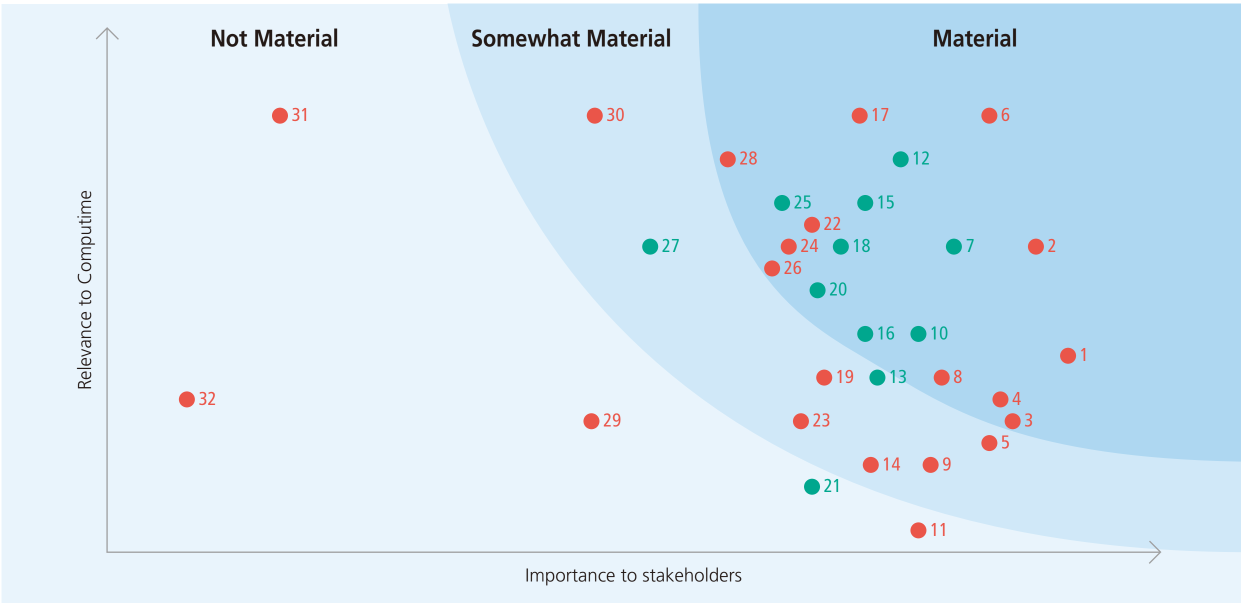
Stakeholder engagement and materiality analysis

We believe that feedback and comments from our stakeholders will help us to evaluate our performance on different ESG aspects objectively and comprehensively. As a result, Computime engages our stakeholders through various channels to understand how we can do better on different ESG aspects.

Since this is the first year of publishing an ESG Report, the Group has engaged a consultant to design and implement specific stakeholder engagement exercises, and to evaluate how we have impacted our stakeholders. The targeted stakeholders were employees, customers and suppliers. They were engaged by online surveys and individual interviews. Through the analyses of the stakeholder engagement findings, we summarise how our stakeholders understand and comment on our ESG performance, and their expectations for our future work.

Stakeholder engagement findings suggest how important the ESG aspects are to the stakeholders, while discussions with our own senior management members articulate the relevance of different ESG aspects to our business. "Importance to stakeholders" and "Relevance to the Business (Computime)" are the two elements determining the materiality of the respective ESG aspects. The following graph and table illustrate the relative materiality of different ESG aspects:

Materiality matrix for Environmental, Social and Governance aspects



Subject	Not material No.	Aspect	Somewhat material No.	Aspect	Material No.	Aspect
Environment	21	Efficient use of raw materials	13	Minimising waste water discharge	7	Handling of hazardous waste
			27	Efficient use of packaging materials	10	Air pollutant emissions
					12	Climate change
					15	Efficient use of water
					16	Compliance with environmental regulations
					18	Minimising general waste
					20	Offering products that are of environmental value
					25	Efficient use of energy
Social	11	Compliance to product and marketing regulations	5	Fair remuneration package for employees	1	Compliance with labour regulations
	29	Reducing environmental impact of suppliers	9	Customer privacy	2	Enhancement of product quality
	31	Community investment	14	Fair hiring and rewarding mechanism	3	Fair working hours and holidays
	32	Supplier diversity	19	Product health and safety	4	Forbidding child labour
			23	Intellectual property management	6	Health and safety
			30	Supplier management	8	Clear labelling of products
					17	Non-discrimination and equal opportunity
					22	Staff retention and caring of employees
					24	Training and development
					26	After-sales services and response to complaints
					28	Anti-corruption

The Group has already disclosed the management approach and performance in relation to these material aspects in this report.

Exceeding customer expectations

Our mission is to create and provide products and services that exceed customer expectations, solve problems, and improve lives. We invest in research, development and production of products with a "can-do" spirit. In order to live out our values, we are willing to take one step further to achieve customer satisfaction. We are strategically expanding our market in high value-added areas by meeting and surpassing the needs of our clients.

We are trusted for our ability to make a difference and be innovative. Over the past few years, we have been making an increasing level of investments to our research and development activities. We have established a new R&D centre located in the Hong Kong Science Park in early 2017. The new R&D centre directs our efforts globally in advancing new technologies in a number of areas, including RF technologies, cloud computing, and IoT platform development, in conjunction with our current US and China R&D centres.

Driving the future with creative engineering

Computime's creative engineering approach solves problems and improves lives with state-of-the-art technologies in combination with easy-to-use features. Our extensive experience working with different wireless protocols, such as Wi-Fi, Zigbee, Bluetooth Low Energy and Z-Wave, enables our team to engineer optimised solutions for our customers. In particular, we have been involved in ZigBee technology for more than a decade and contributed in the initial definition of Smart Energy Profile and interoperability tests.

As Computime spearheads the applications of wireless connectivity, we are cognizant of the fact that our innovation can have a positive impact to our environment and communities. With our technology, users enjoy the benefit of using remote monitoring and control of their devices that help them to reduce their energy wastage. Computime markets and distributes its own line, under the brand name of SALUS, of thermostatic controls, home automation and sensor products. As a pioneer in the connected thermostat market, SALUS offers a connected platform that supports a variety of devices, including energy management and safety products. In general, our thermostatic related products help customers to save their energy usage for up to 25%. In the near future, our customers will also be able to receive preventative alerts on certain anomalies in their energy-consuming systems and suggestions on energy saving strategies.

We are dedicated to developing products which consume the least amount of energy possible. Our thermostat products are designed to be compliant with EnergyStar and/or other energy-related regulatory requirement.

Smart Home System for saving energy at European hotels

Larger hotels employ centrally managed heating, ventilation and air-conditioning ("HVAC") systems. However, most of the smaller hotels in Europe use distributed HVAC system without a central management system. Energy is wasted when heaters or air conditioners are not turned off in rooms without occupants. In the year of 2016, Computime designed a full Smart System for European boutique hotels. Consisting of Universal Gateway, iT600 Thermostat, iT600 Thermostatic Radiator Valve Controller, and Window Sensors supported by cloud computing, the system allows the hotel management to manage the system either through a web interface or on a mobile app. Hotel management can switch off the air conditioners in the room from the reception or by the mobile app once the occupant has checked out. The HVAC system can also be turned off automatically when the open windows are detected in order to save energy.

Assurance to quality

We are committed to Total Quality Management with an ultimate goal of zero defects. Quality is the primary focus in every phase of the product life cycle. As a testament to our commitment to consistent quality, our facilities have moved forward from simply being ISO 9001 certified to obtaining various certifications and approvals for automotive and medical products respectively, namely ISO/TS 16949 and ISO 13485. Applying many of the lessons and more importantly the mind set embodied in those standards across our full range of production lines, our ANSI ESD S20.20 certification of conformity demonstrates an effort to eliminate field failures which might not be testable. In addition, our ISO 14001 certification is a natural incarnation of the Group's commitment to the environment. We are also a C-TPAT Global Security Verification registered participant, which enable us to support our customers in delivering products compliant with these specific requirements.

At Computime, we effectively utilize control processes such as Early Design Concept Review, Design Quality Audit, Design For Manufacturing, Design For Testing and both Design and Process Failure Mode Effect Analysis. Our independent advanced quality and reliability functions ensure that every product meets our stringent quality requirement well before it is released for pilot production.

Along with the quality of our products, user safety is also our utmost concern. As a basic requirement, products we design and manufacture are to meet with the health and safety standards of major markets. Our products are certified to meet different testing and product safety standards issued by the following institutes, such as UL, CE, TUV, CSA, VDE, Intertek ETL SEMKO, KEMA, China Compulsory Certification ("CCC") and China Quality Certification ("CQC"), where they are applicable. Our designed and manufactured products for medical applications are also registered with the US FDA (Food and Drug Administration). Our product design meets the European requirement of RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) directives to protect customers' health and the environment, regardless of the final destinations of the products shipped. We assess product safety hazards based on an internal list. As part of the quality assurance process, stress tests and abnormal tests are conducted to ensure minimised hazards.

Computime is aware of the potential environmental impact of products manufactured. For example, we routinely eliminate the use of hazardous substances from the initial product design stage. Our quality control procedures outline that any effect on the environment must be considered in a product design change. When new materials are introduced, we conduct tests to assess the potential environmental impact, or request the supplier to conduct the test on our behalf.

Listening to our customers

Computime has two major groups of customers. Our OEM/ODM customers are major global electronic product manufacturers and suppliers, and our account managers are responsible for maintaining a close working relationship with these customers, including following up on any enquiries. Customers of the SALUS brand are professional wholesalers, distributors, as well as professional installers based in Europe and North America, and are supported by our SALUS subsidiaries in those locations. At SALUS, we support end-users and installers of our products via the technical support hotline, emails and social media.

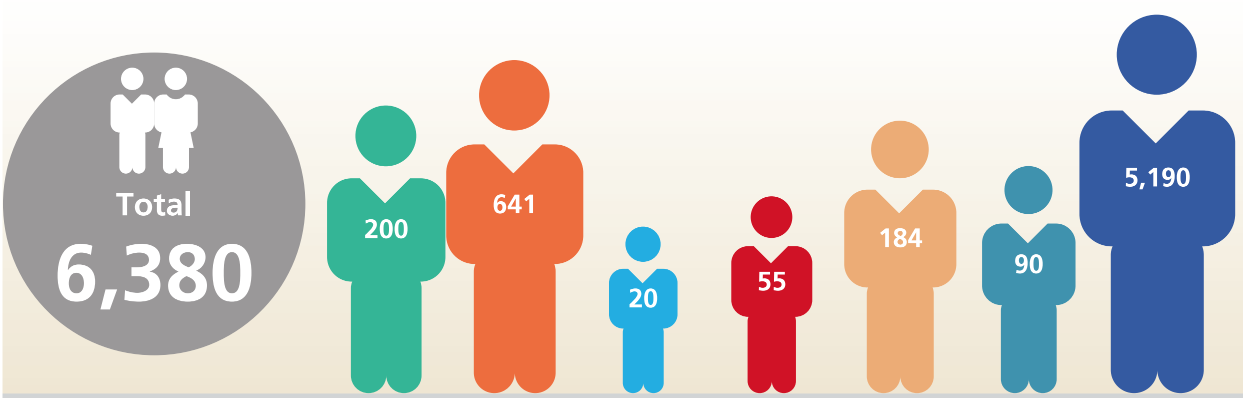
Our ODM/OEM customers' major after-sales requests mainly concern functional or cosmetic issues. In the Year, we have not received any complaints regarding product safety. If our customers make a complaint, they will fill out a complaint form and discuss the issue with their respective account manager. If complaints are considered justified and are not settled by communication, cases will be filed and handled accordingly. Most of the complaints made relate to product quality concerns. Failure tests are arranged for products that are returned to Computime. In the Year, we had 403 cases of sold-product testing, concerning less than 0.07% of all products shipped. If quality failure is confirmed, we will arrange a return of the affected batch of products and offer free fixes accordingly. Quality Department of Computime produces annual client satisfaction reports.

