ANNUAL REPORT

2019/20 年報

匠心傳承

力勁科技集團有限公司

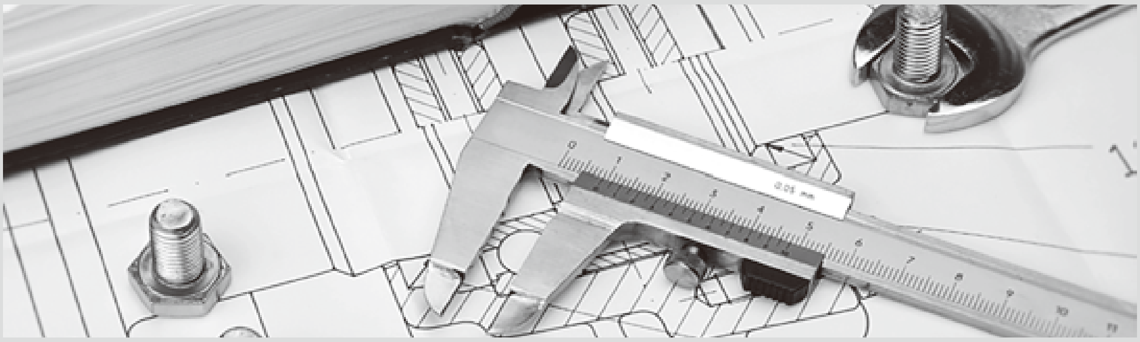
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)

CORPORATE PROFILE



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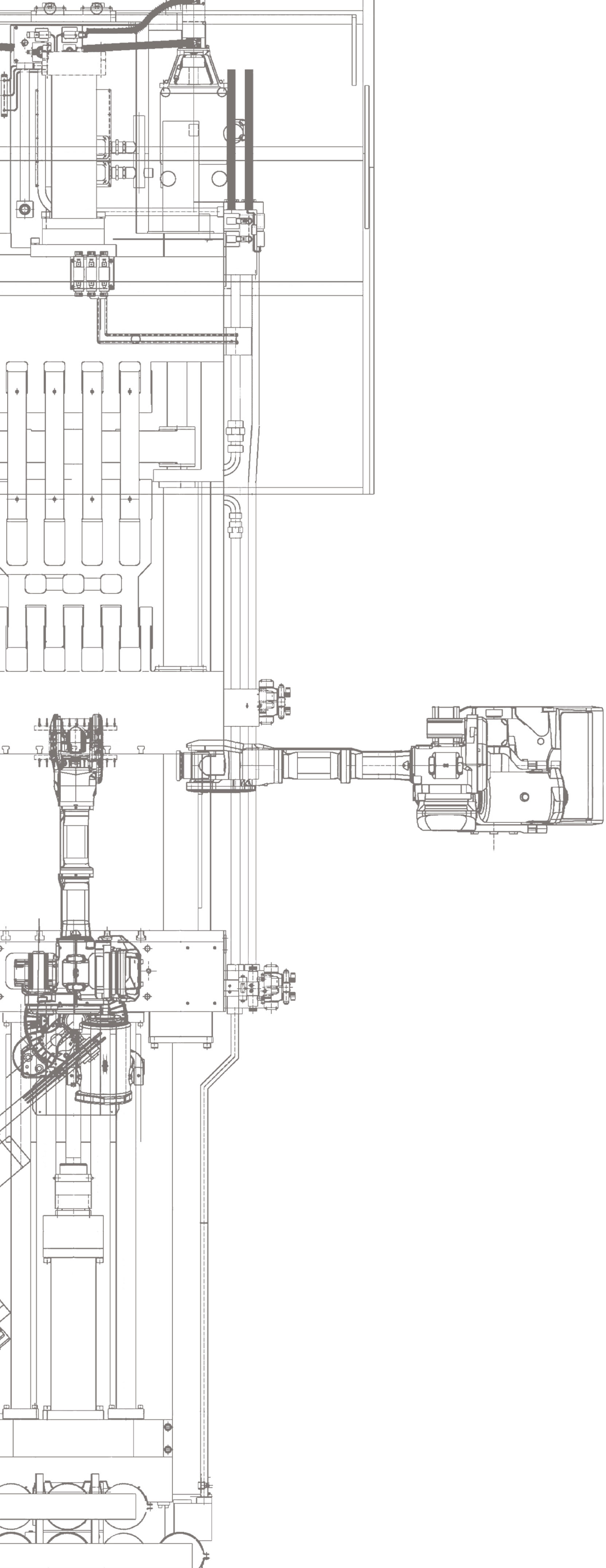
L.K. Technology Holdings Limited (the "Company") is one of the world's largest die-casting machine manufacturers. The Group engages in the design, manufacture and sale of three product lines, i.e. die-casting machine, plastic injection moulding machine and computerised numerical controlled (CNC) machining centre. The Group has manufacturing bases and R&D centres in Shenzhen, Zhongshan, Ningbo, Shanghai, Fuxin, Kunshan and Taiwan in China and Italy. To capture overseas markets, the Group has established sales and services companies in the USA and India. The Group also operates a casting factory in Fuxin for the production of cast iron/steel components.



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chong Siw Yin *(Chairperson)*
Mr. Liu Zhuo Ming *(Chief Executive Officer)*
Mr. Tse Siu Sze

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Kin Ming

AUTHORISED REPRESENTATIVES

Ms. Chong Siw Yin
Mr. Wong Kin Ming

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 8th Floor
Mai Wah Industrial Building
1–7 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Bank of China
Hang Seng Bank Limited
Intesa Sanpaolo Spa

STOCK CODE

558

WEBSITE

http://www.lktechnology.com

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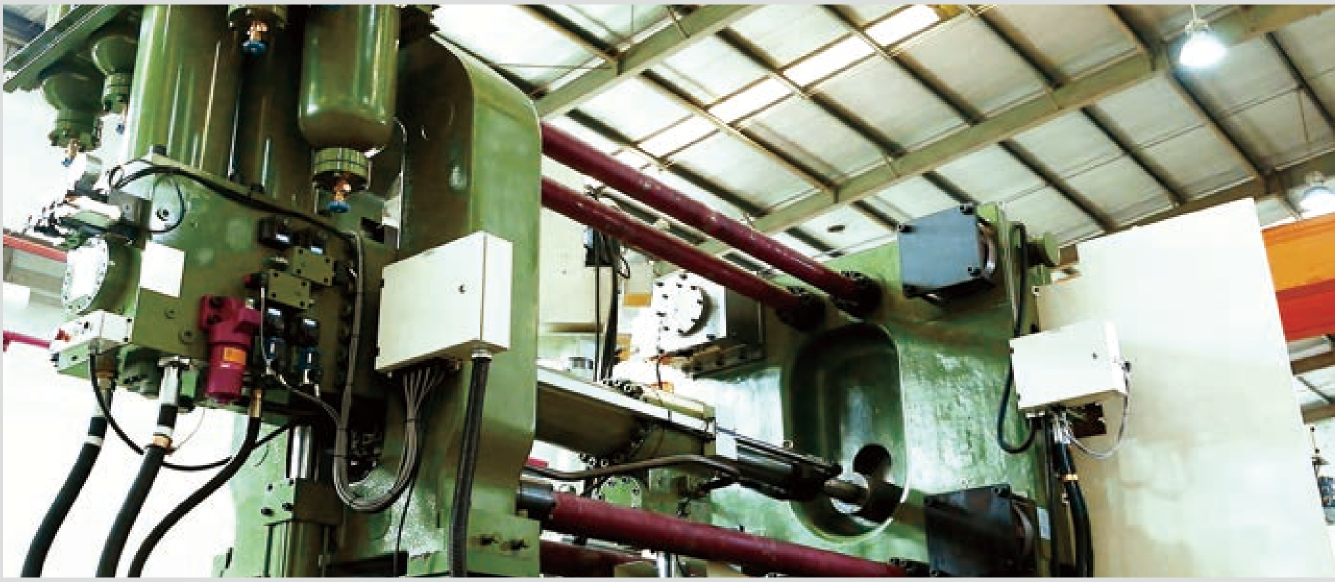

Dear shareholders,

On behalf of the board of directors (the "Board") of L.K. Technology Holdings Limited, I hereby present the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 (the "Year").

The Group recorded a revenue of HK$2,746,099,000 for the Year, representing a decrease of 23.8% compared with last year. Profit attributable to equity holders of the Group amounted to HK$3,278,000.

In 2019, the global economy saw great upheavals. The Sino-US tension mounted from time to time, global economy and trade slowed down markedly, and the growth rates of major economies generally fell. With slowing international and domestic economic growth and once-in-a-century global COVID-19 outbreak, the automobile industry in China was under much pressure as a whole.

The Group firmly adhered to the spirit of craftsmanship and charted its future with innovation. Not only did we deepen our relations with existing customers, but we also constantly made new friends, establishing industry-leading partnerships with world-class companies. During the Year, the Group delivered the largest tonnage die-casting machine in the world to an internationally leading new energy vehicle enterprise, making great contributions to the breakthrough in the production process of new energy vehicles.

In the future, China's economy will not veer off the basic trend of positive growth in the long run, but it is also at a pivotal moment of transformation in development model, as a new pattern of dual circulation where domestic and foreign markets can boost each other is taking shape. Weighed by the COVID-19 pandemic, the global economy is also slowing down. As an industry strongly co-related to economic cycles, the industrial equipment industry will inevitably be affected. However, I firmly believe that the Group is making headway in achieving the ultimate goal of bringing the maximum satisfaction to customers, which enables the Group to continuously deliver robust returns to shareholders going forward.

Finally, on behalf of the Board and our management team, I would like to take this opportunity to express my appreciation to our customers, suppliers, bankers, business partners and shareholders for their great support and encouragement. My heartfelt gratitude also goes to our dedicated Board members and committed staff for their diligence and effort, which have contributed to the business development of the Group in the past year.

Chong Siw Yin
Chairperson

29 June 2020

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK$2,746,099,000 for the year ended 31 March 2020 (the "Year"), representing a decrease of approximately 23.8% as compared to last year. During the Year, profit attributable to owners of the Company amounted to HK$3,278,000, representing a significant decrease as compared to profit of HK$190,676,000 of last year.

The decrease in revenue was mainly due to the decrease in revenue from the sales of the Group in the global market.

