CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

As at 31 March 2017, the Group did not recognise deferred tax assets of HK$70,533,000 (2016: HK$59,587,000) in respect of tax losses and capital allowances amounting to HK$303,117,000 (2016: HK$243,540,000) and HK$31,807,000 (2016: HK$26,806,000) respectively that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from tax losses and capital allowances, requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the year in which such circumstances are changed.

(ii) Impairment of non-financial assets

The Group conducts tests for impairment annually in accordance with the relevant accounting standards and impairment reviews of non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the recoverable amount, which requires the Group to estimate the value in use which base on discounted future cash flows. Where the discounted actual future cash flows are less than expected, an impairment loss may arise. During the year, after reviewing the business environment as well as the Group's strategies and past performance of its cash-generating units, management concluded that there were impairment for plant and equipment totally HK$10,423,000 (2016: HK$17,249,000). Management believe that any reasonably possible changes in the assumptions used in the impairment reviews would not affect management's view on impairment at current year end.

(iii) Provision for inventory

The Group estimates the provision for inventory based on the inventory turnover days and sales performance of inventories and made specific provision for near-expiry and slow-moving inventories. The Group also estimates the shrinkage provision with reference to the level of inventory loss in prior years.

Provision for inventory is recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgements. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provisions for inventory in the years in which such estimates have been changed.