Through our technical support hotline, customers and users of our SALUS products can raise concerns regarding our products. In the Year, most of these enquiries were in respect of operation and installation issues, which have been efficiently resolved. In order to address technical and user issues more efficiently and effectively, solutions to common issues have been published on the SALUS website. If a customer's enquiry is classified as a complaint, the case will be escalated to the Product Development Director. SALUS' Customer Satisfactory Forms are distributed to the customers via email. These forms are to be filled out and returned on a voluntary basis. We also have a Customer Service Administrator who calls distributors on a regular basis to ensure the satisfactory level of our service and delivery of products is met. The administrator also sends monthly reports to the Sales Directors on our service and delivery results.

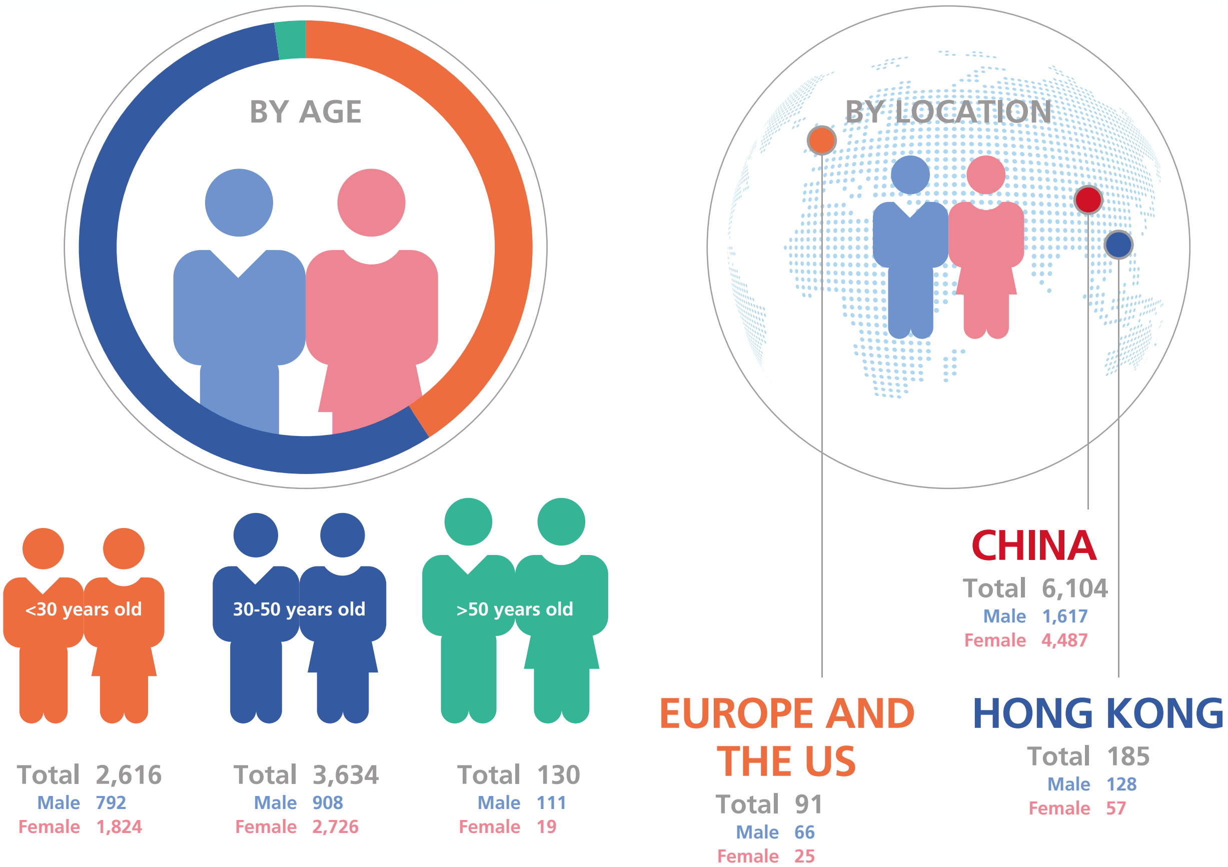
Being People-oriented

Talent is essential for the development of Computime. Our team consists of talents who develop, manufacture and market our products. With such a diverse team, we believe that team spirit and selfless dedication are the cornerstones of our success. Therefore, Computime is committed to providing employees with a friendly, safe and people-oriented working environment.

As at 31 March 2017, our Company employed a total of 6,380 employees. The employee profile background is as follows:



	Corporate	Operations	Program Management	Research and Development	Engineering	Sales and Marketing	Manufacturing
Male	70	334	16	47	147	64	1,133
Female	130	307	4	8	37	26	4,057



Ensure employees' rights

In order to build a level playing field for talents, Computime implements comprehensive assessment of merit-based selection in the employment process so that favouritism is avoided.

We believe that a diverse and inclusive company culture helps to inspire creativity and provide a foundation for sustainable success. Computime treats employees equally and strives to take positive action to ensure that employees and potential employees are not discriminated against due to race, skin colour, national origin, religion, sex, marital status, age, sexual orientation, disability or veteran status in recruitment, hiring, compensation, training, and promotion. They are evaluated based on their competence in performing specific duties.

We are committed to providing a fair working environment and creating an atmosphere of open communication for all of our people.

Prevention of child and forced labour

At the same time, forced, bonded or prison labour is specifically forbidden to protect the human rights of our employees. During the hiring process, all candidates are required to provide their proper identification documents to reveal their age; an employment contract is also duly entered into to ensure the appointment is voluntarily and mutually agreed upon by both parties. Local and international regulations with respect to the restrictions of child labour are strictly complied. Any forged documents on applications are considered to be fraudulent and the concerned individuals will not be hired.

Remuneration, benefits, working hours and leave arrangements

Work-life balance is crucial to our employees' growth as well as the Company's development. In this highly competitive business environment, we strive to formulate a more people-oriented human resource strategy to retain and acquire talents.

Employees' working hours are limited below the statutory level. Length and time of each shift is determined by the respective units based on the demand for labour, yet is regulated by the Human Resources Department. Employees may only need to work overtime if required. Compensatory leave or overtime pay is granted on work during rest days and holidays in accordance with the requirement of local employment laws.

In terms of remuneration, our wage level meets the local minimum wage requirements while our remuneration for employees consists of base salary, performance bonus and discretionary bonus. Our employees are also entitled to statutory holidays, rest days, maternity leave and paternity leave. We also offer extra sick leaves, marriage leaves and bereavement leaves on top of the statutory requirement. Employee-related insurance benefits, including medical and dental insurance, life insurance, accident insurance, as well as travel insurance, are also in place to provide greater protection to our staff. All these measures exhibit how we value our employees as the key assets of our Company.

Labour union and labour representatives

In order to further enhance the relationship with our employees, an employer-labour communication channel has been established at our factories. Our employees are entitled to freedom of association and collective bargaining rights. Labour representatives are elected by members of the Labour Union at the factories, while factory management forms a committee to meet with the labour representatives to address the employees' concerns relating to safety at work, housekeeping in working and living areas, benefits and facilities, etc.

Whistleblowing

We are committed to upholding our values in honesty, integrity and impartiality. Appropriate training are provided to our employees to ensure that they understand and follow ethical business conducts in accordance with the Code of Conduct and the internal policies relevant to whistleblowing. As such, we provide reporting channels for our employees to raise concerns about any suspected misconduct, unethical behaviour or breach of the Code.

Suspected non-compliance cases or concerns may be reported with unrestricted access and directly to department heads, internal audit department, senior management team or the members of the audit committee. Once the complaint is filed, an appropriate investigating officer with suitable seniority at the Company will be appointed or a special committee will be formed to conduct an investigation while the identity of the whistle-blower will not be disclosed without his/her consent. Where the report discloses a possible criminal offence, the persons of interest and the matters would be reported to the law enforcement authority.

Addressing employees' concerns

The meeting between the labour representatives and the factory management has been a very effective communication channel for addressing employees' concerns. In the past year, the Labour Union has requested for an improvement of the staff canteen and the dormitory, such as revamping old pipes at the dormitory and offering further discounts at the staff canteen. We paid close attention to the voice of the labour representatives and assigned dedicated personnel to follow up these requests. The management has allocated subsidies to the staff canteen operation, as well as installing additional air conditioners and television sets to improve the canteen setting. The improvement includes the increasing number of choices of food and the hygiene level of the canteen and the kitchen. The price for the food is set to be below the market level for the benefit of our staff. Starting from October 2016, dormitory renovation has been underway, including painting, doors replacement, lockers installation and revamping of old pipes.

Occupational health and safety

Computime strives to maintain a stable and healthy workforce as the cornerstone of our sustainable growth. We are committed to a safe production environment and have relevant occupational health and safety guidelines in place which were prepared in accordance with regulatory requirements and health and safety management standards.

The Factory Safety Office at each factory is responsible for maintaining a safe working environment. Safety champions are assigned for each building and floor to execute safety-related procedures. At the operational level, the Factory Safety Office provides on-boarding safety training for new employees. Employees are trained with safety practices to enhance awareness and consciousness especially in the technical departments. Specific work licences are required for employees who are engaged in mechanical operations, such as electric welding, operating electrical equipment and lifts. In addition, employees are trained to use personal protective equipment ("PPE") properly and are required to wear all appropriate PPE before carrying out duties along the production line.

The Factory Safety Office also configures fire-fighting facilities according to relevant national regulations. Other initiatives, such as evacuation drills, are conducted at least twice every year, which involve all operation shifts and departments. Meanwhile, regular site inspections are carried out to ensure that all firefighting equipment, such as escape, alarm and extinguisher system, is appropriately maintained.

These preventative measures kept the Group's health and safety performance as follows:

Safety Performance of Computime in FY2017

Safety indicators	FY2017
Number of casualties	0
Lost Time Rate[1]	0.038%

Note:

1. Lost Time Rate = (Number of lost hours) ÷ (Total hours worked in the accounting period)

When an incident occurs, emergency response and procedures will be activated. A work-related injury and accident investigation report will be submitted to the occupational health and safety management representative for approval and then publicised to all employees to minimise the recurrence of such incidents.

Growing together

Training is important in enhancing people's capability to cope with the Company's accelerating growth and expansion. Other than the training and development policy which shows our encouragement of employees' continuous development, we also have the Individual Development Plan in our yearly performance review for guiding our employees' long term development in the Company.

New recruits at our offices and factories will receive different on-boarding trainings, which cover an introduction to our Code of Conduct, IT systems, Quality Policy and other policies as appropriate. One to three days of on-the-job training is arranged by supervisors for new recruits or employees new to specific tasks. Performance of trainees is evaluated to ensure the quality of products reaches the required standard.

We encourage employees to participate in external trainings and examinations proactively, such as, ISO awareness and licence-related trainings. In addition, we also encourage our senior staff to share their expertise and experience as lecturers and create an internal learning atmosphere.

Human Resources Department develops an annual training plan based on the Company's development direction and training requirement. A corresponding training team has been formed to take responsibility for managing the training records, tracking the plan and calculating training hours.

Employees who are involved in the production and quality management of medical and automotive products undergo special training. For example, special validation trainings are arranged for personnel whom perform installation, performance or operational qualification of medical devices. Engineers and technicians must acquire the required skills and knowledge for specialised tools and techniques. Employees, equipped with higher capability and confidence after the training, are usually more motivated to excel in their work. Our ultimate goal is to build stronger relationships among our people and provide them with promising career paths.

In order to facilitate and promote balance between work and leisure, Human Resources Department at the factories organises various activities, such as yoga and dancing classes, sports days and inter-departmental competitions including basketball, table tennis, badminton, tug-of-war, etc. for our employees. Participation in these leisure activities not only builds team cohesion, but also creates a more relaxed environment where people may reduce stress.

Computime also organises company-wide gatherings, like annual dinner and festive celebrations, to take the opportunity to show its appreciation to all the staff for their hard work and contributions.