The Group's revenue from the China market for the Year amounted to HK$2,015,235,000, representing a year-on-year decrease of 25.8%. Due to exceptionally complex and harsh international situation, Sino-US trade friction and the decline of new energy subsidies, the automobile industry faced severe challenges. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles in China for 2019 reached 25.72 million and 25.77 million, representing a year-on-year decrease of 7.5% and 8.2%, respectively. The production and sales volume of new energy vehicles in China reached 1.24 million and 1.21 million, representing a year-on-year decrease of 2.4% and 3.7%, respectively. Without the introduction and implementation of policies that significantly boosted the market, the overall performance of vehicle sales was lower than the industry's expectation and remained at a low level, which had a significant impact on the Group's revenue.

In addition, the outbreak of the novel coronavirus in early 2020 has exerted negative impacts on the economy. The pandemic has led to suspension of operations by many companies, and the global supply chain of manufacturing sector has been severely impacted, slowing the growth of the economy, dampening demands for mechanical equipment, and further affecting the Group's business.

The Group's revenue from the overseas market for the Year amounted to HK$730,864,000, representing a year-on-year decrease of 17.8%. Global economic and trade situation was strained from time to time with growth rate slowing down dramatically, and the economic growth rate of major economies generally declined. As the international economic growth rate slowed down, the industrial equipment industry was generally under much pressure.

Die-casting Machine

The Group's revenue from the die-casting machine and peripheral equipment business for the Year amounted to HK$1,890,234,000, representing a year-on-year decrease of 26.0%.

Specifically, revenue generated from the China market amounted to HK$1,270,517,000, representing a year-on-year decrease of 27.1%. As the Sino-US trade friction remained unresolved and external uncertainties increased, the domestic economy faced new downward pressure. Most manufacturers had not changed their wait-and-see attitude toward new equipment investment. Revenue generated from the overseas market amounted to HK$619,717,000, representing a year-on-year decrease of 23.5%. As the international economic growth rate slowed down, the industrial equipment industry was generally under much pressure.

Plastic Injection Moulding Machine

The Group's revenue from plastic injection moulding machine business for the Year amounted to HK$756,390,000, representing a year-on-year decrease of 20.3%. Since the implementation of the U.S. tariff policy, the downstream industries of plastic injection moulding machine such as household electrical appliances and 3C had been subject to considerable downside pressure, resulting in extremely intense competition among enterprises engaged in the business of plastic injection moulding machines.

Computerised Numerical Controlled ("CNC") Machining Centre

The Group's revenue from CNC machining centre business for the Year amounted to HK$99,475,000, representing a year-on-year decrease of 3.1%. Equipment investment continued to decrease due to the Sino-US trade war, and the overall situation continued to be unpredictable. As a result, the business was under pressure.

FINANCIAL REVIEW

The overall gross profit margin of the Group's business for the Year was 26.2%, remaining at the same level as the corresponding period last year.

Selling and distribution expenses amounted to HK$290,901,000, representing a decrease of 14.2% as compared to the corresponding period last year, which was mainly due to the decrease in employee salary, transportation costs and agency costs.

General and administrative expenses amounted to HK$333,605,000, representing a decrease of 5.5% as compared to the corresponding period last year, which was mainly due to the decrease in employee salary.

Net finance costs amounted to HK$79,915,000, representing an increase of 5.3% as compared to the corresponding period last year, which was mainly due to an increase in interest expense stemming from interest rate rises of domestic and overseas loans.

PROSPECTS

The impact of the novel coronavirus pandemic has accelerated the global economic slowdown since 2020. At the beginning of March 2020, Organisation for Economic Co-operation and Development (OECD) lowered global economic growth forecast for 2020 from previous 2.9% to 2.4%, the lowest level since 2009. Global manufacturing supply chain has suffered a severe blow and the prospect is uncertain. In addition, due to various adverse factors including the continued recession of China's automobile industry and Sino-US trade friction uncertainties, the market expectation is pessimistic and manufacturers have not changed their wait-and-see attitude toward new equipment investment. The long-lasting impact arising from the recession of the automobile industry is expected to bring greater challenge for the Group's subsequent results.

In order to cope with the situation of possibly sustained weak demand in China, the Group has made material adjustments to accelerate its decision-making process and improve operation efficiency through optimizing and streamlining management and sales structure, aiming to deal with the recent fast-changing market situation.

The Group will continue to focus on the research and development of technologies for die-casting machine, plastic injection moulding machine and CNC machining centre, striving for breakthroughs to satisfy customers' ever-changing demands. It will actively exploit products in application areas including new energy vehicles and 5G communication, accelerate the upgrade of products and the development of new products, strengthen the automation and networking level of products, and establish long-term business relationship with customers. Meanwhile, the Group will expand its overseas agency, striving to promote its products to the global market and establish new foundation for its sustainable development.

DIRECTORS

Ms. Chong Siw Yin, aged 64, is the Chairperson of the Board and an Executive Director of the Company. Ms. Chong joined the Group in March 1988, and was appointed as an Executive Director in August 2004. She is also a director of certain subsidiaries of the Company. Ms. Chong is responsible for the strategic planning, administration and human resources management of the Group and has over 32 years of management experience. Ms. Chong is the mother of Mr. Liu Zhuo Ming, the Chief Executive Officer and an Executive Director of the Company.

Mr. Liu Zhuo Ming, aged 34, is the Chief Executive Officer and an Executive Director of the Company. Mr. Liu joined the Group in October 2008 and has served in a number of positions in the Group. He was appointed as an Executive Director in April 2014 and was appointed as the Chief Executive Officer in April 2017. Mr. Liu is also a director of certain subsidiaries of the Company. He graduated from Oregon State University, USA with a bachelor's degree in Computer Science. Mr. Liu has extensive experience in business operations and management. Mr. Liu is the son of Ms. Chong Siw Yin (the Chairperson of the Board and an Executive Director of the Company) and Mr. Liu Siong Song (a substantial shareholder and the controlling shareholder of the Company).

Mr. Tse Siu Sze, aged 52, is an Executive Director of the Company. Mr. Tse joined the Group in July 1990 and has served in a number of positions in the Group. Mr. Tse was appointed as an Executive Director in December 2013. He is currently the general manager and a director of Zhongshan L.K. Machinery Co. Ltd. Mr. Tse has over 30 years of experience in production management, sales and marketing.

Dr. Low Seow Chay, aged 70, was appointed as an Independent Non-executive Director of the Company in September 2004. He was the associate professor of the Nanyang Technological University of Singapore before his retirement in November 2012. Dr. Low has more than 30 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is a board member of two publicly listed companies in Singapore, namely CASA Holdings Limited and Hor Kew Corporation Limited. Dr. Low received a Doctor of Philosophy Degree from The University of Manchester, U.K.

Dr. Lui Ming Wah, *SBS, JP*, aged 82, was appointed as an Independent Non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association Ltd. and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association and a member of The Hong Kong International Arbitration Center Advisory Council. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. Dr. Lui is also member of the tenth and eleventh National Committee of the Chinese People's Political Consultative Conference. He is the managing director of Keystone Electronics Co., Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited and Gold Peak Industries (Holdings) Limited (both being listed companies on the Stock Exchange in Hong Kong) and Asian Citrus Holdings Limited (also listed on the London Stock Exchange). Dr. Lui obtained a master's degree in Applied Science from the University of New South Wales in Australia and a PhD from the University of Saskatchewan in Canada. He is a Fellow of The Hong Kong Institute of Directors.

Mr. Tsang Yiu Keung, Paul, aged 66, has been an Independent Non-executive Director of the Company since 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tsang joined KPMG in 1975 and retired as a senior banking partner in 2003. Mr. Tsang is an Independent Non-executive Director of Guotai Junan International Holdings Limited, a listed company on the Stock Exchange of Hong Kong. Mr. Tsang was an Independent Non-executive Director of China CITIC Bank International Limited, a licensed bank in Hong Kong, and CITIC International Financial Holdings Limited, from 2004 to 2017.

SENIOR MANAGEMENT

Mr. Riccardo Ferrario, aged 63, is the general manager of Idra S.r.l and has full responsibility of the Idra S.r.l business worldwide. Mr. Ferrario joined the Group in April 2009. He has over 34 years of experience in the light alloy foundry business and worked for global companies such as Teksid (Fiat Group metallurgical product division), EurAlcom Group and Meridian Technologies. Mr. Ferrario is a metallurgical engineer graduated at Polytechnic of Turin (Italy) in 1982 and possesses strong experience in foundry manufacturing process and business development. He was member of the board of High Pressure Die Casting Technology of AIM (Italian Metallurgical Association). Mr. Ferrario is President of AMAFOND (Italian Foundry Supplier Association) from July 2020 and is well known in the aluminum and magnesium foundry community worldwide.

Ms. Pan Lingling, aged 49, is the general manager and a director of Shenzhen Leadwell Technology Co. Ltd. Ms. Pan joined the Group in October 2002. She has been the general manager and a director of Shenzhen Leadwell Technology Co. Ltd. since April 2017. Ms. Pan has wealth of experience in research and development management, human resources management and market development. She is currently the Vice President of China Shenzhen Machinery Association, Member of Longhua District of Shenzhen Municipal Committee of the CPPCC and Vice President of Shenzhen Women Entrepreneurs Association. Ms. Pan possesses a postgraduate qualification in Economics and Management.

Mr. Hu Zaoren, aged 48, joined the Group in April 1995 and has served in a number of positions in the Group. He is currently the general manager of Shanghai Atech Machinery Co. Ltd., L.K. Technology (Kunshan) Co. Ltd. and L.K. Precision Machinery (Kunshan) Co. Ltd. Mr. Hu has rich experience in production, marketing and after-sale services management. Mr. Hu holds a Bachelor's degree in Business Administration with specialty in Mechatronic.

Mr. Zhang Jun, aged 40, is the general manager of Ningbo L.K. Technology Co. Ltd. Mr. Zhang joined the Group in July 2000 and has served in various positions including customer services supervisor, customer services manager, sales manager and marketing director. He was appointed as the general manager of Ningbo L.K. Technology Co. Ltd. in July 2019. Mr. Zhang has over 20 years of experience in customer services, sales management and market development.

Mr. Zhou Changqiao, aged 55, is the general manager of Ningbo L.K. Machinery Co. Ltd. Mr. Zhou joined the Group in May 1999 and has served a number of positions in the Group. He was appointed as the general manager of Ningbo L.K. Machinery Co. Ltd. in July 2019. Mr. Zhou has over 21 years of experience in production management, quality management, engineering management, sales management and market development and planning.

The Board of Directors (the "Board") of the Company is committed to maintaining good corporate governance practices and procedures. The Company has applied the principles and complied with code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2020.

BOARD OF DIRECTORS

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

All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has received from each of the Independent Non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. Biographical details of each board member are set out on pages 7 to 8 of this report. There is no relationship (including financial, business, family or other material relationship) among members of the Board save as those disclosed in the section headed "Directors and Senior Management Profiles".

