1 Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group operates in various countries and is exposed to foreign exchange risk against Hong Kong dollar arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure against purchase orders denominated in foreign currencies by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are regularly reviewed by the Group.

Certain assets of the Group are denominated in US dollar but the foreign exchange risk is considered not significant as Hong Kong dollar exchange rate is pegged to US dollar.

The remaining Group's assets and liabilities are primarily denominated in the respective group companies' functional currency, which do not exposure the Group to material foreign exchange risk.

(ii) Credit risk

Credit risk arises from deposits with banks and financial institutions, rental deposits and trade and other receivables. As at 31 March 2017, all bank balances and bank deposits are held at reputable financial institutions. The rental deposits and other receivables are from counterparties with good credit history. There is no history of defaults from these counterparties. In respect of trade receivables, the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables are due within 90 days from the date of invoice. As at 31 March 2017, 86.9% (2016: 99.6%) of the total trade receivables were due within 90 days. The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the consolidated statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 16.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, dividend payments, new investments and close out market positions if required. The Group has steady cash inflow from operations and has adequate financial resources to fund its operations and future expansions. As at 31 March 2017, the Group's financial liabilities were mainly trade payables and other payables amounting to HK$462,683,000 (2016: HK$431,655,000), which were substantially due within 3 months.

1 Financial risk factors (continued)

(iv) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest-bearing assets or liabilities. Major interest-bearing assets of the Group are short-term bank deposits and time deposits, details of which have been disclosed in Note 18. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

The Group monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

As at 31 March 2017, the Group was in a net cash position (total borrowings were less than cash and cash equivalents).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. As at 31 March 2017 and 2016, the Group had no borrowings, the gearing ratio is not applicable.

3 Fair value estimation

The table below analyses the Group's financial assets and liabilities carried at fair value as at 31 March 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	217	–	217
Total assets	–	217	–	217
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	80	–	80
Total liabilities	–	80	–	80

3 Fair value estimation (continued)

As at 31 March 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	63	–	63
Total assets	–	63	–	63
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	16	–	16
Total liabilities	–	16	–	16

Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

There was no movement for the transfer between each level of financial assets and liabilities during the years ended 31 March 2017 and 2016.

There were no changes in valuation techniques during the years ended 31 March 2017 and 2016.