Tug of War Competition

A Day Trip in Xichong, Shenzhen

3 on 3 Basketball Competition

2017 Annual Dinner

Protecting the environment

Computime makes a conscious effort to protect the environment where it operates. Our areas of focus are minimising pollution and mitigating global climate change. These include developing solutions which help our clients and users to save energy, reduce the environmental impact of disposed products, save resources as we operate, and control our emissions to meet the national statutory requirement.

We are committed to complying with national environmental regulations and continuously strengthening our environmental management system. Computime had been awarded the ISO 14001 environmental management system certification since 2002. The Environmental, Health and Safety Offices at our factories oversee the environmental performance of our manufacturing operation, where our environmental impact is considered to be the most prominent. Guided by our Environmental Policy, we promote waste minimisation, efficiency enhancement, and recycling as a means to protect the environment and conserve natural resources. We will make conscious efforts towards these objectives and report our progress in the years ahead.

Strict control of external emissions

In order to meet our environmental goals as well as our stakeholders' expectations, we are committed to treating hazardous waste safely. The hazardous waste that we generate includes waste oil drums, waste tarpaulins, waste hydraulic oil, and thinner water. Such waste is segregated from general waste and stored in designated storage units. A licensed third party qualified for hazardous waste handling is engaged to transfer hazardous waste. We have established a stringent management system to assess the contractor. The management system ensures that the disposal of hazardous waste is compliant with the national statutory regulations and no secondary pollution occurs during the process of transportation. In the Year, Computime generated 81.4 tonnes of hazardous waste.

Our manufacturing process involves activities such as reflow soldering, wave soldering, and cleaning of metals. Air pollutants, such as lead and lead compounds, non-methane volatile organic compounds, and sulphur dioxide, are emitted during these activities. Our factories employ central exhaust treatment facilities to ensure that the quantity of air pollutants emitted meets the Emission Limits of Air Pollutants as specified by the Guangdong Provincial Government. Qualified third parties are commissioned regularly to test if our exhaust is compliant with the Provincial limits.

Our activities may also emit noise, which affects our employees and our neighbouring communities. Noise levels recorded at the periphery of our factory buildings are at an average of 60 dB(A) which is compliant with the local policy of the Emission Standard for Industrial Enterprises Noise at Boundary. Our employees who have direct contact with noisy machinery are trained on noise management and associated regulations. We maintain compliance with statutory working hours so that no industrial noise is produced during the night time. It is our responsibility to lower the potential impacts or issues that might affect our stakeholders or residents nearby.

Saving resources

Our policy has directives to govern the use of electricity, gas and water in the most efficient manner. Energy consumed by our factories and dormitories is mostly in the form of electricity. Only a relatively small quantity of fuel is consumed by our Company vehicles.

We cautiously adhere to the "3E strategy" in manufacturing and management: Environmentally Friendly, Easy to Use, and Energy Efficient. We aim to reduce water and energy consumption, mitigate waste production, increase reuse of resources and ensure that the Company's production processes are in line with national and local government standards.

Respecting the environment is a demonstration of our "3E strategy" as well as the core value of integrity and sustainability. In the Year, Computime directly consumed 318 MWh of vehicle fuel and purchased 29,701 MWh of electricity[2], which resulted in 26,675 CO_2-equivalent tonnes of greenhouse gas emission. Computime actively explores the means of reducing energy consumption at our manufacturing sites. Replacement of light fixtures and installation of heat recovery systems was completed in the year of 2014. Through replacing traditional lights with more efficient LED fixtures, 231 MWh of electricity was saved in the Year.

During the Year, Computime also consumed 346,554 m^3 of water from municipal sources[3]. We have encountered no difficulty in sourcing water to support our manufacturing process and to supply our dormitories.

In addition to our energy saving policy, Computime has implemented a policy regarding the recycling and reuse of materials. Packaging materials, such as protective film, plastic bags, and carton boxes, are reused as much as possible. Scrap packaging materials and scrap soldering are segregated and sent for recycling. Computime actively monitors waste management inside and outside the Company as part of our responsibility for environmental conservation. In the Year, 1,957 tonnes of paper packaging and 7.8 tonnes of plastic packaging materials were used and shipped.

Recycling rate of non-hazardous wastes in FY2017

	Waste generated (tonnes)	Waste recycled (tonnes)[4]	Recycling rate
Carton box	792.85	765.22	96.5%
Plastic wraps	42.88	36.48	85.1%
Paper	7.00	6.19	88.4%
Solder	8.21	8.21	100%

Notes:

2. *The figure reported covers manufacturing sites in China and the Hong Kong headquarters only. Operation sites excluded are offices in Europe and research centres based in the US and China. Compared to the manufacturing sites in China, the energy consumption at these excluded sites is considered insignificant.*

3. *The figure reported covers manufacturing sites in China only. Operation sites excluded are offices in Hong Kong and Europe, and research centres based in the US and China. Compared to the manufacturing sites in China, the water consumption at these excluded sites is considered insignificant.*

4. *This figure reported refers to the quantity of waste collected by qualified recyclers.*

Upholding our ethical values

Computime is committed to achieving and maintaining high standards of transparency, probity and accountability. We urge our employees to conduct themselves with integrity, impartiality and honesty, and not tolerate any violation of business ethics.

As part of the electronics manufacturing services industry chain, we have selected suppliers with good environmental and social performance, and have grown together with them to enhance environmental and social management performance.

Anti-corruption

We advocate and promote our culture of integrity to enhance the moral character of our employees and ultimately create a transparent, friendly and healthy corporate culture. We attach great importance to the prohibition of ethical violations, such as corruption, bribery, money laundering, or any other illegal acts. In our Code of Conduct, it is clearly stated that employees are not allowed to receive any benefits, gifts or any improper advantage during business contacts with contractors, suppliers and customers. We have also established a confidential whistle-blowing system to handle investigations of any misconduct or malpractice.

Computime's management is committed to ensure that all of our staff members are aware of the importance of integrity and truthfulness, as well as being familiar with their responsibilities in their respective job areas. In the Year, there was no legal case regarding corrupt practices brought against Computime or our employees. There was no inappropriate behaviour reported by the whistle-blowing system or internal auditing sector.

Protecting patented and confidential information

We treasure our employees' ideas and value creativity. Research and Development is of significant importance for business growth and future development. We have four R&D and Engineering Centres operating globally, employing over 50 R&D researchers and over 150 engineers for electronics, software and mechanical design. Historically, Computime has registered at least 3 new patents annually.

Meanwhile, we safeguard the confidentiality of products under development and related product information according to our Company Confidential & Proprietary Information Policy. The Policy serves as a clear guideline for staff to handle copyrighted and patented proprietary information, such as design and production technologies for either well developed or under developing projects. Employees are not allowed to disclose to others without approval. Employees can only access the hard copies of engineering and manufacturing design guidelines that are classified as confidential at assigned areas in the office.

Computime has established a set of proprietary information management procedures in order to strictly protect our OEM/ODM customers. We strictly prohibit copying or applying customers' proprietary technology to other projects without their consent. When our researchers, product developers and engineers receive confidential proprietary information from clients, Computime implements the following controls to mitigate the risk of information leakage:

- When engaged by a client, Computime signs a confidentiality agreement.
- Only managers or above can retrieve customers' proprietary information. Access to more sensitive information, such as source code of our customers' proprietary software, is only granted to senior managers and above. Access to proprietary information by junior engineers is forbidden. If proprietary information needs to be passed to an engineer to facilitate their duties, Computime will limit the disclosure of such information to the individuals who are with the need to know, and strictly control such disclosures.
- Engineering Department is split into a number of sub-teams which work on their own projects independently. Projects concerning a specific client are assigned to a specific sub-team. As such, we limit the number of engineers obtaining proprietary information.

Supply chain management

In addition to product quality, Computime requires suppliers to control pollution, protect their employees, establish security and anti-terrorist practices, and avoid the use of hazardous substances. Computime conducts supplier qualification audits to ensure that the suppliers have the right management systems in place and can achieve our quality, environmental and social requirement. We have an annual supplier audit plan which covers selected suppliers. Audits are also conducted for new suppliers and existing suppliers to whom we have concerns on product quality.

Number of suppliers by geographical region

Geographical region	Number of suppliers
China	657
Asia except China	54
Europe	44
North America	78

Suppliers are required to fill out the Supplier Audit Checklist for self-assessment. In the checklist, we state clearly our expectations to the suppliers on environmental and social aspects. Specific expectations include whether a Health and Safety Committee has been formed to be accountable for health and safety issues, or whether there are documents recording key environmental elements of operation. Suppliers are scored based on whether relevant policies are implemented or supporting documents can be provided. Only those whose score meet or exceed the Company's established minimum scoring threshold are qualified to become our supplier. Any current or potential supplier who falls below the minimum threshold, are required to respond with corrective actions and implementation timelines to Computime within 2 weeks, whereby we will conduct a subsequent follow-up audit. We take steps to minimise risk across our supply chain by selecting suppliers who are ISO9001, TS16949 or ISO14001 certified, conducting regular sustainability assessment, and improving transparency in business operations.

Investing in communities

As a good corporate citizen, our policy is to support the organisations and activities of the community in which we reside. Employees are encouraged to participate personally in civic and community affairs. Computime strives to support worthwhile civic and charitable causes.

Computime has been a long supporter of S.K.H. St. Christopher's Home. During the Year, the Company contributed funding to support its after-school care program for children from low income families. We have also invited current students and graduates of the Home to be interns at Computime. This external contact is meant to help broaden their exposure in preparing for the next level of a working life.

Looking forward

Computime will continue to prioritise our investment in research and development for more energy-efficient products, conducting stringent quality assurance processes, minimizing environmental impact and creating a motivating workplace. Our management team believes that acting responsibly and creating additional values are keys to a sustainable business and will lead to a long-term stakeholder support.

HKEX Environmental, Social and Governance Reporting Guide Index

Aspects, General Disclosures and KPIs	Descriptions	Related chapters in this report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the environment: Strict control of external emissions	
KPI A1.1	The types of emissions and respective emissions data.	Protecting the environment: Strict control of external emissions	The air pollutant and noise emission levels of our factories in China meet the Emission Limits of Air Pollutants as specified by the Guangdong Provincial Government, Emission Standard of Cooking Fume, and Emission Standard for Industrial Enterprises at Boundary of the People's Republic of China.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Protecting the environment: Saving resources	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Protecting the environment: Strict control of external emissions	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Protecting the environment: Saving resources	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Protecting the environment: Saving resources	
KPI A1.6	Description of how hazardous and non-hazardous waste is handled, reduction initiatives and results achieved.	Protecting the environment: Strict control of external emissions	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Protecting the environment: Saving resources	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Protecting the environment: Saving resources	
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Protecting the environment: Saving resources	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Protecting the environment: Saving resources	

Aspects, General Disclosures and KPIs	Descriptions	Related chapters in this report	Remarks
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		Computime has no issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Protecting the environment: Saving resources	
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.		Our operation does not impact the natural environment directly, but we strive to promote environmental sustainability through product innovation. Please refer to "Exceeding customer expectations: Driving the future with creative engineering.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Being people-oriented: Ensure employees' rights	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Being people-oriented	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.		This figure is considered commercially sensitive and was not disclosed.
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Being people-oriented: Occupational health and safety	
KPI B2.1	Number and rate of work-related fatalities.		There were no work-related fatalities in FY2017.
KPI B2.2	Lost days due to work injury.	Being people-oriented: Occupational health and safety	We consider the lost time rate a more appropriate indicator in reflecting our safety performance.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Being people-oriented: Occupational health and safety	

Aspects, General Disclosures and KPIs	Descriptions	Related chapters in this report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Being people-oriented: Growing together	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).		All employees undergo training in the Year.
KPI B3.2	The average training hours completed per employee by gender and employee category.	Being people-oriented: Growing together	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Being people-oriented: Ensure employees' rights	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Being people-oriented: Ensure employees' rights	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Being people-oriented: Ensure employees' rights	
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Upholding our ethical values: Supply chain management	
KPI B5.1	Number of suppliers by geographical region.	Upholding our ethical values: Supply chain management	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Upholding our ethical values: Supply chain management	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Exceeding customer expectations	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		There were no product recalls for safety and health reasons.
KPI B6.2	Number of product and service related complaints received and how they are dealt with.	Exceeding customer expectations: Listening to our customers	In the Year, there were 403 cases of sold product returned for testing, concerning less than 0.07% of all products shipped. We do not consider all these cases formal complaints.