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The roles of the Chairperson and Chief Executive Officer of the Company are segregated and are not exercised by the same individual. Ms. Chong Siw Yin is the Chairperson and Mr. Liu Zhuo Ming is the Chief Executive Officer. The segregation of duties of the Chairperson and the Chief Executive Officer ensures a clear distinction in the Chairperson's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairperson and the Chief Executive Officer are set out in writing.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Members of the Board	**Training received**
Executive Directors	
Ms. Chong Siw Yin *(Chairperson)*	(i)
Mr. Liu Zhuo Ming *(Chief Executive Officer)*	(i)
Mr. Tse Siu Sze	(i)
Mr. Wang Xinliang (resigned with effect from 15 August 2019)	(i)
Independent Non-executive Directors	
Dr. Low Seow Chay	(i)
Dr. Lui Ming Wah, *SBS, JP*	(i)
Mr. Tsang Yiu Keung, Paul	(i) and (ii)

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

(ii) Attending training seminars

ATTENDANCE AT MEETINGS

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

	Number of meetings attended/held				
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Annual General Meeting
Executive Directors					
Ms. Chong Siw Yin	5/5	N/A	N/A	N/A	1/1
Mr. Liu Zhuo Ming	4/5	N/A	N/A	N/A	1/1
Mr. Tse Siu Sze	4/5	N/A	N/A	N/A	1/1
Mr. Wang Xinliang *(Note)*	0/1	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Dr. Low Seow Chay	5/5	2/2	1/1	1/1	1/1
Dr. Lui Ming Wah	5/5	2/2	1/1	1/1	0/1
Mr. Tsang Yiu Keung, Paul	5/5	2/2	1/1	1/1	0/1

Note: Mr. Wang Xinliang resigned as an Executive Director with effect from 15 August 2019.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Dr. Lui Ming Wah, Mr. Tsang Yiu Keung, Paul and Dr. Low Seow Chay. Dr. Lui Ming Wah is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages of Directors and senior management, determining the award of bonuses and considering the grant of options under the share option scheme of the Company and making recommendations to the Board (the model described in code provision B.1.2(c) (ii) was adopted).

The Remuneration Committee held one meeting during the Year. The members of the Remuneration Committee discussed and reviewed the remuneration package of Executive Directors and made recommendations to the Board.

Pursuant to code provision of B.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2020 is as follows:

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

Details of the remuneration of each Director for the year ended 31 March 2020 are set out in Note 28 to the financial statements.

Nomination Committee

The Nomination Committee currently comprises three Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul. Dr. Low Seow Chay is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the board succession. The Nomination Committee can reasonably ensure that only candidates with capability and relevant experience will be appointed as future directors.

During the Year, the Nomination Committee held one meeting. The members of the Nomination Committee discussed and recommended the renewal of the service contracts of Executive Directors. They also reviewed the structure, size and composition of the Board.

Board Diversity Policy

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

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

Audit Committee

The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Dr. Low Seow Chay. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group and provide advice and comments to the Board.

During the Year, the Audit Committee held two meetings with the Executive Directors, representatives of the management, the internal auditors and the external auditor of the Company to discuss the auditing, financial reporting, operational performance and internal control matters. The Audit Committee also met one time during the Year with the external auditor in the absence of management to discuss and make enquiries on various financial and operational matters.

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

(i) review of the Group's interim and annual results before submission to the Board for approval;

(ii) review of external auditor's audit plan, external auditor's reports and other matters raised by the external auditor;

(iii) review of the independence of external auditor;

(iv) making recommendation to the Board on the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

(v) review of the internal audit department reports and make recommendations; and

(vi) review of the effectiveness of the risk management and internal control systems of the Group.

Auditor's Remuneration

The financial statements of the Group for the year ended 31 March 2020 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	Fee paid/payable HK$'000
Audit services	3,200
Non-audit services	630
	3,830

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2020.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 25 to 29.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

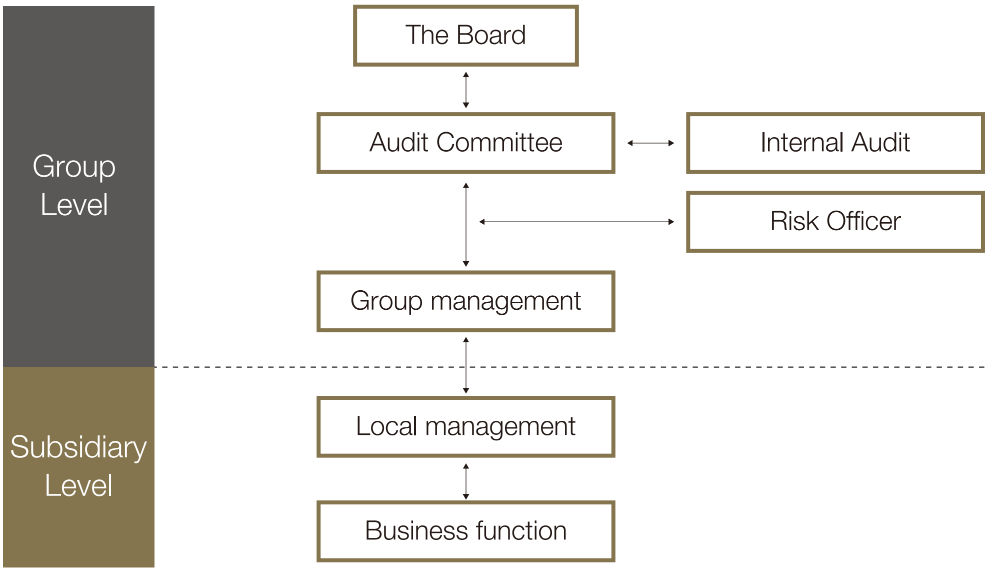
The Board acknowledges its responsibility to ensure the establishment, maintaining and review of the appropriateness and effectiveness of the Group's risk management and internal control systems, where management is responsible for the design, implementation and monitoring of these systems to manage risks.

Sound and effective risk management and internal control systems are in place to achieve the Group's strategic objectives as well as to safeguard shareholder investments and the Company assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Risk Management and Internal Control Framework

The Board has the overall responsibility of the risk management and internal control systems of the Group. With the support from the Audit Committee, the Board monitors the Group's risk exposure, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting an appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.

With an aim to improve the Group's risk management and internal control systems, the Group has engaged a professional consulting firm to enhance its risk management system and assist management to perform an annual assessment of major risks associated with the Group's businesses and operations. The organizational structure for risk management is set out as follows:



The role of Group Risk Officer is to promote the awareness of risk management in daily operations. The Group Risk Officer initiates and facilitates the management to perform an annual enterprise-wide risk assessment to evaluate the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified several key risks that may impact the Group's strategic objectives, as a result of the changes in the business and external environment. These risks have been prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group. A risk assessment report has been submitted to the Board for oversight and monitoring of the risks. Meanwhile, risk management measures and mitigating controls have been developed to manage these risks to an acceptable level.

Internal Audit

The Internal Audit Department (the "IAD") of the Company plays a major role in monitoring the internal controls of the Group. It reports directly to the Audit Committee. The IAD has carried out independent audits to evaluate the effectiveness of the Group's internal control systems according to the Internal Audit Plan. The head of the IAD has attended the Audit Committee meetings and reported the work that has been done and audit findings to the Audit Committee. All recommendations from the IAD have been followed up promptly to ensure proper controls have been in place within a reasonable time.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining appropriate and effective risk management and internal control systems to safeguard shareholder investments and the Company assets as well as reviewing the effectiveness of such systems, with the support of the Audit Committee, on an annual basis.

Key or major business units are required to perform annual control self-assessments to assess the effectiveness of internal control systems. The control self-assessments are in the form of questionnaires that set out key risks and corresponding controls for each key business process. The questionnaires are required to be confirmed and signed by the management of corresponding business units upon completion. The IAD reviews the completed control self-assessment questionnaires and provides comments and recommendations for consideration by the management of business units.

During the Year, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered these systems being effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, as well as their training programs and budget.

Procedures and Controls over Handling and Dissemination of Inside Information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. An Inside Information Disclosure Policy has been established to lay down practical guidelines on definition and the scope of inside information; disclosure and management framework; exemptions for disclosure; receiving, reporting and disclosing of inside information; confidentiality and records of such information. Also, staff who have access to inside information are required to follow the Inside Information Disclosure Policy to keep the unpublished inside information strictly confidential.

DIVIDEND POLICY

The Company has, since listing, adopted a dividend policy. The Company intends to pay dividends by way of interim and final dividends. The Directors generally intend to declare and recommend dividends which would amount in total to not less than 30% of the distributable profits generated during the year. The payment and amount of any dividends will be at the discretion of the Directors and will depend upon the Group's earnings, financial conditions, cash requirements and availability, and other factors. There is no assurance as to whether the dividend distribution will occur as intended, what the amount of dividend payment or the timing of such payment will be.

The payment of dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the laws of the Cayman Islands and the memorandum and articles of association of the Company.

COMPANY SECRETARY

The Company Secretary of the Company is a full time employee of the Company. For the year ended 31 March 2020, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company maintains various communication channels with its shareholders. The Company's annual general meeting provides a good opportunity for shareholders to exchange views with the Board. Members of the Board and the external auditor will attend the annual general meeting to answer shareholders' questions.

In order to promote effective communication, the Company maintains a website (www.lktechnology.com) which includes past and present information relating to the Group and its businesses.

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

SHAREHOLDERS' RIGHTS

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

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

Putting forward proposals at general meetings

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

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

Putting forward enquiries to the Board

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

Constitutional Documents

During the year ended 31 March 2020, there has not been any change in the Company's constitutional documents.

The Directors submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated income statement on page 32.

No interim dividend was paid to shareholders of the Company during the Year. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK2.2 cents).

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, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Year and up to the date of this report, and an indication of likely future developments in the Group's business, are provided in sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 5 to 6 of the annual report, and the notes to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with the requirements of relevant laws and regulations. During the Year, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmental-friendly corporation and pays close attention to environmental protection laws and regulations to ensure the environmental policies are in line with domestic and international standards. All the factories are operated in strict compliance with the relevant environmental regulations and rules.

KEY RELATIONSHIPS

The Group recognizes the importance of maintaining a good relationship with its employees, customers and suppliers so as to maintain sustainable development in the long term. During the Year, there were no material and significant disputes between the Group and its employees, customers and suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties are set out in Note 8 to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2020 are set out in Note 21 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable or other donations totaling HK$10,000.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 22 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2020, the Company's reserves available for distribution to shareholders of the Company were HK$615,124,000, representing share premium of HK$579,809,000 and retained earnings of HK$35,315,000.