Aspects, General Disclosures and KPIs	Descriptions	Related chapters in this report	Remarks
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Upholding our ethical values: Protecting patented and confidential information	
KPI B6.4	Description of quality assurance process and recall procedures.	Exceeding customer expectations: Assurance to quality, Listening to our customers	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Upholding our ethical values: Protecting patented and confidential information	
Aspect B7: Anticorruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Upholding our ethical values: Anti-corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Upholding our ethical values: Anti-corruption	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Upholding our ethical values: Anti-corruption	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Investing in communities	
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Investing in communities	
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Not disclosed	Refer to the Report of the Directors for amount of charitable donation.

EY 安永

To the shareholders of Computime Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Computime Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 147, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 March 2017, the Group had a gross trade receivables balance of HK$683,043,000 and impairment allowances of HK$80,407,000. Significant management judgement and estimates were involved to evaluate the impairment allowance for trade receivables, based on factors including: the ageing of the trade receivable balances, a review of the customers' accounts, experience of collection trends, history and status of disputes or legal proceedings with customers, current business conditions as well as the extent of coverage by credit insurance. The accounting policies and disclosures for the trade receivables impairment allowances are included in notes 2.4, 3 and 19 to the consolidated financial statements.	Our audit procedures included, among others: (i) selecting samples for the circularisation of debtor confirmations, (ii) testing and evaluating the trade receivables ageing report to identify any long overdue debts and their historical pattern of settlement, (iii) reviewing the status of disputes and legal proceedings with customers, (iv) assessing the subsequent settlement of trade receivables, and (v) testing on a sample basis to credit insurance agreements.
Provision for inventories	
As at 31 March 2017, the Group had a gross inventory balance of HK$652,312,000 and an inventory provision of HK$25,244,000. In determining the provision, management applied significant judgement and estimates, which included assumptions that are affected by current and future market conditions and which took into account factors such as the historical usage, age, and forecast purchases and sales of inventories. The accounting policies and disclosures for provision for inventories are included in notes 2.4, 3 and 18 to the consolidated financial statements.	Our audit procedures included, among others: (i) assessing the lower of cost and net realisable value, by reviewing the gross profit margin analysis of products and discussing with management regarding the pricing policy, margin and provision basis, (ii) performing an obsolescence review by evaluating the subsequent usage of raw materials, work in progress and delivery of finished goods to customers, and (iii) attending the physical inventory counts.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at 31 March 2017, the Group recorded goodwill of HK$38,164,000, net of an impairment provision of HK$1,744,000. In determining whether a provision for impairment was required, management estimated the value in use of the Group's cash generating units ("CGUs") using discounted cash flow projections based on financial budgets covering a five-year period with a terminal value for cash flows beyond the five-year period, and based on inputs which mainly included the historical operating results, estimated future growth rate and the discount rate. The assessment process involved significant judgement and estimates, which included assumptions that are affected by future market and economic conditions. The accounting policies and disclosures for goodwill are included in notes 2.4, 3 and 14 to the consolidated financial statements.	Our audit procedures included, among others, an assessment of management's key estimates such as the budgeted sales and the terminal growth rate, by comparing historical forecasts with actual results; evaluating the methodologies and the key assumptions used in the impairment analyses, in particular the discount rate, by benchmarking to relevant market comparable entities, and evaluating the CGUs determination by analysing the organisational structure and business operations. We also performed sensitivity analyses around key drivers of the cash flow forecasts, including revenue and the discount rate for the relevant CGUs.

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Wan Fung.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central Hong Kong

Hong Kong
28 June 2017

Consolidated Statement of Profit or Loss

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**3,683,598**	3,521,758
Cost of sales		**(3,143,514)**	(3,055,390)
Gross profit		**540,084**	466,368
Other income	5	**20,351**	15,884
Selling and distribution expenses		**(99,225)**	(94,262)
Administrative expenses		**(268,392)**	(239,578)
Other operating expenses, net		**(21,094)**	(13,537)
Finance costs	6	**(10,380)**	(9,924)
Share of profit of an associate		**1,310**	769
PROFIT BEFORE TAX	7	**162,654**	125,720
Income tax expense	10	**(36,220)**	(28,012)
PROFIT FOR THE YEAR		**126,434**	97,708
ATTRIBUTABLE TO:			
Owners of the Company		**126,449**	97,724
Non-controlling interests		**(15)**	(16)
		126,434	97,708
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic		**15.1 HK cents**	11.7 HK cents
Diluted		**15.0 HK cents**	11.6 HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR	**126,434**	97,708
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**26,830**	(10,413)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	**(28,499)**	10,711
	(1,669)	298
Exchange differences on translation of foreign operations	**(15,365)**	(3,706)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(17,034)**	(3,408)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**109,400**	94,300
Attributable to:		
Owners of the Company	**109,415**	94,316
Non-controlling interests	**(15)**	(16)
	109,400	94,300

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**170,966**	159,388
Goodwill	*14*	**36,420**	36,420
Club debenture		**705**	705
Intangible assets	*15*	**106,801**	99,766
Interest in an associate	*16*	**6,277**	4,967
Available-for-sale investment	*17*	**–**	5,439
Prepayments and deposits		**3,338**	3,342
Total non-current assets		**324,507**	310,027
CURRENT ASSETS			
Inventories	*18*	**627,068**	609,045
Trade receivables	*19*	**602,636**	700,120
Prepayments, deposits and other receivables	*20*	**51,294**	43,261
Tax recoverable		**5,041**	3,562
Derivative financial instruments	*24*	**19,154**	3,550
Cash and cash equivalents	*21*	**771,920**	544,427
Total current assets		**2,077,113**	1,903,965
CURRENT LIABILITIES			
Trade and bills payables	*22*	**729,580**	652,034
Other payables and accrued liabilities	*23*	**115,004**	85,044
Interest-bearing bank borrowings	*25*	**264,877**	266,928
Amounts due to non-controlling shareholders		**160**	160
Tax payable		**26,854**	9,187
Total current liabilities		**1,136,475**	1,013,353
NET CURRENT ASSETS		**940,638**	890,612
TOTAL ASSETS LESS CURRENT LIABILITIES (to be continued)		**1,265,145**	1,200,639

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES (continued)		**1,265,145**	1,200,639
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*26*	**13,189**	14,030
Net assets		**1,251,956**	1,186,609
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*27*	**83,642**	83,393
Reserves	*29*	**1,167,539**	1,102,426
		1,251,181	1,185,819
Non-controlling interests		**775**	790
Total equity		**1,251,956**	1,186,609

Auyang Ho
Director

Dr. Owyang King
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

		Attributable to owners of the Company									
	Notes	Issued capital HK$'000 *(note 27)*	Share premium account* HK$'000	Contributed surplus* HK$'000 *(note 29)*	Share option reserve* HK$'000	Hedging reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		83,000	386,419	1,879	9,440	3,091	30,612	610,918	1,125,359	806	1,126,165
Profit for the year		–	–	–	–	–	–	97,724	97,724	(16)	97,708
Other comprehensive income/(expense) for the year:											
Cash flow hedges, net of tax		–	–	–	–	298	–	–	298	–	298
Exchange differences on translation of foreign operations		–	–	–	–	–	(3,706)	–	(3,706)	–	(3,706)
Total comprehensive income/(expense) for the year		–	–	–	–	298	(3,706)	97,724	94,316	(16)	94,300
Issue of shares upon exercise of share options	*27*	393	3,292	–	(1,122)	–	–	–	2,563	–	2,563
Equity-settled share option arrangements	*28*	–	–	–	1,108	–	–	–	1,108	–	1,108
Final 2015 dividend paid	*11*	–	–	–	–	–	–	(37,527)	(37,527)	–	(37,527)
At 31 March 2016 and 1 April 2016		83,393	389,711	1,879	9,426	3,389	26,906	671,115	1,185,819	790	1,186,609
Profit for the year		–	–	–	–	–	–	126,449	126,449	(15)	126,434
Other comprehensive income/(expense) for the year:											
Cash flow hedges, net of tax		–	–	–	–	(1,669)	–	–	(1,669)	–	(1,669)
Exchange differences on translation of foreign operations		–	–	–	–	–	(15,365)	–	(15,365)	–	(15,365)
Total comprehensive income/(expense) for the year		–	–	–	–	(1,669)	(15,365)	126,449	109,415	(15)	109,400
Issue of shares upon exercise of share options	*27*	249	2,236	–	(792)	–	–	–	1,693	–	1,693
Equity-settled share option arrangements	*28*	–	–	–	2,766	–	–	–	2,766	–	2,766
Final 2016 dividend paid	*11*	–	–	–	–	–	–	(48,512)	(48,512)	–	(48,512)
At 31 March 2017		83,642	391,947	1,879	11,400	1,720	11,541	749,052	1,251,181	775	1,251,956

* *These reserve accounts comprise the consolidated reserves of HK$1,167,539,000 (2016: HK$1,102,426,000) in the consolidated statement of financial position as at 31 March 2017.*

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**162,654**	125,720
Adjustments for:			
Interest income	*5*	**(3,460)**	(7,482)
Finance costs	*6*	**10,380**	9,924
Depreciation	*7*	**39,884**	35,706
Amortisation of deferred expenditure	*7*	**56,154**	47,440
Write-down of inventories to net realisable value	*7*	**20,285**	27,957
Loss/(gain) on disposal of items of property, plant and equipment, net	*7*	**1,654**	(129)
Impairment of trade receivables	*7*	**8,722**	4,681
Reversal of impairment of trade receivables	*7*	**–**	(155)
Impairment of an available-for-sale investment	*7*	**5,439**	5,082
Equity-settled share option expenses	*7*	**2,766**	1,108
Fair value losses/(gains) from cash flow hedges (transfer from equity)		**(28,499)**	10,711
Share of profit of an associate		**(1,310)**	(769)
		274,669	259,794
Decrease/(increase) in inventories		**(34,044)**	2,447
Decrease/(increase) in trade receivables		**88,762**	(105,337)
Increase in prepayments, deposits and other receivables		**(13,154)**	(5,060)
Increase in trade and bills payables		**78,046**	8,620
Increase/(decrease) in other payables and accrued liabilities		**47,724**	(5,576)
Effect of foreign exchange rate changes, net		**(2,162)**	(10,311)
Cash generated from operations		**439,841**	144,577
Hong Kong profits tax paid		**(15,607)**	(25,834)
Overseas tax paid		**(7,030)**	(7,793)
Dividends paid		**(48,512)**	(37,527)
Net cash flows from operating activities (to be continued)		**368,692**	73,423

	Notes	2017 HK$'000	2016 HK$'000
Net cash flows from operating activities (continued)		**368,692**	73,423
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,460**	7,482
Purchases of items of property, plant and equipment	13	**(62,919)**	(74,514)
Increase in prepayments and deposits		**–**	(827)
Proceeds from disposal of items of property, plant and equipment		**1,216**	356
Additions to deferred expenditure	15	**(63,189)**	(76,549)
Net cash flows used in investing activities		**(121,432)**	(144,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in bank import loans		**3,573**	(9,832)
Interest paid		**(10,380)**	(9,924)
Proceeds from issue of shares upon exercise of share options		**1,693**	2,563
Effect of foreign exchange rate changes, net		**(3,252)**	(1,767)
Net cash flows used in financing activities		**(8,366)**	(18,960)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**238,894**	(89,589)
Cash and cash equivalents at beginning of year		**544,427**	639,654
Effect of foreign exchange rate changes, net		**(11,401)**	(5,638)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**771,920**	544,427
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**714,727**	374,523
Time deposits with original maturity of less than three months when acquired	21	**57,193**	169,904
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**771,920**	544,427

1. Corporate and Group Information

Computime Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 9th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the research and development, design, manufacture and trading of electronic control products.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Computime International Limited ("CIL")	British Virgin Islands/ Hong Kong	US$400	100	Investment holding
Computime Limited	Hong Kong	HK$2,000,000	100	Investment holding, research and development, design, manufacture and trading of electronic control products
金寶通電子(深圳)有限公司 Computime Electronics (Shenzhen) Co. Ltd.*#	People's Republic of China ("PRC")/ Mainland China	US$14,000,000	100	Manufacture and trading of electronic control products
金寶通智能製造(深圳)有限公司 Computime Control Devices Manufacturing (Shenzhen) Co. Ltd. ("CCDM")*# *(note)*	PRC/Mainland China	RMB20,920,000	100	Manufacture and trading of electronic control products

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Salus North America, Inc. (formerly known as Computime (N.A.) Technology Centre, Inc.)*	United States of America	N/A	100	Provision of administrative customer service, engineering and research and development support services
Salus Controls Plc*	United Kingdom	GBP3,000,000	100	Distribution and trading of electronic control products
Salus Controls GmbH*	Germany	EUR3,025,000	100	Distribution and trading of electronic control products
Asia Electronics HK Technologies Limited ("AEHK")	Hong Kong	HK$23,250,100	100	Trading of electronic control products
Asia Electronics Technologies (Dongguan) Co. Ltd. ("AEDG")*#	PRC/Mainland China	US$3,300,000	100	Manufacture of electronic control products

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

\# *Registered as a wholly-owned foreign enterprise under the PRC law*

Note: CCDM was established on 8 December 2016 in the PRC.

Except for CIL, all the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Trade of Investment Property*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1]

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*
[4] *No mandatory effective date yet determined but available for adoption*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its financial performance and financial position.

2.4 Summary of Significant Accounting Policies

Interests in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease term and 10%
Furniture, fixtures and equipment	10%–33.3%
Tools and machinery	10%–33.3%
Motor vehicles	10%–33.3%
Moulds and tooling	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Deferred expenditure

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Deferred expenditure which does not meet these criteria is expensed when incurred.

Deferred expenditure is stated at cost less any impairment losses and is amortised using the straight-line basis over the commercial lives of the underlying products of three or five years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land leases payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

The Group's financial assets are classified, at initial recognition, as loans and receivables, available-for-sale financial investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investment

Available-for-sale investment is non-derivative financial asset in listed and unlisted equity investment. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investment is reported as interest income, and is recognised in the statement of profit or loss as other income in accordance with the policy set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investment (continued)

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investment is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other operating income/(expense), net in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investment

For available-for-sale investment, the Group assesses at the end of the reporting period whether there is any objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale investment (continued)

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, certain other payables and accrued liabilities, interest-bearing bank borrowings, and amounts due to non-controlling shareholders.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent settlement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent settlement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) marketing and management service fee, when the underlying services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 28 to the financial statements.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and the associate are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) 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 to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment testing.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(a) Impairment of trade receivables

Management regularly reviews the impairment allowance for trade receivables of the Group based on the evaluation of recoverability, outstanding period of accounts, and management's estimation of assumptions. Estimation is required in assessing the ultimate realisation of the receivables, including the current creditworthiness, debtor ageing and the past collection history of each customer and debtor. In determining whether impairment loss should be recorded in profit or loss, management takes into account any observable data indicating that there is a measurable decrease in the estimated future cash flows from individual trade receivables, together with estimation of key assumptions including discount rate, growth rate, settlement pattern, etc. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly. The carrying amount of trade receivables at 31 March 2017 was HK$602,636,000 (2016: HK$700,120,000). Further details are given in note 19 to the financial statements.

(b) Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgements. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. The carrying amount of inventories at 31 March 2017 was HK$627,068,000 (2016: HK$609,045,000). Further details are given in note 18 to the financial statements.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of goodwill at 31 March 2017 was HK$36,420,000 (2016: HK$36,420,000). Further details are given in note 14 to the financial statements.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the building and home controls segment, which is engaged in the research and development, design, manufacture, trading and distribution of building and home control products;

(b) the appliance controls segment, which is engaged in the research and development, design, manufacture, trading and distribution of appliance control products; and

(c) the commercial and industrial controls segment, which is engaged in the research and development, design, manufacture, trading and distribution of commercial and industrial control products.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, share of profit of an associate as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets mainly exclude property, plant and equipment, goodwill, a club debenture, cash and cash equivalents, an available-for-sale investment, derivative financial instruments, tax recoverable and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities mainly exclude interest-bearing bank borrowings, certain balances of trade and bills payables and other accruals, tax payable, amounts due to non-controlling shareholders, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Inter-segment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating Segment Information (continued)

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Segment revenue:								
Sales to external customers	**1,492,155**	1,283,095	**1,554,654**	1,667,734	**636,789**	570,929	**3,683,598**	3,521,758
Segment results	**214,953**	152,003	**28,515**	23,532	**39,836**	34,011	**283,304**	209,546
Bank interest income							**3,460**	7,482
Other income (excluding bank interest income, income from termination of vendor contract, and marketing and management service fee income)							**4,844**	2,390
Corporate and other unallocated expenses							**(119,884)**	(84,543)
Finance costs							**(10,380)**	(9,924)
Share of profit of an associate	**1,310**	769	**–**	–	**–**	–	**1,310**	769
Profit before tax							**162,654**	125,720
Income tax expense							**(36,220)**	(28,012)
Profit for the year							**126,434**	97,708

4. Operating Segment Information (continued)

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Assets and liabilities								
Segment assets	625,741	791,067	513,032	334,447	200,481	281,842	1,339,254	1,407,356
Interest in an associate	6,277	4,967	–	–	–	–	6,277	4,967
Corporate and other unallocated assets							1,056,089	801,669
Total assets							2,401,620	2,213,992
Segment liabilities	18,957	16,662	14,682	19,505	3,972	608	37,611	36,775
Corporate and other unallocated liabilities							1,112,053	990,608
Total liabilities							1,149,664	1,027,383
Other segment information:								
Capital expenditure*							126,108	151,063
Depreciation							39,884	35,706
Amortisation of deferred expenditure	40,749	34,168	6,816	7,406	8,589	5,866	56,154	47,440
Impairment of trade receivables	1,724	654	6,998	4,027	–	–	8,722	4,681
Reversal of impairment of trade receivables	–	(155)	–	–	–	–	–	(155)
Write-down of inventories to net realisable value	9,115	9,105	5,811	14,243	5,359	4,609	20,285	27,957

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
The America	**1,043,947**	1,035,769
Europe	**1,818,785**	1,812,207
Asia	**820,866**	673,782
	3,683,598	3,521,758

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Europe	**2,415**	2,355
Asia	**178,166**	165,342
	180,581	167,697

The non-current asset information above is based on the locations of the assets and excludes a club debenture, goodwill, intangible assets and an available-for-sale investment.

Information about major customers

Revenue for the year ended 31 March 2017 of approximately 23.7% (2016: 27.9%) was derived from sales by the appliance controls segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. Revenue and Other Income

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of other income is as follows:

	2017 HK$'000	2016 HK$'000
Bank interest income	3,460	7,482
Income from termination of vendor contract	10,188	–
Marketing and management service fee income	1,850	6,506
Sundry income	4,853	1,896
	20,351	15,884

6. Finance Costs

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank loans	10,380	9,924

7. Profit Before Tax

Profit before tax is arrived at after charging/(crediting):

	Notes	2017 HK$'000	2016 HK$'000
Cost of inventories sold*		3,123,229	3,027,433
Depreciation	*13*	39,884	35,706
Research and development costs:			
Amortisation of deferred expenditure^	*15*	56,154	47,440
Current year expenditure		7,535	8,631
		63,689	56,071

7. Profit Before Tax (continued)

Profit before tax is arrived at after charging/(crediting) (continued):

	Notes	2017 HK$'000	2016 HK$'000
Minimum lease payments under operating leases		47,506	46,061
Auditor's remuneration		1,940	1,842
Employee benefit expense*			
(including directors' remuneration – *note 8*):			
Wages, salaries and other benefits		476,428	412,224
Pension scheme contributions		3,261	1,653
Equity-settled share option expenses		2,766	1,108
		482,455	414,985
Foreign exchange losses, net#		5,828	3,876
Loss/(gain) on disposal of items of property, plant and equipment, net#		1,654	(129)
Impairment of trade receivables#	19	8,722	4,681
Reversal of impairment of trade receivables#	19	–	(155)
Write-down of inventories to net realisable value**		20,285	27,957
Impairment of an available-for-sale investment#	17	5,439	5,082

* *Employee benefit expense of HK$325,266,000 (2016: HK$291,880,000) is included in "Cost of inventories sold" above.*

** *Write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated statement of profit or loss.*

^ *The amortisation of deferred expenditure for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.*

\# *These items are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.*

At 31 March 2017, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2016: Nil).

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	**1,116**	1,099
Other emoluments:		
Salaries, allowances and benefits in kind	**12,586**	12,554
Performance related bonuses*	**4,400**	2,580
Equity-settled share option expenses	**2,370**	984
Pension scheme contributions	**18**	18
	20,490	17,235

* *Certain executive directors of the Company are entitled to bonus payments which are determined based on financial performance of the Group.*

As at 31 March 2017, two directors (2016: two) had outstanding share options granted by the Company, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executive's Remuneration (continued)

The remuneration of each of the directors and chief executive for the year ended 31 March 2017 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Auyang Ho	–	2,379	–	–	–	2,379
Dr. Owyang King*	–	5,993	2,514	1,914	–	10,421
Mr. Au Hing Lun, Dennis	–	4,214	1,886	456	18	6,574
	–	12,586	4,400	2,370	18	19,374
Non-executive directors						
Mr. Wong Chun Kong	141	–	–	–	–	141
Mr. Kam Chi Chiu, Anthony	188	–	–	–	–	188
Mr. Arvind Amratlal, Patel	188	–	–	–	–	188
	517	–	–	–	–	517
Independent non-executive directors						
Mr. Luk Koon Hoo	202	–	–	–	–	202
Mr. Patrick Thomas, Siewert	202	–	–	–	–	202
Mr. Cheung Ching Leung, David	195	–	–	–	–	195
	599	–	–	–	–	599
	1,116	12,586	4,400	2,370	18	20,490

8. Directors' and Chief Executive's Remuneration (continued)

The remuneration of each of the directors and chief executive for the year ended 31 March 2016 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Auyang Ho	–	2,227	–	–	–	2,227
Dr. Owyang King*	–	6,127	1,548	29	–	7,704
Mr. Au Hing Lun, Dennis	–	4,200	1,032	955	18	6,205
	–	12,554	2,580	984	18	16,136
Non-executive directors						
Mr. Wong Chun Kong	148	–	–	–	–	148
Mr. Kam Chi Chiu, Anthony	188	–	–	–	–	188
Mr. Arvind Amratlal, Patel	188	–	–	–	–	188
	524	–	–	–	–	524
Independent non-executive directors						
Mr. Luk Koon Hoo	202	–	–	–	–	202
Mr. Patrick Thomas, Siewert	202	–	–	–	–	202
Mr. Cheung Ching Leung, David	171	–	–	–	–	171
	575	–	–	–	–	575
	1,099	12,554	2,580	984	18	17,235

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

* *Dr. Owyang King is also the chief executive of the Company.*

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2016: three) directors, details of whose emoluments are set out in note 8 above. Details of the remuneration of the remaining two (2016: two) non-director highest paid employees for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	6,032	5,146
Pension scheme contributions	36	36
	6,068	5,182

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	1	1
	2	2

10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate.