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Company's Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

EQUITY LINKED AGREEMENTS

Other than the share option scheme and share award scheme of the Group as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 120.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors:

Ms. Chong Siw Yin *(Chairperson)*
Mr. Liu Zhuo Ming *(Chief Executive Officer)*
Mr. Tse Siu Sze
Mr. Wang Xinliang (resigned with effect from 15 August 2019)

Independent Non-executive Directors:

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Tse Siu Sze and Dr. Lui Ming Wah shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the Executive Directors has entered into a service contract with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

The three Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul were re-appointed in September 2019 for a fixed term of three years and are subject to retirement by rotation and re-election. Each of the Independent Non-executive Directors or the Company may terminate the appointment at any time during the three-year term by giving the other party at least three months' notice in writing.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 7 to 8 to this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company, its subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director/ chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	770,980,000[(1)] Long position	64.72%
	the Company	Beneficial owner	2,550,000 Long position	0.21%
	the Company	Interest of spouse	5,202,500[(2)] Long position	0.44%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	770,980,000[(3)] Long position	64.72%
Mr. Tse Siu Sze	the Company	Beneficial owner	1,235,000 Long position	0.10%

Notes:

1. These 770,980,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siong Song ("Mr. Liu"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed to be interested in the shares held by Girgio through Fullwit and Mr. Liu.

2. These 5,202,500 shares are beneficially owned by Mr. Liu.

3. Mr. Liu Zhuo Ming is deemed to be interested in the 770,980,000 shares held by Girgio as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2020, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	770,980,000(1) Long position	64.72%
Mr. Liu	See Note (2)	770,980,000(2) Long position	64.72%
		2,550,000(2) Long position	0.21%
		5,202,500 Long position	0.44%
Fullwit	See Note (1)	770,980,000(1) Long position	64.72%
HSBC International Trustee Limited	See Note (3)	770,980,000(3) Long position	64.72%
China High-End Equipment Investment Fund LP	Beneficial owner	67,590,000	5.67%

Notes:

1. These 770,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.

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

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

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

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2016 and would remain in force for a period of 10 years. No options had been granted under the Share Option Scheme since its date of adoption.

The principal terms of the Share Option Scheme are summarised as follows:

(a) Purpose

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

(b) Participants

The Board may, at its absolute discretion, offers to grant options to eligible persons including any full-time or part-time employees and directors (including non-executive directors and independent non-executive directors) of any member of the Group.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 113,326,500 shares, representing 10% of the issued share capital of the Company as at the date of the approval of the Share Option Scheme.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

Subject to the provisions of the Listing Rules, no option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the shares in issue from time to time. Where any further grant of options to such an eligible person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such eligible person and his close associates (or his close associates if such eligible person is a connected person) abstaining from voting.

(e) Offer period and amount payable for options

An offer of the grant of an option shall remain open for acceptance by the eligible person concerned for a period of 14 days from the offer date. The amount payable on acceptance of an option is HK$10.00.

(f) Minimum holding period, vesting and performance target

The Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the shares to which such option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised.

(g) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall be at least the higher of: (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date.

(h) Exercise of option

Subject to the terms and conditions upon which the option was granted, an option may be exercised by the grantee at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by the Directors to each grantee provided that such period shall not exceed the period of ten years from the date of the grant of a particular option but subject to the provisions for early termination thereof contained in the Share Option Scheme.

(i) Life of Share Option Scheme

Subject to earlier termination by the Company by ordinary resolution in general meeting, the Share Option Scheme will remain in force for a period of ten years commencing from 8 September 2016 after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme (the "Scheme") on 28 October 2015 (the "Adoption Date"). The purpose of the Scheme is to recognize the contributions of the employees (including without limitation employees who are also directors) of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Pursuant to the terms of the Scheme, the Board may, from time to time, at their absolute discretion select any employee for participation in the Scheme as a selected employee. The Board may determine the number of shares of the Company to be awarded to each selected employee and may impose any conditions, restrictions or limitations or waive any such conditions, restrictions or limitations from time to time in relation to the award as it may at its absolute discretion think fit.

The Board shall not make any further award which will result in the total number of shares awarded by the Board under the Scheme exceeding 10 per cent. of the issued share capital of the Company as at the Adoption Date. The total number of shares which may be awarded to a selected employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1 per cent. of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

During the year ended 31 March 2020, the Company has not purchased any shares of the Company through the trustee in the open market on the Stock Exchange for the purpose of the Share Award Scheme. There were no shares awarded to employees pursuant to the Share Award Scheme during the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

COMPETING BUSINESS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

STAFF AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed approximately 3,600 full time staff. The staff costs for the Year amounted to HK$537,257,000 (2019: HK$618,271,000). The remuneration policies of the Group are determined based on market trends, future plans and the performance of individuals. In addition, the Group also provides other staff benefits such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provide that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential legal actions that may be incurred in the course of performing their duties.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries, fellow subsidiaries and holding company has purchased, sold or redeemed any of the listed securities of the Company.

CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

In accordance with the requirement of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of a facility agreement (the "Facility Agreement") with a covenant relating to specific performance of the controlling shareholder of the Company at 31 March 2020:

On 5 February 2018, L.K. Machinery Company Limited (a wholly-owned subsidiary of the Company) as borrower, and the Company as a guarantor, entered into a facility agreement with a group of banks as lenders for a three-year term loan facilities of up to HK$372,000,000 and US$16,450,000.

The Facility Agreement provides that it would constitute an event of default under the Facility Agreement if (i) Mr. Liu Siong Song (a controlling shareholder of the Company held as to approximately 62% of equity interests in the Company as at the date of the Facility Agreement) and his family (the "Major Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security; (ii) the Major Shareholders collectively are not or cease to be the single largest shareholder of the Company; (iii) the Major Shareholders collectively do not or cease to have control over the board of directors of the Company; and (iv) Ms. Chong Siw Yin (spouse of Mr. Liu Siong Song) is not or ceases to be the Chairman of the Company.

The aforesaid obligation continued to exist at 31 March 2020.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 June 2020

羅兵咸永道

To the Shareholders of L.K. Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of L.K. Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 118, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2020, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of trade receivables

- Provision for inventories write-down

Key Audit Matter

Recoverability of trade receivables

Refer to Note 3.1(b)(ii)(impairment of financial assets), Note 4(b) (critical accounting estimates and judgements) and Note 15 (trade and bills receivable) to the consolidated financial statements.

As at 31 March 2020, the gross trade receivables recognised by the Group was HK$1,035,885,000 (2019: HK$1,118,530,000). The related provision for impairment of trade receivables recognised by the Group amounted to HK$128,474,000 (2019: HK$118,790,000).

Management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables.

Management judgements are required in assessing the expected credit losses for trade receivables. The judgements included review of customers settlement history, their current ability to pay and forward-looking information.

We focused on this area because the determination of the recoverable amounts of trade receivables requires the use of significant judgements and estimates.

How our audit addressed the Key Audit Matter

Our procedures in relation to trade receivables included:

- Assessing the appropriateness of the credit loss provisioning methodology used by the Group;

- Testing the expected credit losses by checking to the customers past repayment pattern and historical credit loss experience, subsequent settlement and forward-looking information used;

- Testing, on a sample basis, the accuracy of the ageing reports for trade receivables prepared by management; and

- Circularising independent confirmations to debtors on a sample basis to confirm the balances as at 31 March 2020 and reconciled the confirmed amounts with those recorded by the Group where applicable.

Based on the results of our procedures, we found the management's judgements and estimates used in the recoverability assessment on trade receivables were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Provision for inventories write-down

Refer to Note 4(a) (critical accounting estimates and judgements) and Note 19 (inventories) to the consolidated financial statements.

As at 31 March 2020, the Group held inventories of HK$1,128,346,000 (2019: HK$1,197,255,000), net of provision for impairment of HK$128,045,000 (2019: HK$169,917,000). Inventories are carried at the lower of cost and net realisable value ("NRV"). The cost of inventories may not be recoverable if those inventories' selling prices declined or they have become obsolete or damaged.

Management consistently applies a methodology to make provision for inventories write-down. Management determines the lower of cost and NRV of inventories by considering the estimated selling price of individual inventory items less selling expenses, their ageing profile and any obsolescence identified from periodic inventory counts conducted by the entity.

We focused our work on management's provision for inventories because significant judgements and assumptions are required to be made to determine the estimated selling price of individual product, including historical sales record of selling products of similar nature and expectation of future sales based on current market conditions and sales backlog.

How our audit addressed the Key Audit Matter

We have performed the following procedures in relation to management's estimation of provision for inventories write-down:

- Understanding the methodology used by management to determine the provision for inventories write-down and evaluating reasonableness of the methodology which took into account inventory ageing profile, historical and post year-end sales data;
- Understanding and testing controls over estimation of NRV of inventories and related provision;
- Testing, on a sample basis, the inventory ageing by comparing the inventory records with the underlying documents;
- Testing, on a sample basis, the NRV of selected inventory items by comparing the estimated selling price less selling expenses with post year-end sales data, sales backlog, or current market analysis; and
- Observing management's inventory counts to identify any obsolete inventories.

Based on the procedures described, we found the management's judgements and estimates in relation to the provision for inventories write-down were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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.

OTHER INFORMATION *(Continued)*

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 DIRECTORS AND THE AUDIT COMMITTEE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- 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 Wong Wai Bong, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Intangible assets	*6*	**12,887**	11,462
Property, plant and equipment	*7*	**907,429**	1,011,716
Investment properties	*8*	**314,825**	328,614
Right-of-use assets	*9*	**347,616**	–
Land use rights	*10*	**–**	340,979
Interests in joint ventures	*11*	**–**	–
Interests in associates	*12*	**27,915**	32,848
Other receivables and deposits	*16*	**29,054**	12,729
Deferred income tax assets	*14*	**96,309**	83,220
Trade and bills receivables	*15*	**14,962**	19,901
Insurance policy investments	*18*	**12,438**	12,147
Financial asset at fair value through other comprehensive income	*17*	**5,555**	5,882
Restricted bank balances	*20(b)*	**329**	2,364
Total non-current assets		**1,769,319**	1,861,862
Current assets			
Inventories	*19*	**1,128,346**	1,197,255
Trade and bills receivables	*15*	**1,143,069**	1,288,642
Other receivables, prepayments and deposits	*16*	**164,611**	193,841
Restricted bank balances	*20(b)*	**79,867**	44,485
Cash and cash equivalents	*20(a)*	**713,793**	634,699
Total current assets		**3,229,686**	3,358,922
Total assets		**4,999,005**	5,220,784
Equity			
Share capital	*21*	**119,127**	119,127
Reserves	*22*	**833,428**	961,757
Retained earnings	*22*	**1,034,097**	1,067,676
Total equity		**1,986,652**	2,148,560

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred income tax liabilities	*14*	**31,921**	20,445
Borrowings	*23*	**9,710**	438,174
Lease liabilities	*9*	**25,289**	–
Other payables		**6,265**	7,818
Total non-current liabilities		**73,185**	466,437
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*24*	**1,160,616**	1,265,298
Borrowings	*23*	**1,755,797**	1,313,321
Lease liabilities	*9*	**8,559**	–
Current income tax liabilities		**14,196**	27,168
Total current liabilities		**2,939,168**	2,605,787
Total liabilities		**3,012,353**	3,072,224
Total equity and liabilities		**4,999,005**	5,220,784

The consolidated financial statements on pages 30 to 118 were approved by the Board of Directors on 29 June 2020 and were signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

The notes on pages 37 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	*25*	**2,746,099**	3,604,449
Cost of sales	*27*	**(2,027,618)**	(2,714,690)
Gross profit		**718,481**	889,759
Other income	*25*	**69,718**	64,700
Other (losses)/gains – net	*26*	**(11,179)**	79,233
Selling and distribution expenses	*27*	**(290,901)**	(339,092)
General and administrative expenses	*27*	**(333,605)**	(353,192)
Provision for impairment of trade receivables – net	*27*	**(21,515)**	(11,970)
Operating profit		**130,999**	329,438
Finance income	*29*	**5,305**	5,474
Finance costs	*29*	**(85,220)**	(81,392)
Finance costs – net	*29*	**(79,915)**	(75,918)
Share of (loss)/profit of associates	*12*	**(970)**	252
Profit before income tax		**50,114**	253,772
Income tax expense	*30*	**(46,836)**	(63,096)
Profit attributable to owners of the Company		**3,278**	190,676
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	*31(a)*	**0.3**	16.0
– Diluted	*31(b)*	**0.3**	16.0

The notes on pages 37 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Profit attributable to owners of the Company		**3,278**	190,676
Other comprehensive (loss)/income for the year			
Items that may be reclassified to profit or loss			
Currency translation difference			
Losses arising during the year	*22*	**(139,269)**	(163,305)
Change in value of insurance policy investments	*18*	**291**	430
Item that will not be reclassified subsequently to profit or loss			
Change in value of building upon transfer to investment properties	*8*	**–**	2,812
Total comprehensive (loss)/income attributable to owners of the Company, net of tax		**(135,700)**	30,613

The notes on pages 37 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2019	119,127	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	1,067,676	2,148,560
Profit for the year	–	–	–	–	–	–	–	–	–	3,278	3,278
Other comprehensive (loss)/income											
Currency translation differences	–	–	–	(139,269)	–	–	–	–	–	–	(139,269)
Change in value of insurance policy investments	–	–	–	–	–	–	–	291	–	–	291
Total comprehensive (loss)/income	–	–	–	(139,269)	–	–	–	291	–	3,278	(135,700)
Transfer to statutory reserve	–	–	–	–	–	10,649	–	–	–	(10,649)	–
Final dividend paid *(Note 32)*	–	–	–	–	–	–	–	–	–	(26,208)	(26,208)
Transactions with owners	–	–	–	–	–	10,649	–	–	–	(36,857)	(26,208)
At 31 March 2020	119,127	579,809	13,771	(67,662)	11,116	251,506	45,118	(598)	368	1,034,097	1,986,652

For the year ended 31 March 2020

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Available-for-sale financial asset reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2018, as previously reported	119,127	579,809	13,771	234,912	11,116	229,070	42,306	(1,319)	–	368	1,011,134	2,240,294
Effect on adoption of HKFRS 9	–	–	–	–	–	–	–	–	368	(368)	(11,560)	(11,560)
At 1 April 2018, as restated	119,127	579,809	13,771	234,912	11,116	229,070	42,306	(1,319)	368	–	999,574	2,228,734
Profit for the year	–	–	–	–	–	–	–	–	–	–	190,676	190,676
Other comprehensive (loss)/income												
Currency translation differences	–	–	–	(163,305)	–	–	–	–	–	–	–	(163,305)
Change in value of property, plant and equipment *(Note 8)*	–	–	–	–	–	–	2,812	–	–	–	–	2,812
Change in value of insurance policy investments	–	–	–	–	–	–	–	430	–	–	–	430
Total comprehensive (loss)/income	–	–	–	(163,305)	–	–	2,812	430	–	–	190,676	30,613
Transfer to statutory reserve	–	–	–	–	–	11,787	–	–	–	–	(11,787)	–
Final dividend paid *(Note 32)*	–	–	–	–	–	–	–	–	–	–	(81,006)	(81,006)
Interim dividend paid *(Note 32)*	–	–	–	–	–	–	–	–	–	–	(29,781)	(29,781)
Transactions with owners	–	–	–	–	–	11,787	–	–	–	–	(122,574)	(110,787)
At 31 March 2019	119,127	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	–	1,067,676	2,148,560

The notes on pages 37 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	*33*	**314,825**	206,491
Interest paid		**(81,400)**	(77,221)
Income tax paid		**(62,901)**	(71,148)
Net cash generated from operating activities		**170,524**	58,122
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment	*33(a)*	**15,122**	90,861
Payments for intangible assets		**(5,513)**	(4,648)
Proceeds from other deposits and receivables		**–**	4,815
Purchases of property, plant and equipment		**(69,996)**	(64,915)
Purchase of a land use right		**–**	(33,445)
Investment in an associate		**(74)**	–
Deposits for acquisition of property, plant and equipment		**(22,220)**	(11,754)
Dividend income from an associate	*12*	**2,222**	–
Interest received		**5,305**	5,474
Net cash used in investing activities		**(75,154)**	(13,612)
Cash flows from financing activities			
Inception of new bank borrowings		**972,858**	946,678
Repayments of bank borrowings		**(966,732)**	(764,794)
Net increase/(decrease) in trust receipt loans		**40,951**	(74,419)
Principal elements of lease payments	*33(b)*	**(9,932)**	–
Dividend paid	*32*	**(26,208)**	(110,787)
Net cash generated from/(used in) financing activities		**10,937**	(3,322)
Net increase in cash and cash equivalents		**106,307**	41,188
Cash and cash equivalents at beginning of year		**634,699**	628,672
Exchange difference on cash and cash equivalents		**(27,213)**	(35,161)
Cash and cash equivalents at end of year	*20(a)*	**713,793**	634,699

The notes on pages 37 to 118 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

L.K. Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 October 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The immediate and ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled ("CNC") machining centre and related accessories.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of insurance policy investments, financial asset at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 April 2019:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HK (IFRIC) – Int 23	Uncertainty over income tax treatments
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
Annual Improvements Project	Annual improvements to HKFRSs 2015–2017 cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.2.3. Other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2.2 New and amended standards not yet adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Definition of a business	1 April 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 April 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedging accounting	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of assessing the impact of these new accounting standards and amendments to existing standards.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.3 Impact of adoption on financial statements – HKFRS 16

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2.2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019. The new accounting policies are disclosed in Note 2.31.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.60%.

	HK$'000
Operating lease commitments disclosed at 31 March 2019	48,524
Discounted using lessee's incremental borrowing rate as of 1 April 2019	42,255
Less: short-term leases recognised on a straight-line basis as expense	(408)
Less: low value leases recognised on a straight-line basis as expense	(615)
Lease liabilities recognised as at 1 April 2019	41,232
Analysed into:	
Current lease liabilities	8,651
Non-current lease liabilities	32,581
	41,232

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 April 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.3 Impact of adoption on financial statements – HKFRS 16 *(Continued)*

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- Land use rights – decrease by HK$340,979,000
- Right-of-use assets – increase by HK$382,218,000
- Prepayments – decrease by HK$7,000
- Lease liabilities – increase by HK$41,232,000

There are no impacts on retained earnings on 1 April 2019.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) Business combinations

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

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(a) *Business combinations (Continued)*

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

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates

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

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

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

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

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

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

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

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

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

(c) Group companies

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

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the consolidated income statement.

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

2.8 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'other (losses)/ gains – net'.

2.10 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Intangible assets *(Continued)*

(b) Trademarks

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

(c) Patents

Patents are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their remaining useful lives of sixteen years.

(d) Research and development expenditures

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

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

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

2.11 Land use rights (included in right-of-use assets)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Impairment of investments in subsidiaries and non-financial assets

Goodwill is not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.13 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other (losses)/gains, net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'other (losses)/gains, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other (losses)/gains, net' and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other (losses)/gains – net' in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(c) Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other income', in consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Write down is made for deteriorated, damaged and obsolete inventories.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method (Note 3.1(b)).

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Financial liabilities

(i) Financial guarantee contracts

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

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

(ii) Other financial liabilities

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Borrowings

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

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement as other income or finance costs.

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

2.22 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

Pension obligations

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

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

2.25 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments *(Continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Contingent liabilities

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

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

2.28 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised goods and service to a customer, which is when the customer obtains control of a goods and service, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that goods and service. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provision for impairment of the receivable and the contract asset based on ECL; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Revenue recognition *(Continued)*

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognising revenue. The incremental cost incurred by the Group of obtaining a contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Group recognises it in profit and loss. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognising revenue. The Group recognises the excess of the carrying amounts of contract costs over the expected remaining consideration less any costs not yet recognised as an impairment loss. As at the statement of financial statement date, the Group presents the costs to fulfill and of obtaining a contract, in the net amount after deducting relevant asset impairment provisions, as other assets.

The Group recognises revenue for each of its activities in the consolidated income statement in accordance with below policies:

(a) Sales of goods

Sales of goods are recognised when a group entity has transferred control over products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sales contracts. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of services

Service income is recognised when the Group satisfied the performance obligation in accordance with the substance of the relevant agreements. Service income is recognised at that point in time.

(c) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Government subsidies and value added tax refund

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

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

2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.31 Leases

As explained in Note 2.2.3 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.3.

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

2.33 Insurance policy investments

Insurance policy investments are non-derivative which measured in FVOCI. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the consolidated statement of financial position date. When the investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Market risk

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

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank balances, cash and cash equivalents and borrowings which are carried at prevailing market interest rates as shown in Notes 20 and 23. Management will consider hedging significant interest rate exposure should the need arise.