10. Income Tax Expense (continued)

	2017 HK$'000	2016 HK$'000
Current – Hong Kong:		
Charge for the year	**14,952**	16,068
Underprovision/(overprovision) in prior years	**(1,995)**	371
Current – Mainland China and other countries:		
Charge for the year	**24,104**	7,721
Deferred *(note 26)*	**(841)**	3,852
Total tax charge for the year	**36,220**	28,012

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2017					
	Hong Kong		Mainland China and other countries		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	111,918		50,736		162,654	
Tax at the statutory tax rates	18,467	16.5	14,115	27.8	32,582	20.0
Adjustments in respect of current tax of previous periods	(1,995)	(1.8)	–	0.0	(1,995)	(1.2)
Profit attributable to an associate	(216)	(0.2)	–	0.0	(216)	(0.1)
Net profit from operations not subject to tax	(3,566)	(3.2)	–	0.0	(3,566)	(2.2)
Income not subject to tax	(6,384)	(5.7)	(490)	(1.0)	(6,874)	(4.2)
Expenses not deductible for tax	6,032	5.4	10,479	20.7	16,511	10.1
Tax losses utilised	(222)	(0.2)	–	0.0	(222)	(0.1)
Tax charge at the Group's effective rates	12,116	10.8	24,104	47.5	36,220	22.3

10. Income Tax Expense (continued)

	2016					
	Hong Kong		Mainland China and other countries		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	138,793		(13,073)		125,720	
Tax at the statutory tax rates	22,901	16.5	(3,308)	25.3	19,593	15.6
Adjustments in respect of current tax of previous periods	371	0.3	–	0.0	371	0.3
Profit attributable to an associate	(127)	(0.1)	–	0.0	(127)	(0.1)
Net profit from operations not subject to tax	(1,506)	(1.1)	–	0.0	(1,506)	(1.2)
Income not subject to tax	(5,603)	(4.0)	(1,747)	13.4	(7,350)	(5.8)
Expenses not deductible for tax	4,225	3.0	12,776	(97.8)	17,001	13.5
Tax losses not recognised	30	0.0	–	0.0	30	0.0
Tax charge at the Group's effective rates	20,291	14.6	7,721	(59.1)	28,012	22.3

11. Dividends

Dividend paid during the year

	2017	2016
	HK$'000	HK$'000
Final dividend in respect of the financial year ended 31 March 2016 – HK$0.058 per ordinary share (2016: final dividend of HK$0.045 per ordinary share, in respect of the financial year ended 31 March 2015)	**48,512**	37,527

Proposed final dividend

	2017	2016
	HK$'000	HK$'000
Final – HK$0.075 (2016: HK$0.058) per ordinary share	**62,732**	48,368

The proposed final dividend for the year ended 31 March 2017 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$126,449,000 (2016: HK$97,724,000) and the weighted average number of ordinary shares of 835,438,000 (2016: 833,093,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK$126,449,000 (2016: HK$97,724,000). The weighted average number of ordinary shares used in the calculation of 841,373,000 (2016: 843,642,000) is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

A reconciliation between the weighted average number of shares used in calculating the basic and diluted earnings per share is as follows:

	2017	2016
Weighted average number of ordinary shares used in calculating the basic earnings per share	**835,438,000**	833,093,000
Weighted average number of ordinary shares assumed to have been issued at nil consideration on deemed exercise of all dilutive options in issue during the year	**5,935,000**	10,549,000
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**841,373,000**	843,642,000

13. Property, Plant and Equipment

	Note	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Tools and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
At 31 March 2017							
At 31 March 2016 and at 1 April 2016:							
Cost		80,712	163,998	343,439	4,139	21,753	614,041
Accumulated depreciation		(64,961)	(124,644)	(245,168)	(2,486)	(17,394)	(454,653)
Net carrying amount		15,751	39,354	98,271	1,653	4,359	159,388
At 1 April 2016, net of accumulated depreciation		15,751	39,354	98,271	1,653	4,359	159,388
Additions		2,436	29,180	28,838	1,132	1,333	62,919
Disposals and write-offs		(7)	(524)	(2,339)	–	–	(2,870)
Depreciation provided during the year	7	(4,354)	(14,413)	(18,780)	(478)	(1,859)	(39,884)
Exchange realignment		(455)	(2,146)	(5,909)	(77)	–	(8,587)
At 31 March 2017, net of accumulated depreciation		13,371	51,451	100,081	2,230	3,833	170,966
At 31 March 2017:							
Cost		80,206	178,828	334,971	4,609	23,086	621,700
Accumulated depreciation		(66,835)	(127,377)	(234,890)	(2,379)	(19,253)	(450,734)
Net carrying amount		13,371	51,451	100,081	2,230	3,833	170,966

13. Property, Plant and Equipment (continued)

	Note	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Tools and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
At 31 March 2016							
At 1 April 2015:							
Cost		75,156	143,879	310,718	3,383	21,387	554,523
Accumulated depreciation		(62,301)	(116,504)	(233,444)	(2,657)	(15,279)	(430,185)
Net carrying amount		12,855	27,375	77,274	726	6,108	124,338
At 1 April 2015, net of accumulated depreciation		12,855	27,375	77,274	726	6,108	124,338
Additions		7,388	23,157	42,109	1,494	366	74,514
Disposals and write-offs		–	(7)	(186)	(34)	–	(227)
Depreciation provided during the year	7	(4,334)	(10,402)	(18,336)	(519)	(2,115)	(35,706)
Exchange realignment		(158)	(769)	(2,590)	(14)	–	(3,531)
At 31 March 2016, net of accumulated depreciation		15,751	39,354	98,271	1,653	4,359	159,388
At 31 March 2016:							
Cost		80,712	163,998	343,439	4,139	21,753	614,041
Accumulated depreciation		(64,961)	(124,644)	(245,168)	(2,486)	(17,394)	(454,653)
Net carrying amount		15,751	39,354	98,271	1,653	4,359	159,388

14. Goodwill

	2017 HK$'000	2016 HK$'000
At 1 April and 31 March:		
Cost	**38,164**	38,164
Accumulated impairment	**(1,744)**	(1,744)
Net carrying amount	**36,420**	36,420

Impairment testing of goodwill

Included in the balance was mainly the goodwill acquired through business combination of Asia Electronics HK Technologies Limited and Asia Electronics Technologies (Dongguan) Co. Ltd. (collectively the "Asia Electronics Entity"), which has been regarded as one cash-generating unit for impairment testing.

The recoverable amount of the Asia Electronics Entity has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 2% (2016: 2%). The discount rate applied to the cash flow projections is 14.5% (2016: 12%).

The carrying amount of goodwill allocated to the Asia Electronics Entity was HK$34,136,000 (2016: HK$34,136,000) as at 31 March 2017.

Certain key assumptions were used in the value in use calculation of the Asia Electronics Entity for 31 March 2017. Management determined the value assigned to the budgeted gross margins based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements. Changes in revenue and costs are based on management experience and expectations of future changes in the market. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant unit.

15. Intangible Assets

		Deferred expenditure	
	Note	**2017 HK$'000**	2016 HK$'000
At 1 April:			
Cost		**326,559**	265,079
Accumulated amortisation		**(226,793)**	(194,440)
Net carrying amount		**99,766**	70,639
At beginning of year, net of accumulated amortisation		**99,766**	70,639
Additions		**63,189**	76,549
Amortisation provided during the year	*7*	**(56,154)**	(47,440)
Exchange realignment		**–**	18
At 31 March, net of accumulated amortisation		**106,801**	99,766
At 31 March:			
Cost		**389,748**	326,559
Accumulated amortisation		**(282,947)**	(226,793)
Net carrying amount		**106,801**	99,766

16. Interest in an Associate

	2017 HK$'000	2016 HK$'000
Share of net assets	**4,719**	3,409
Goodwill on acquisition	**1,558**	1,558
	6,277	4,967

The trade receivable balance with the associate is disclosed in note 19 to the financial statements.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Braeburn Systems LLC*	Ordinary shares	United States of America	27%	Trading of electronic products

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

The associate has financial year ending 31 December, which is not coterminous with that of the Group. The consolidated financial statements are adjusted for the material transactions between the associate and the Group between 1 January and 31 March.

The following table illustrates the aggregate financial information of the associate:

	2017 HK$'000	2016 HK$'000
Share of the associate's profit for the year	**1,310**	769
Share of the associate's total comprehensive income	**1,310**	769
Aggregate carrying amount of the interest in the associate	**6,277**	4,967

17. Available-For-Sale Investment

	2017 HK$'000	2016 HK$'000
Equity investment, at cost	**10,521**	10,521
Provision for impairment	**(10,521)**	(5,082)
	–	5,439

The above investment represents the investment in unlisted equity securities which was classified as available-for-sale investment. The equity investment has no specific maturity date or coupon rate. The investee company was engaged in the development of energy saving products and solutions.

The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future due to the valuable underlying technology developed by the investee company.

In March 2016, the investee issued new shares to new investors. Since the recoverable amount of the Group's equity investment was determined at HK$5,439,000 as at 31 March 2016 by management with reference to the average share price of new shares issued, an impairment of HK$5,082,000 was charged to profit or loss for the year ended 31 March 2016.

Since the financial and operating performance of the investee further deteriorated during the year ended 31 March 2017, the recoverable amount of the investment is assessed at nil with reference to its financial position. Accordingly, an impairment of HK$5,439,000 was charged to profit or loss for the year ended 31 March 2017.

18. Inventories

	2017 HK$'000	2016 HK$'000
Raw materials	**240,346**	239,478
Work in progress	**58,451**	51,295
Finished goods	**328,271**	318,272
	627,068	609,045

19. Trade Receivables

	2017 HK$'000	2016 HK$'000
Trade receivables	**683,043**	780,448
Impairment	**(80,407)**	(80,328)
	602,636	700,120

The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one to three months. The Group maintains strict credit control over its customers and outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, 12.8% (2016: 14.7%) and 51.2% (2016: 50.4%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of provisions, is as follows:

	2017 HK$'000	2016 HK$'000
Current and due within 1 month	**551,522**	636,907
1 to 2 months	**14,746**	16,946
2 to 3 months	**11,119**	13,891
Over 3 months	**25,249**	32,376
	602,636	700,120

19. Trade Receivables (continued)

The movements in the provision for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 April	**80,328**	77,784
Impairment losses recognised	**8,722**	4,681
Reversal of impairment losses previously recognised	**–**	(155)
Write-off against receivable balance	**(5,755)**	(5,488)
Exchange realignment	**(2,888)**	3,506
At 31 March	**80,407**	80,328

Included in the Group's provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$80,407,000 (2016: HK$80,328,000) with a carrying amount before provision of HK$83,254,000 (2016: HK$90,655,000). The individually impaired trade receivables mainly relate to balances that were in dispute, or in the status of insolvency and reorganisation proceedings for Fagor Electrodomesticos Sociedad Cooperativa, FagorBrandt SAS, and Fagor Mastercook S.A. (collectively the "Fagor Group") as detailed below.

On 13 November 2013, Fagor Electrodomesticos Sociedad Cooperativa, a company incorporated under the laws of Spain, submitted a petition to open formal insolvency proceedings (concurso) before the Commercial Court No. 1 of San Sebastian (Spain). The Court opened the insolvency proceedings on 19 November 2013.

FagorBrandt SAS, a company incorporated under the laws of France, was subject to reorganisation proceedings (redressement judiciaire) before the Commercial Court of Nanterre (France) since 7 November 2013. On 11 April 2014, the Commercial Court of Nanterre (France) converted the reorganisation proceedings into liquidation proceedings. On 15 April 2014, the Commercial Court of Nanterre (France) approved various bids for the assets of FagorBrandt SAS, including the bid of Cevital. During the year ended 31 March 2016, FagorBrandt SAS has completed the realisation of most of the assets to Cevital in order to raise funds for settlement to its creditors.

On 31 October 2013, Fagor Mastercook S.A., a company incorporated under the laws of Poland, submitted a petition to open formal insolvency proceedings (concurso) before the Commercial Court No. 1 of San Sebastian (Spain). The Court opened the insolvency proceedings on 19 November 2013. On 18 February 2014, the Polish Court in Wroclaw opened the secondary proceedings of Fagor Mastercook S.A. These proceedings under the EC Regulation 1346/2000 are liquidation proceedings.