The Group did not have any interest rate swap as at 31 March 2020 and 2019.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits and borrowings at the end of the reporting period. For variable rate borrowings and bank deposits, the analysis is prepared assuming the amount of liability/asset outstanding at the end of reporting period was outstanding for the whole year. A 100 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year ended 31 March 2020 would decrease/increase by HK$11,419,000/HK$17,655,000 (2019: pre-tax profit decrease/increase by HK$11,972,000/HK$16,305,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Foreign exchange risk

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

For companies with HK$ as their functional currency

As at 31 March 2020, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK$5,098,000 lower/higher (2019: HK$4,714,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of a RMB denominated loan.

For companies with RMB as their functional currency

As at 31 March 2020, if US$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK$1,342,000 lower/higher (2019: HK$592,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US$ denominated cash and bank deposits.

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

(b) Credit risk

(i) Risk Management

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) *Impairment of financial assets*

Trade receivables

The trade receivables of the Group are subject to the ECL model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial because they are deposited at state-owned banks and other medium or large size listed banks.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, the Group categorises its trade based on the nature of customer accounts and shared credit risk characteristics.

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 March 2020 and 2019 was determined as follows for trade receivables:

	Gross carrying amount HK$'000	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
As at 31 March 2020			
Provision on individual basis	**167,196**	**(113,985)**	**53,211**
Provision on collective basis *(Note)*	**868,689**	**(14,489)**	**854,200**

	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
As at 31 March 2019			
Provision on individual basis	145,804	(105,013)	40,791
Provision on collective basis *(Note)*	972,726	(13,777)	958,949

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables *(Continued)*

Note:

	Current HK$'000	Within 90 days past due HK$'000	91–180 days past due HK$'000	181– 365 days past due HK$'000	More than 365 days past due HK$'000	Total HK$'000
As at 31 March 2020						
Expected credit losses rate	**0.38%**	**1.11%**	**1.75%**	**3.69%**	**13.26%**	
Gross carrying amount – trade receivables	**446,065**	**246,480**	**77,978**	**45,026**	**53,140**	**868,689**
Loss allowance on collective basis	**1,691**	**2,730**	**1,364**	**1,659**	**7,045**	**14,489**

	Current HK$'000	Within 90 days past due HK$'000	91–180 days past due HK$'000	181– 365 days past due HK$'000	More than 365 days past due HK$'000	Total HK$'000
As at 31 March 2019						
Expected credit losses rate	0.37%	1.11%	1.79%	3.39%	12.93%	
Gross carrying amount – trade receivables	618,187	159,458	76,027	73,894	45,160	972,726
Loss allowance on collective basis	2,310	1,767	1,358	2,504	5,838	13,777

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include cash and cash equivalent and other receivables. Management considered that these have a low credit risk and did not make any provision for these other financial assets at amortised cost based on the historical settlement pattern of these other financial assets and the forward-looking recoverability analysis of the counterparties.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
As at 31 March 2020						
Non-derivative financial liabilities						
Bank borrowings subject to a repayment on demand clause *(Note i)*	1,258,044	–	–	–	–	1,258,044
Other bank borrowings *(Note i)*	–	539,347	8,678	1,086	–	549,111
Trade and bills payables, other payables, deposits and accruals	–	1,034,343	–	–	–	1,034,343
Lease liabilities	–	9,461	8,524	15,293	3,097	36,375
	1,258,044	1,583,151	17,202	16,379	3,097	2,877,873
Financial guarantees issued						
Maximum amount guaranteed *(Note 35)*	–	24,538	–	–	–	24,538

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
As at 31 March 2019						
Non-derivative financial liabilities						
Bank borrowings subject to a repayment on demand clause *(Note i)*	974,024	–	–	–	–	974,024
Other bank borrowings *(Note i)*	–	364,553	462,547	1,478	–	828,578
Trade and bills payables, other payables, deposits and accruals	–	1,104,838	–	–	–	1,104,838
	974,024	1,469,391	462,547	1,478	–	2,907,440
Financial guarantees issued						
Maximum amount guaranteed *(Note 35)*	–	108,960	–	–	–	108,960

Note:

(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 March 2020, without taking into account any subsequent changes in the amount of borrowings. Floating rate interest is based on current interest rate as at 31 March 2020 (2019: same).

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				
	Within 1 year HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**More than 5 years** HK$'000	**Total outflows** HK$'000
At 31 March 2020	1,152,530	105,514	–	–	1,258,044
At 31 March 2019	942,902	15,921	15,201	–	974,024

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

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

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

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2020 **HK$'000**	2019 HK$'000
Total borrowings *(Note 23)*	**1,765,507**	1,751,495
Less: cash and cash equivalents *(Note 20(a))*	**(713,793)**	(634,699)
Net debt	**1,051,714**	1,116,796
Total equity	**1,986,652**	2,148,560
Gearing ratio	**52.9%**	52.0%

3.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2020 and 2019.

As at 31 March 2020

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Financial asset at fair value through other comprehensive income *(Note 17)*	**–**	**–**	**5,555**	**5,555**
Insurance policy investments *(Note 18)*	**–**	**–**	**12,438**	**12,438**
	–	**–**	**17,993**	**17,993**

As at 31 March 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial asset at fair value through other comprehensive income *(Note 17)*	–	–	5,882	5,882
Insurance policy investments *(Note 18)*	–	–	12,147	12,147
	–	–	18,029	18,029

There were no transfers of financial assets and liabilities between all levels of the value hierarchy classifications.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial asset at fair value through other comprehensive income HK$'000	Insurance policy investments HK$'000	Total HK$'000
Financial assets			
Balance at 1 April 2019	**5,882**	**12,147**	**18,029**
Exchange difference	**(327)**	**–**	**(327)**
Net gains recognised in the consolidated statement of comprehensive income *(Note 22)*	**–**	**291**	**291**
Balance at 31 March 2020	**5,555**	**12,438**	**17,993**
Total gains recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	**–**	**291**	**291**
Changes in unrealised gains in the consolidated statement of comprehensive income relating to those instruments held at the end of year	**–**	**291**	**291**
Financial assets			
Balance at 1 April 2018	6,250	11,717	17,967
Exchange difference	(368)	–	(368)
Net gains recognised in the consolidated statement of comprehensive income *(Note 22)*	–	430	430
Balance at 31 March 2019	5,882	12,147	18,029
Total gains recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	–	430	430
Changes in unrealised gains in the consolidated statement of comprehensive income relating to those instruments held at the end of year	–	430	430

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

The Group's and the Company's 'trade, bills and other receivables', 'deposits', 'restricted bank balances', 'cash and cash equivalents' and 'trade, bills and other payables' are financial assets and liabilities not carried at fair value. As at 31 March 2020 and 2019, the carrying values of these financial assets and liabilities approximated their respective fair values.

3.4 Offsetting financial assets and financial liabilities

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

3.5 Financial instruments by category

	2020 **HK$'000**	2019 HK$'000
Financial asset at fair value through other comprehensive income	**5,555**	5,882
Financial assets at amortised cost		
Other receivables and deposits	**127,643**	139,031
Trade and bills receivables	**1,158,031**	1,308,543
Restricted bank balances	**80,196**	46,849
Cash and cash equivalents	**713,793**	634,699
Insurance policy investments	**12,438**	12,147
Total	**2,097,656**	2,147,151
Financial liabilities at amortised cost		
Trade and bills payables, other payables, deposits and accruals	**1,034,343**	1,104,838
Borrowings	**1,765,507**	1,751,495
Lease liabilities	**33,848**	–
	2,833,698	2,856,333

4 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.

(a) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are obsolete, and considering their physical conditions, age, market conditions and market price for similar items. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventories and the impairment losses on inventories in the period in which such estimate is changed.

(b) Provision for impairment of trade receivables

The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime ECL, i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of provision for ECL, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to consolidated income statement.

(c) Income taxes and deferred income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred income tax liabilities relating to undistributed profits of subsidiaries incorporated in Mainland China are recognised when management expects to recover investments in those subsidiaries through dividends, unless it is estimated that such dividends will not be distributed in the foreseeable future. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax liabilities and income tax charges in the period in which such estimates are changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Provision for loss on guarantees

The Group provides guarantees for loans granted by the PRC banks and leasing financial providers to some of the Group's end-user customers in connection with their purchases of the Group's products. If an end-user customer defaults on a loan, the Group is obliged to settle the payable amounts. The Group's management determines the provision for loss on the guarantees based on assessment of the possibility of default payments by individual end-user customers. This assessment is based on the credit history of its customers and the current market condition; and requires the use of judgements and estimates. Management reassesses the provisions at each financial position date. Different judgements or estimates could significantly affect the provision amounts and materially impact the results of operations.

(e) Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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

(f) Estimate of useful lives of property, plant and equipment

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

(g) Fair value of investment properties

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

5 SEGMENT INFORMATION

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. Segment results represent the profit from operations for the year before corporate expenses in each reportable segment. This is the measurement reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

The measurement used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs and income tax expense. To arrive at profit from operations, the Group's profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

(i) Die-casting machine

(ii) Plastic injection moulding machine

(iii) CNC machining centre

The segment results for the year ended 31 March 2020 are as follows:

	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total segments HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	1,890,234	756,390	99,475	2,746,099	–	2,746,099
Inter-segments sales	18,623	–	–	18,623	(18,623)	–
	1,908,857	756,390	99,475	2,764,722	(18,623)	2,746,099
Results						
Segment results	179,742	1,523	(18,095)	163,170	–	163,170
Administrative expenses						(32,171)
Finance income						5,305
Finance costs						(85,220)
Share of losses of associates						(970)
Profit before income tax						50,114

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 March 2019 are as follows:

	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total segments HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	2,553,286	948,509	102,654	3,604,449	–	3,604,449
Inter-segments sales	48,897	–	–	48,897	(48,897)	–
	2,602,183	948,509	102,654	3,653,346	(48,897)	3,604,449
Results						
Segment results	354,552	42,720	(33,990)	363,282	–	363,282
Administrative expenses						(33,844)
Finance income						5,474
Finance costs						(81,392)
Share of profit of an associate						252
Profit before income tax						253,772

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

5 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	As at 31 March 2020			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	**3,203,315**	**1,215,106**	**535,134**	**4,953,555**
Unallocated assets				**45,450**
Consolidated total assets				**4,999,005**
Liabilities				
Segment liabilities	**2,288,893**	**592,479**	**98,063**	**2,979,435**
Unallocated liabilities				**32,918**
Consolidated total liabilities				**3,012,353**

	As at 31 March 2019			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	3,309,284	1,309,635	556,275	5,175,194
Unallocated assets				45,590
Consolidated total assets				5,220,784
Liabilities				
Segment liabilities	2,347,928	576,134	117,073	3,041,135
Unallocated liabilities				31,089
Consolidated total liabilities				3,072,224

5 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than corporate assets, insurance policy investments and financial asset at FVOCI (2019: same).
- all liabilities are allocated to reportable segments other than corporate liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

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

	For the year ended 31 March 2020				
	Die-casting machine HK$'000	**Plastic injection moulding machine HK$'000**	**CNC machining centre HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Additions to non-current assets *(Note)*	**39,614**	**2,416**	**41,343**	**942**	**84,315**
Depreciation and amortisation	**78,545**	**43,577**	**13,757**	**1,919**	**137,798**
Reversal of inventories write-down	**(19,820)**	**(4,904)**	**(9,893)**	**–**	**(34,617)**
Provision for/(reversal of) impairment of trade receivables – net	**12,338**	**9,201**	**(24)**	**–**	**21,515**

	For the year ended 31 March 2019				
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets *(Note)*	43,510	32,307	4,513	34,472	114,802
Depreciation and amortisation	78,553	44,804	13,773	1,578	138,708
Provision for inventories write-down	6,984	3,540	17,730	–	28,254
Provision for/(reversal of) impairment of trade receivables – net	4,669	7,444	(143)	–	11,970

Note: Non-current assets exclude interests in joint ventures, interests in associates, deferred income tax assets, insurance policy investments, financial asset at FVOCI and deposits and receivables.