Since the Fagor Group has undertaken insolvency and reorganisation proceedings and only a small portion of these receivables was expected to be recovered, impairment provision of EUR7,912,000 (2016: EUR7,121,000) (approximately HK$66,007,000 (2016: approximately HK$62,578,000)) was made against the Group's trade receivables of EUR8,123,000 (2016: EUR8,123,000) (approximately HK$67,773,000 (2016: approximately HK$71,391,000)) due from the Fagor Group as at 31 March 2017.

19. Trade Receivables (continued)

During the current year and up to the date of these financial statements, the insolvency and the reorganisation proceedings were still in progress. In the opinion of the Company's directors, since the relevant procedures would normally take a few years to complete with uncertain outcome, the impairment provision of EUR7,912,000 (approximately HK$66,007,000) is considered adequate for the trade receivables from the Fagor Group in aggregate of EUR8,123,000 (approximately HK$67,773,000) as at 31 March 2017.

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	513,114	556,688
Less than 1 month past due	38,408	80,219
1 to 3 months past due	25,865	30,837
Over 3 months past due	22,402	22,049
	599,789	689,793

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in trade receivables is an amount due from an associate of HK$17,370,000 (2016: HK$13,963,000) which is repayable on credit terms similar to those offered to the major customers of the Group.

20. Prepayments, Deposits and Other Receivables

None of the assets included in the balances is either past due or impaired. The financial assets included in the balances related to receivables for which there was no recent history of default.

21. Cash and Cash Equivalents

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**714,727**	374,523
Time deposits	**57,193**	169,904
	771,920	544,427

At the end of the reporting period, the cash and bank balances denominated in Renminbi ("RMB") amounted to HK$99,661,000 (2016: HK$211,699,000). RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. Trade and Bills Payables

An ageing analysis of trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2017 HK$'000	2016 HK$'000
Current and due within 1 month	**604,173**	548,620
1 to 2 months	**110,709**	92,017
2 to 3 months	**4,132**	3,934
Over 3 months	**10,566**	7,463
	729,580	652,034

The trade payables are non-interest-bearing and generally have payment terms ranging from one to three months.

23. Other Payables and Accrued Liabilities

The other payables and accrued liabilities are non-interest-bearing and have payment terms ranging from one to three months.

24. Derivative Financial Instruments

Forward currency contracts – cash flow hedges

	2017 HK$'000	2016 HK$'000
Foreign currency contracts	**19,154**	3,550

Forward currency contracts are designated as hedging instruments in respect of forecast future sales in EUR and GBP and forecast future expenses in RMB to which the Group has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency sales and operating expenses and changes in foreign exchange forward rates.

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to expected future sales and operating expenses in the coming 6 months from the end of the reporting period were assessed to be highly effective and net losses of HK$1,669,000 (2016: net gains of HK$298,000) were included in the hedging reserve as follows:

	2017 HK$'000	2016 HK$'000
Total fair value gains/(losses) included in the hedging reserve	**26,830**	(10,413)
Reclassified from other comprehensive income and recognised in the statement of profit or loss	**(28,499)**	10,711
Net gains/(losses) on cash flow hedges	**(1,669)**	298

25. Interest-Bearing Bank Borrowings

	2017			2016		
	Effective interest rate p.a. (%)	Maturity	HK$'000	Effective interest rate p.a. (%)	Maturity	HK$'000
Current						
Bank term loans – unsecured	1.50	2017	29,200	1.50	2016	29,811
Bank import loans – unsecured	1.18–2.15	2017	235,677	1.09–1.77	2016	237,117
			264,877			266,928

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	264,877	266,928

Other interest rate information:

	Floating rate	
	2017 HK$'000	2016 HK$'000
Bank loans – unsecured	264,877	266,928

Except for unsecured bank loans of approximately HK$14,807,000 and HK$29,200,000 denominated in US$ and EUR, respectively (2016: approximately HK$15,937,000 and HK$30,759,000 denominated in US$ and EUR, respectively) at 31 March 2017, all other borrowings were denominated in Hong Kong dollars at 31 March 2017.

At 31 March 2017 and 2016, the interest-bearing bank borrowings were supported by corporate guarantees executed by the Company and certain of its wholly-owned subsidiaries.

26. Deferred Tax

The movements in deferred tax liabilities and asset during the year are as follows:

Deferred tax liabilities/(assets)

	Depreciation allowance in excess of related depreciation HK$'000	Deferred expenditure HK$'000	Unrealised losses HK$'000	Net deferred tax liabilities HK$'000
At 1 April 2015	2,073	7,525	580	10,178
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(2,078)	5,930	–	3,852
At 31 March 2016 and 1 April 2016	(5)	13,455	580	14,030
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	5	(846)	–	(841)
At 31 March 2017	–	12,609	580	13,189

The Group has unrecognised tax losses arising in Hong Kong of HK$793,000 (2016: HK$2,136,000) and in other region of HK$27,452,000 (2016: HK$27,452,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

26. Deferred Tax (continued)

At 31 March 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$110,013,000 at 31 March 2017 (2016: HK$65,938,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. Issued Capital

Share

	2017 HK$'000	2016 HK$'000
Authorised:		
5,000,000,000 (2016: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
836,420,000 (2016: 833,930,000) ordinary shares of HK$0.10 each	**83,642**	83,393

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 April 2015	830,000,000	83,000	386,419	469,419
Issue of shares upon exercise of share options	3,930,000	393	3,292	3,685
At 31 March 2016 and 1 April 2016	833,930,000	83,393	389,711	473,104
Issue of shares upon exercise of share options	2,490,000	249	2,236	2,485
At 31 March 2017	836,420,000	83,642	391,947	475,589

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 28 to the financial statements.

28. Share Option Schemes

The purpose of the share option schemes of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the share option schemes of the Company include directors (including executive, non-executive and independent non-executive directors) and employees of the Group, any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group.

The share option scheme adopted by the Company on 15 September 2006 (the "2006 Scheme") was expired on 15 September 2016. Unless otherwise cancelled or lapsed in accordance with the 2006 Scheme, the outstanding share options granted under the 2006 Scheme would remain exercisable. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 14 September 2016, the Company adopted a new share option scheme (the "2016 Scheme") which, unless otherwise cancelled or terminated, would remain in force for 10 years from that date.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2006 Scheme and the 2016 Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The maximum number of shares issued and to be issued under share options to each eligible participant under the 2006 Scheme and 2016 Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting.

As at the date of this report, the total number of shares available for issue under the 2016 Scheme was 81,642,000, representing approximately 9.76% of the shares of the Company in issue as at the date of this report. Since the 2006 Scheme was expired on 15 September 2016, no further share option could be issued under the 2006 Scheme thereafter.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which may commence from the date of offer of the share options, and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. Share Option Schemes (continued)

The following share options were outstanding under the 2006 Scheme during the year:

	Weighted average exercise price HK$ per share	Number of options
At 1 April 2015	0.807	29,326,000
Granted during the year	1.240	800,000
Exercised during the year	0.652	(3,930,000)
At 31 March 2016 and 1 April 2016	0.843	26,196,000
Granted during the year	1.174	9,200,000
Exercised during the year	0.680	(2,490,000)
Lapsed during the year	1.750	(180,000)
At 31 March 2017	0.944	32,726,000

The fair value of the share options granted under the 2006 Scheme during the year ended 31 March 2017 was HK$5,030,000 of HK$0.5467 each (2016: HK$384,000 of HK$0.4799 each). The Group recognised a share option expense of HK$2,766,000 (2016: HK$1,108,000) during the year ended 31 March 2017.

The fair value of equity-settled share options granted under the 2006 Scheme during the year was estimated as at the date of grant, using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017	2016
Exercise price (HK$)	1.174	1.24
Share price at the date of grant (HK$)	1.13	1.24
Dividend yield (%)	3.98	3.63
Expected volatility (%)	63.76	65.57
Risk-free interest rate (%)	1.358	1.456
Expected life of options (number of years)	10	10

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The vesting period of the share options granted is from the date of grant until the commencement of the exercise period.

During the year ended 31 March 2017 and at the end of the reporting period, there was no share option granted and outstanding under the 2016 Scheme.

28. Share Option Schemes (continued)

Details and movements of the share options of the Company granted under the 2006 Scheme during the year ended 31 March 2017 are as follows:

Category of participants	As at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2017	Date of grant of share options	Exercise period of share options	Date of share option vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Senior management and other employees in aggregate	262,000	–	–	(60,000)	202,000	27 September 2007	From 31 August 2008 to 30 August 2017	31 August 2008	1.75	1.75
	262,000	–	–	(60,000)	202,000	27 September 2007	From 31 August 2009 to 30 August 2017	31 August 2009	1.75	1.75
	262,000	–	–	(60,000)	202,000	27 September 2007	From 31 August 2010 to 30 August 2017	31 August 2010	1.75	1.75
	240,000	–	–	–	240,000	22 October 2015	From 22 October 2016 to 21 October 2025	22 October 2016	1.24	1.24
	240,000	–	–	–	240,000	22 October 2015	From 22 October 2017 to 21 October 2025	22 October 2017	1.24	1.24

28. Share Option Schemes (continued)

Category of participants	As at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2017	Date of grant of share options	Exercise period of share options	Date of share option vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Senior management and other employees in aggregate (continued)	320,000	–	–	–	320,000	22 October 2015	From 22 October 2018 to 21 October 2025	22 October 2018	1.24	1.24
	–	240,000	–	–	240,000	28 April 2016	From 28 April 2017 to 27 April 2026	28 April 2017	1.174	1.13
	–	360,000	–	–	360,000	28 April 2016	From 28 April 2018 to 27 April 2026	28 April 2018	1.174	1.13
	–	440,000	–	–	440,000	28 April 2016	From 28 April 2019 to 27 April 2026	28 April 2019	1.174	1.13
	–	160,000	–	–	160,000	28 April 2016	From 28 April 2020 to 27 April 2026	28 April 2020	1.174	1.13
	1,586,000	1,200,000	–	(180,000)	2,606,000					

28. Share Option Schemes (continued)

Category of participants	As at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2017	Date of grant of share options	Exercise period of share options	Date of share option vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Director Dr. Owyang King	2,400,000	–	–	–	2,400,000	30 April 2010	From 30 April 2011 to 29 April 2020	30 April 2011	1.05	1.05
	2,400,000	–	–	–	2,400,000	30 April 2010	From 30 April 2012 to 29 April 2020	30 April 2012	1.05	1.05
	3,200,000	–	–	–	3,200,000	30 April 2010	From 30 April 2013 to 29 April 2020	30 April 2013	1.05	1.05
	2,400,000	–	–	–	2,400,000	28 June 2011	From 28 June 2012 to 27 June 2021	28 June 2012	0.79	0.79
	2,400,000	–	–	–	2,400,000	28 June 2011	From 28 June 2013 to 27 June 2021	28 June 2013	0.79	0.79
	3,200,000	–	–	–	3,200,000	28 June 2011	From 28 June 2014 to 27 June 2021	28 June 2014	0.79	0.79

28. Share Option Schemes (continued)

Category of participants	As at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2017	Date of grant of share options	Exercise period of share options	Date of share option vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Director (continued) Dr. Owyang King (continued)	1,200,000	–	–	–	1,200,000	6 August 2012	From 6 August 2014 to 5 August 2022	6 August 2014	0.375	0.375
	1,600,000	–	–	–	1,600,000	6 August 2012	From 6 August 2015 to 5 August 2022	6 August 2015	0.375	0.375
	–	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2017 to 27 April 2026	28 April 2017	1.174	1.13
	–	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2018 to 27 April 2026	28 April 2018	1.174	1.13
	–	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2019 to 27 April 2026	28 April 2019	1.174	1.13
	–	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2020 to 27 April 2026	28 April 2020	1.174	1.13
	–	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2021 to 27 April 2026	28 April 2021	1.174	1.13
	18,800,000	8,000,000	–	–	26,800,000					

28. Share Option Schemes (continued)

Category of participants	As at 1 April 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2017	Date of grant of share options	Exercise period of share options	Date of share option vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Director (continued) Mr. Au Hing Lun, Dennis	2,490,000	–	(2,490,000)	–	–	4 July 2014	From 4 July 2016 to 3 July 2024	4 July 2016	0.68	0.68
	3,320,000	–	–	–	3,320,000	4 July 2014	From 4 July 2017 to 3 July 2024	4 July 2017	0.68	0.68
	5,810,000	–	(2,490,000)	–	3,320,000					
Sub-total of director category	24,610,000	8,000,000	(2,490,000)	–	30,120,000					
Total	26,196,000	9,200,000	(2,490,000)	(180,000)	32,726,000					

8,000,000 share options were granted to a director while 1,200,000 share options were granted to a member of the senior management of the Company under the 2006 Scheme on 28 April 2016. The closing price of the Company's shares immediately before such date of grant was HK$1.13 per share. 2,490,000 share options were exercised by a director on 19 August 2016. The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK$1.08 per share as at 18 August 2016. No share options have been cancelled during the year ended 31 March 2017.

At the end of the reporting period, the Company had 32,726,000 share options outstanding (2016: 26,196,000) under the 2006 Scheme which represented approximately 3.91% (2016: 3.14%) of the Company's shares. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 32,726,000 additional ordinary shares of the Company (2016: 26,196,000) and additional share capital of HK$3,273,000 (2016: HK$2,620,000) and share premium of HK$27,608,000 (2016: HK$19,468,000) (before issue expenses).

28. Share Option Schemes (continued)

Subsequent to the end of the reporting period, on 28 April 2017, a total of 2,000,000 share options were granted to a director of the Company in respect of his services to the Group under the 2016 Scheme. 200,000, 200,000, and 1,600,000 share options vest over the vesting periods of 3 years, 4 years, and 5 years, respectively, commencing on 28 April 2017 and have an exercise price of HK$1.04 per share and an exercise period ranging from 28 April 2020 to 28 April 2027. The price of the Company's shares at the date of grant was HK$1.04 per share.

At the date of approval of these financial statements, the Company had 32,726,000 and 2,000,000 share options outstanding under the 2006 Scheme and the 2016 Scheme respectively, which represented approximately 3.91% and 0.24% of the Company's shares in issue as at that date.

29. Reserves

The amounts of reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's contributed surplus represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain subsidiaries of the Group which took place in a prior year over the nominal value of CIL's shares issued in exchange therefor; and (ii) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

30. Operating Lease Arrangements

The Group leases certain of its office properties, warehouses, factories and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to five years (2016: one to five years).

At 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**46,281**	31,737
In the second to fifth years, inclusive	**52,478**	12,494
	98,759	44,231

31. Commitments

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Leasehold improvements	358	580
Plant and machinery	2,848	1,802
	3,206	2,382

32. Related Party Transactions

In addition to the transactions and balances set out elsewhere in these financial statements, the Group had the following significant related party transactions during the year.

(a) The Group had the following material transactions with a related party during the year:

	2017 HK$'000	2016 HK$'000
Sale of finished goods to an associate	59,098	43,993

The sales were made with reference to the prices and conditions offered to the major customers of the Group.

(b) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Short term employee benefits	35,593	39,132
Post-employment benefits	177	201
Equity-settled share option expenses	2,766	1,108
	38,536	40,441

Further details of directors' emoluments are included in note 8 to the financial statements.

33. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2017

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Designated as financial assets at fair value through profit or loss upon initial recognition HK$'000	Total HK$'000
Trade receivables	602,636	–	–	602,636
Financial assets included in deposits and other receivables	25,442	–	–	25,442
Derivative financial instruments	–	–	19,154	19,154
Cash and cash equivalents	771,920	–	–	771,920
	1,399,998	–	19,154	1,419,152

2016

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Designated as financial assets at fair value through profit or loss upon initial recognition HK$'000	Total HK$'000
Available-for-sale investment	–	5,439	–	5,439
Trade receivables	700,120	–	–	700,120
Financial assets included in deposits and other receivables	20,254	–	–	20,254
Derivative financial instruments	–	–	3,550	3,550
Cash and cash equivalents	544,427	–	–	544,427
	1,264,801	5,439	3,550	1,273,790

33. Financial Instruments by Category (continued)

Financial assets that are derecognised in their entirety

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") pursuant to which the Group assigned the rights to certain trade receivables to certain banks. The Group is not exposed to default risks of the trade debtors after the assignment. The Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables assigned under the Arrangement that have not been settled as at 31 March 2017 was HK$616,166,000 (2016: HK$361,302,000).

Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	HK$'000
Trade and bills payables	**729,580**	652,034
Financial liabilities included in other payables and accrued liabilities	**38,676**	27,336
Interest-bearing bank borrowings	**264,877**	266,928
Amounts due to non-controlling shareholders	**160**	160
	1,033,293	946,458

34. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accrued liabilities, interest-bearing bank borrowings, and amounts due to non-controlling shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments. For the Group's unlisted available-for-sale investment, it is stated at cost less impairment because it is an unlisted company that does not have quoted market price in an active market and whose fair value cannot be measured reliably.

34. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

During the year ended 31 March 2017, the Group entered into derivative financial instruments with various counterparties, principally creditworthy banks with no recent history of default. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 March 2017, the derivative financial instruments were classified under fair value measurement using significant observable inputs within level 2 (2016: level 2).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cash and bank balances and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, deposits, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Management meets periodically to analyse and formulate measurements to manage the Group's exposure to financial risks. Generally, the Group employs a conservative strategy regarding its risk management.

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and debt obligations with floating interest rates.

The interest rates and the terms of repayment of the Group's bank deposits and interest-bearing bank borrowings are disclosed in notes 21 and 25 respectively. The Group did not use any derivative instruments to hedge against its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on interest-bearing bank borrowings and bank deposits) and the Group's equity.

35. Financial Risk Management Objectives and Policies (continued)

(i) Interest rate risk (continued)

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2017			
Bank deposits	**100**	**7,719**	**7,429**
Bank borrowings	**100**	**(2,649)**	**(2,212)**
Bank deposits	**(100)**	**(7,719)**	**(7,429)**
Bank borrowings	**(100)**	**2,649**	**2,212**
2016			
Bank deposits	100	5,444	5,113
Bank borrowings	100	(2,669)	(2,229)
Bank deposits	(100)	(5,444)	(5,113)
Bank borrowings	(100)	2,669	2,229

(ii) Foreign currency risk

The Group's exposure to the risk of changes in market currency rates relates primarily to the Group's sales and purchases which are mainly denominated in United States dollars and, to a lesser extent, Euro zone currencies. Certain production and operating overheads of the Group's production facilities in Mainland China are denominated in RMB. Due to the fact that the Hong Kong dollars are pegged to the United States dollars, the Group's exposure to foreign currency risk regarding United States dollars is low. During the year, the Group managed foreign currency risk arising from certain transactions of RMB, EUR and GBP by the use of forward currency contracts.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of RMB, EUR and GBP against HK$, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities, including trade and other receivables, cash and cash equivalents and trade and other payables).

35. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk (continued)

	Increase/ (decrease) in exchange rate against HK$	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2017			
If Hong Kong dollars weaken against RMB	**5**	**(6,359)**	**(6,359)**
If Hong Kong dollars weaken against Euro	**5**	**20,138**	**22,224**
If Hong Kong dollars weaken against GBP	**5**	**4,682**	**7,585**
If Hong Kong dollars strengthen against RMB	**(5)**	**6,359**	**6,359**
If Hong Kong dollars strengthen against Euro	**(5)**	**(20,138)**	**(22,224)**
If Hong Kong dollars strengthen against GBP	**(5)**	**(4,682)**	**(7,585)**
2016			
If Hong Kong dollars weaken against RMB	5	1,574	1,574
If Hong Kong dollars weaken against Euro	5	1,527	2,186
If Hong Kong dollars weaken against GBP	5	234	11
If Hong Kong dollars strengthen against RMB	(5)	(1,574)	(1,574)
If Hong Kong dollars strengthen against Euro	(5)	(1,527)	(2,186)
If Hong Kong dollars strengthen against GBP	(5)	(234)	(11)

35. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Outstanding receivable balances are monitored on an ongoing basis. In addition, the Group had no significant historical bad debt record in prior years. Accordingly, the Group's exposure to credit risk is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

(iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and loans. In addition, banking facilities have been put in place for contingency purposes.

35. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2017 Within one year/ On demand HK$'000	2016 Within one year/ On demand HK$'000
Trade and bills payables	**729,580**	652,034
Financial liabilities included in other payables and accrued liabilities	**38,676**	27,336
Interest-bearing bank borrowings	**265,338**	267,286
Amounts due to non-controlling shareholders	**160**	160
	1,033,754	946,816

(v) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

The Group's capital comprises all components of equity. As at 31 March 2017, the Group had net cash of HK$507,043,000 (2016: HK$277,499,000), representing total cash and cash equivalents less total interest-bearing bank borrowings.

The Group is subject to capital requirements imposed by various banks for banking facilities granted. During the year, the Group has complied with the capital requirements imposed by these banks.

36. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**846,821**	770,213
CURRENT ASSETS		
Prepayments, deposits and other receivables	**589**	174
Tax recoverable	**839**	–
Cash and cash equivalents	**4,337**	116,536
Total current assets	**5,765**	116,710
CURRENT LIABILITIES		
Other payables and accrued liabilities	**12,443**	6,661
Tax payable	**1,387**	616
Total current liabilities	**13,830**	7,277
NET CURRENT ASSETS/(LIABILITIES)	**(8,065)**	109,433
Net assets	**838,756**	879,646
EQUITY		
Issued capital	**83,642**	83,393
Reserves	**755,114**	796,253
Total equity	**838,756**	879,646

36. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2015	386,419	353,435	9,440	78,157	827,451
Issue of shares upon exercise of share options	3,292	–	(1,122)	–	2,170
Equity-settled share option arrangements	–	–	1,108	–	1,108
Total comprehensive expense for the year	–	–	–	3,051	3,051
2015 final dividends declared and paid	–	–	–	(37,527)	(37,527)
At 31 March 2016 and 1 April 2016	389,711	353,435	9,426	43,681	796,253
Issue of shares upon exercise of share options	2,236	–	(792)	–	1,444
Equity-settled share option arrangements	–	–	2,766	–	2,766
Total comprehensive income for the year	–	–	–	3,163	3,163
2016 final dividends declared and paid	–	–	–	(48,512)	(48,512)
At 31 March 2017	391,947	353,435	11,400	(1,668)	755,114

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 29, over the previous nominal value of the Company's shares issued in exchange therefor.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 June 2017.

Financial Summary

Results

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**3,683,598**	3,521,758	3,164,321	2,814,290	2,526,587
PROFIT BEFORE TAX	**162,654**	125,720	103,182	42,898	33,835
INCOME TAX EXPENSE	**(36,220)**	(28,012)	(26,878)	(9,036)	(2,736)
PROFIT FOR THE YEAR	**126,434**	97,708	76,304	33,862	31,099
ATTRIBUTABLE TO:					
Owners of the Company	**126,449**	97,724	76,307	33,874	31,111
Non-controlling interests	**(15)**	(16)	(3)	(12)	(12)
	126,434	97,708	76,304	33,862	31,099

Assets, Liabilities and Non-controlling Interests

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,401,620**	2,213,992	2,159,347	2,028,855	1,932,006
TOTAL LIABILITIES	**(1,149,664)**	(1,027,383)	(1,033,182)	(951,209)	(873,385)
NET ASSETS	**1,251,956**	1,186,609	1,126,165	1,077,646	1,058,621
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**1,251,181**	1,185,819	1,125,359	1,076,837	1,057,800
NON-CONTROLLING INTERESTS	**775**	790	806	809	821
TOTAL EQUITY	**1,251,956**	1,186,609	1,126,165	1,077,646	1,058,621