5 SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2020 and 2019.

	2020 HK$'000	2019 HK$'000
Analysis of revenue by category		
Revenue recognised under HKFRS 15		
Sales of die-casting machine	**1,890,234**	2,553,286
Sales of plastic injection moulding machine	**756,390**	948,509
Sales of CNC machining centre	**99,475**	102,654
	2,746,099	3,604,449
Other income *(Note 25)*	**69,718**	64,700
	2,815,817	3,669,149

Geographical information

The Group's revenue by geographical location is determined by the final destination of delivery of the products and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers		Non-current assets[i]	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Mainland China	**2,015,235**	2,715,134	**1,476,156**	1,589,708
Hong Kong	**–**	–	**19,764**	20,254
Europe	**261,296**	349,241	**45,115**	19,043
North America	**232,207**	165,512	**14,058**	26,369
Central America and South America	**73,838**	152,004	**–**	–
Other countries	**163,523**	222,558	**56,718**	50,126
	2,746,099	3,604,449	**1,611,811**	1,705,500

Note i: Non-current assets exclude interests in joint ventures, interests in associates, insurance policy investments, financial asset at FVOCI, non-current portion of trade and bills receivables, non-current portion of restricted bank balances and deferred income tax assets.

6 INTANGIBLE ASSETS

	Goodwill	Trademarks	Patents	Development costs and others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note)				
At 1 April 2018					
Cost	2,800	6,110	3,590	53,206	65,706
Accumulated amortisation and impairment losses	–	(5,704)	(3,278)	(45,709)	(54,691)
Net book amount	2,800	406	312	7,497	11,015
Year ended 31 March 2019					
Opening net book amount	2,800	406	312	7,497	11,015
Additions	–	22	–	4,626	4,648
Amortisation	–	(54)	(43)	(3,468)	(3,565)
Exchange difference	–	(36)	–	(600)	(636)
Closing net book amount	2,800	338	269	8,055	11,462
At 31 March 2019					
Cost	2,800	5,582	3,590	52,850	64,822
Accumulated amortisation and impairment losses	–	(5,244)	(3,321)	(44,795)	(53,360)
Net book amount	2,800	338	269	8,055	11,462
Year ended 31 March 2020					
Opening net book amount	**2,800**	**338**	**269**	**8,055**	**11,462**
Additions	**–**	**–**	**–**	**5,513**	**5,513**
Amortisation	**–**	**(51)**	**(44)**	**(3,823)**	**(3,918)**
Exchange difference	**–**	**(7)**	**–**	**(163)**	**(170)**
Closing net book amount	**2,800**	**280**	**225**	**9,582**	**12,887**
At 31 March 2020					
Cost	**2,800**	**5,420**	**3,590**	**56,982**	**68,792**
Accumulated amortisation and impairment losses	**–**	**(5,140)**	**(3,365)**	**(47,400)**	**(55,905)**
Net book amount	**2,800**	**280**	**225**	**9,582**	**12,887**

Note: Goodwill is allocated to the Group's CGU identified according to operating segments.

6 INTANGIBLE ASSETS *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000
Die-casting machine	**2,800**	2,800

The recoverable amount of a CGU is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5%. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 17% (2019: 13%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

There was no impairment provision for intangible assets for the year ended 31 March 2020 (2019: HK$Nil).

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2018							
Cost	1,033,663	41,089	78,387	994,720	123,283	34,978	2,306,120
Accumulated depreciation and impairment losses	(316,329)	–	(61,473)	(672,746)	(91,798)	(21,655)	(1,164,001)
Net book amount	717,334	41,089	16,914	321,974	31,485	13,323	1,142,119
Year ended 31 March 2019							
Opening net book amount	717,334	41,089	16,914	321,974	31,485	13,323	1,142,119
Additions	5,637	42,224	247	23,568	2,907	2,126	76,709
Disposals	(4,007)	–	(1,074)	(1,646)	(58)	(1,369)	(8,154)
Transferred to investment properties *(Note 8)*	(5,986)	–	–	–	–	–	(5,986)
Depreciation	(47,071)	–	(2,182)	(64,900)	(9,344)	(3,906)	(127,403)
Exchange difference	(41,682)	(2,419)	(991)	(17,965)	(1,881)	(631)	(65,569)
Reclassification	634	(50,769)	1,853	48,235	47	–	–
Closing net book amount	624,859	30,125	14,767	309,266	23,156	9,543	1,011,716
At 31 March 2019							
Cost	952,066	30,125	72,566	998,507	118,646	32,121	2,204,031
Accumulated depreciation and impairment losses	(327,207)	–	(57,799)	(689,241)	(95,490)	(22,578)	(1,192,315)
Net book amount	624,859	30,125	14,767	309,266	23,156	9,543	1,011,716
Year ended 31 March 2020							
Opening net book amount	**624,859**	**30,125**	**14,767**	**309,266**	**23,156**	**9,543**	**1,011,716**
Additions	**2,373**	**51,767**	**384**	**15,497**	**4,211**	**1,303**	**75,535**
Disposals	**–**	**–**	**(538)**	**(10,949)**	**(224)**	**(2,315)**	**(14,026)**
Depreciation	**(43,652)**	**–**	**(2,313)**	**(58,960)**	**(7,586)**	**(3,069)**	**(115,580)**
Exchange difference	**(30,750)**	**(1,672)**	**(769)**	**(15,786)**	**(828)**	**(411)**	**(50,216)**
Reclassification	**464**	**(20,815)**	**10,818**	**8,414**	**1,119**	**–**	**–**
Closing net book amount	**553,294**	**59,405**	**22,349**	**247,482**	**19,848**	**5,051**	**907,429**
At 31 March 2020							
Cost	**906,783**	**59,405**	**79,806**	**953,419**	**117,768**	**28,309**	**2,145,490**
Accumulated depreciation and impairment losses	**(353,489)**	**–**	**(57,457)**	**(705,937)**	**(97,920)**	**(23,258)**	**(1,238,061)**
Net book amount	**553,294**	**59,405**	**22,349**	**247,482**	**19,848**	**5,051**	**907,429**

Depreciation of HK$95,128,000 (2019: HK$94,077,000) has been charged in 'cost of sales', HK$1,957,000 (2019: HK$2,388,000) in 'selling and distribution expenses' and HK$18,495,000 (2019: HK$30,938,000) in 'general and administrative expenses'.

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

8 INVESTMENT PROPERTIES

	HK$'000
At fair value	
At 1 April 2018	353,420
Increase in fair value during the year *(Note 26)*	17,605
Transferred from property, plant and equipment *(Note 7)*	5,986
Increase in fair value on date of change in use *(Note)*	3,308
Transferred to land use right *(Note 10)*	(31,200)
Exchange difference	(20,505)
At 31 March 2019 and 1 April 2019	328,614
Increase in fair value during the year *(Note 26)*	3,537
Exchange difference	(17,326)
At 31 March 2020	314,825

Note: During the year ended 31 March 2019, building with net book value of HK$5,986,000 were reclassified to investment property with a revaluation surplus of HK$2,812,000 (net of deferred tax of HK$496,000) being credited to other comprehensive income on the date of change in use. The valuation as at date of transfer was carried out by Valor Appraisal & Advisory Limited ("Valor"), an independent professional surveyor and valuer.

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

	2020 HK$'000	2019 HK$'000
Rental income	**21,030**	20,849
Direct operating expenses from properties that generated rental income	**(2,335)**	(2,845)
	18,695	18,004

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

As at 31 March 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: Nil).

The revaluation gain is included in 'other (losses)/gains – net' in the consolidated income statement (Note 26). The following table analyses the investment properties carried at fair value, by valuation method.

8 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

Description	Fair value measurements at 31 March 2020 using Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements:			
Investment properties	–	–	314,825

Description	Fair value measurements at 31 March 2019 using Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements:			
Investment properties	–	–	328,614

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

Fair value measurements using significant unobservable inputs (Level 3)

	Properties Hong Kong HK$'000	PRC HK$'000	Total HK$'000
At 1 April 2019	17,420	311,194	328,614
Increase in fair value during the year	60	3,477	3,537
Exchange difference	–	(17,326)	(17,326)
At 31 March 2020	17,480	297,345	314,825
Total gains for the year included in the consolidated income statement for assets held at the end of the year, under 'other (losses)/ gains – net'	60	3,477	3,537
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the year	60	3,477	3,537

8 INVESTMENT PROPERTIES *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3) *(Continued)*

	Properties		
	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2018	17,320	336,100	353,420
Increase in fair value during the year	100	17,505	17,605
Transferred from property, plant and equipment *(Note 7)*	–	5,986	5,986
Increase in fair value on date of change in use	–	3,308	3,308
Transferred to land use right *(Note 10)*	–	(31,200)	(31,200)
Exchange difference	–	(20,505)	(20,505)
At 31 March 2019	17,420	311,194	328,614
Total gains for the year included in the consolidated income statement for assets held at the end of the year, under 'other (losses)/ gains – net'	100	17,505	17,605
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the year	100	17,505	17,605

Valuation processes of the Group

As at both 31 March 2020 and 2019, the fair values of the investment properties have been arrived at on the basis of valuations carried out by LCH (Asia-Pacific) Surveyors Limited ("LCH") and Valor, independent professional surveyor and valuer. LCH and Valor are members of the Hong Kong Institute of Surveyors ("HKIS"), and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

At each financial year end, the finance department:

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

8 INVESTMENT PROPERTIES *(Continued)*

Valuation technique

The valuations, which conform to the HKIS valuation standards, 2017 Edition, were based on the income approach and market approach which largely used unobservable inputs (e.g. unit rate, discount rate, etc.) and taking into account the significant adjustment on discount rate to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

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

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

Description	Fair value at 31 March 2020 (HK$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	17,480	Income approach	Unit rate	HK$4,341/sq.ft.	The higher the unit rate, the higher the fair value
			Discount rate	2.9%	The higher the discount rate, the lower the fair value
PRC properties	251,645	Income approach	Unit rate	HK$4,013/sq.m. to HK$17,874/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	3.5% to 9.4%	The higher the discount rate, the lower the fair value
PRC property under development	45,700	Market approach	Unit rate	HK$14,290/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.8%	The higher the discount rate, the lower the fair value

Description	Fair value at 31 March 2019 (HK$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	17,420	Income approach	Unit rate	HK$3,870/sq.ft.	The higher the unit rate, the higher the fair value
			Discount rate	2.8% to 3.3%	The higher the discount rate, the lower the fair value
PRC properties	311,194	Income approach	Unit rate	HK$8,780/sq.m. to HK$23,360/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	3.0% to 4.7%	The higher the discount rate, the lower the fair value

9 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Right-of-use assets		
Land use rights	314,119	340,979
Premises	32,160	38,561
Motor vehicles	1,337	2,678
	347,616	382,218
Lease liabilities		
Current	8,559	8,651
Non-current	25,289	32,581
	33,848	41,232

Additions to the right-of-use assets during the year were HK$3,267,000.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020 HK$'000
Depreciation charge of right-of-use assets	
Land use rights	8,006
Premises	8,772
Motor vehicles	1,522
	18,300
Interest expense (included in finance cost)	1,194
Expenses relating to leases of short-term leases	4,367

The total cash outflow for leases during the year ended 31 March 2020 was HK$11,126,000.

9 LEASES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various properties and lands. Rental contracts are typically made for fixed periods of 1 to 50 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

10 LAND USE RIGHTS

As disclosed in Note 2.2.3, the land use rights were reclassified to the right-of-use assets under the adoption of HKFRS 16 from 1 April 2019:

	HK$'000
At 1 April 2018	
Cost	356,796
Accumulated amortisation	(55,747)
Net book amount	301,049
Year ended 31 March 2019	
Opening net book amount	301,049
Additions	33,445
Reclassification from investment properties *(Note 8)*	31,200
Amortisation	(7,740)
Exchange difference	(16,975)
Closing net book amount	340,979
At 31 March 2019	
Cost	401,186
Accumulated amortisation	(60,207)
Net book amount	340,979
Year ended 31 March 2020	
Opening net book amount	340,979
Transfer to right-of-use assets *(Note 9)*	(340,979)
Closing net book amount	–

During the year ended 31 March 2019, amortisation charge of HK$1,791,000 and HK$5,949,000 had been charged in 'cost of sales' and 'general and administrative expenses' respectively.

10 LAND USE RIGHTS *(Continued)*

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

	2020 **HK$'000**	2019 HK$'000
Land use rights in the PRC under leases of between 10 to 50 years	**–**	340,979

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

11 INTERESTS IN JOINT VENTURES

	2020 **HK$'000**	2019 HK$'000
At 1 April 2018, 31 March 2019 and 31 March 2020	**–**	–

As at 31 March 2020 and 31 March 2019, the Group has interests in three joint ventures, namely Charm Energy Limited, L.K. Japan Co. Ltd. and Thai Prex Engineering Co. Ltd. These companies did not have significant operations during the year ended 31 March 2020 and the carrying amounts of the interests in joint ventures were reduced to nil due to accumulated losses shared by the Group up to its cost of investment. The Group consider that these are not significant joint ventures.

Particulars of joint ventures, which are unlisted and not significant to the Group, are as follows:

Name	**Place of issued shares held**	**Principal activities and place of operations**	**Issued and fully paid up share capital**	**Interest held**	**Measurement method**	**Proportionate interest in joint venture's commitment** HK$'000
Charm Energy Limited	Hong Kong	Research and development in Hong Kong	HK$1,000,000	50%	Equity	–
L.K. Japan Co. Ltd.	Japan	Manufacture and sales of peripheral equipment in Japan	JPY40,000,000	70%	Equity	–
Thai Prex Engineering Co., Ltd.	Thailand	Manufacture and sales of peripheral equipment in Thailand	THB6,000,000	70%	Equity	–

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

12 INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
At 1 April	**32,848**	34,633
Addition	**74**	–
Share of (loss)/profit	**(970)**	252
Dividend received	**(2,222)**	–
Exchange difference	**(1,815)**	(2,037)
At 31 March	**27,915**	32,848

Particulars of the associate, which is unlisted and in the opinion of the directors is material to the Group, as at 31 March 2020 and 2019 are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of registered share capital	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	(Loss)/ profit HK$'000	Interest held
31 March 2020								
深圳市精工小額貸款有限公司 Shenzhen Jinggong Microcredit Limited[1]	PRC	Microcredit business in the PRC	RMB101,000,000	154,581	15,009	23,171	(4,479)	20%
31 March 2019								
深圳市精工小額貸款有限公司 Shenzhen Jinggong Microcredit Limited[1]	PRC	Microcredit business in the PRC	RMB101,000,000	176,158	11,920	31,105	1,258	20%

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

1 The English name is made for identification purpose only.

13 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/ registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Subsidiaries directly held by the Company					
Best Truth Enterprises Limited	Corporation	British Virgin Islands, limited liability company	US$2	100%	Investment holding in Hong Kong
World Force Limited	Corporation	British Virgin Islands, limited liability company	US$1	100%	Investment holding in Hong Kong
Subsidiaries indirectly held by the Company					
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd.[1]	Wholly Foreign-owned ("WFOE")	PRC, limited liability company	US$8,800,000	100%	Sale of die-casting machines in PRC
阜新力勁北方機械有限公司 Fuxin L.K. Northern Machinery Co. Ltd.[1]	WFOE	PRC, limited liability company	HK$30,000,000	100%	Manufacture and sale of steel casting in PRC
Gold Millennium Ltd.	Corporation	British Virgin Islands, limited liability company	US$1	100%	Investment holding in Hong Kong
Gold Progress Limited	Corporation	Hong Kong, limited liability company	HK$1	100%	Investment holding in Hong Kong
L.K. Machinery Company Limited	Corporation	Hong Kong, limited liability company	HK$60,835,418	100%	Investment holding in Hong Kong
L.K. Machinery International Limited	Corporation	Hong Kong, limited liability company	HK$151,417,696	100%	Sale of die-casting machines and plastic injection moulding machines in Hong Kong
力勁機械股份有限公司 L.K. Machinery Corp.	Corporation	Taiwan, limited liability company	TWD211,000,000	100%	Manufacture and sale of CNC machines in Taiwan
L.K. Machinery, Inc.	Corporation	USA, limited liability company	US$10,000	100%	Sale of die-casting machines and plastic injection moulding machines in USA
力勁機械（深圳）有限公司 L.K. Machinery (Shenzhen) Co. Ltd.[1]	WFOE	PRC, limited liability company	HK$69,500,000	100%	Manufacture and sale of die-casting machines in PRC
力勁精密機械（昆山）有限公司 L.K. Precision Machinery (Kunshan) Co. Ltd.[1]	WFOE	PRC, limited liability company	US$20,000,000	100%	Manufacture and sale of CNC machines in PRC

13 PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/ registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation
力勁科技（天津）有限公司 L.K. Tech (Tianjin) Co. Ltd.[1]	WFOE	PRC, limited liability company	US$2,000,000	100%	Sale of die-casting machines in PRC
Lucky Prosper Limited	Corporation	Hong Kong, limited liability company	HK$1	100%	Investment holding in Hong Kong
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd.[1]	WFOE	PRC, limited liability company	US$33,660,000	100%	Manufacture and sale of plastic injection moulding machines in PRC
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd.[1]	WFOE	PRC, limited liability company	US$20,400,000	100%	Manufacture and sale of die-casting machines in PRC
Power Excel International Limited	Corporation	Hong Kong, limited liability company	HK$291,080,002	100%	Investment holding in Hong Kong
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd.[1]	WFOE	PRC, limited liability company	US$4,900,000	100%	Manufacture and sale of die-casting machines in PRC
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd.[1]	Sino-foreign Equity Joint Venture	PRC, limited liability company	RMB127,000,000	100%	Manufacture and sale of die-casting machines in PRC
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd.[1]	WFOE	PRC, limited liability company	US$13,580,000	100%	Manufacture and sale of plastic injection moulding machines in PRC
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd.[1]	WFOE	PRC, limited liability company	HK$140,000,000	100%	Steel casting in PRC
Idra S.r.l	Corporation	Italy, limited liability company	EUR5,032,661	100%	Design, manufacture and sale of die-casting machines and equipment in Italy

[1] The English name is made for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results, assets, or liabilities of the Group. To give details of all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

14 DEFERRED INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**96,309**	83,220
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(31,921)**	(20,445)
Deferred income tax assets, net	**64,388**	62,775

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

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**62,775**	69,807
Effect on adopt of HKFRS 9	**–**	2,040
Credited/(charged) to the consolidated income statement *(Note 30)*	**4,502**	(2,004)
Charged to the consolidated statement of comprehensive income *(Note 8)*	**–**	(496)
Exchange difference	**(2,889)**	(6,572)
At the end of the year	**64,388**	62,775

14 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred income tax assets			
	Impairment allowances and others HK$'000	**Decelerated tax depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 April 2018	78,322	31,749	–	110,071
Effect on adoption of HKFRS 9	2,040	–	–	2,040
Credited/(charged) to the consolidated income statement	4,684	(2,002)	–	2,682
Exchange difference	(6,924)	(1,680)	–	(8,604)
At 1 April 2019	78,122	28,067	–	106,189
Credited to the consolidated income statement	11,735	2,811	2,574	17,120
Exchange difference	(3,567)	(1,411)	(28)	(5,006)
At 31 March 2020	86,290	29,467	2,546	118,303

	Deferred income tax liabilities		
	Revaluation of investment properties HK$'000	**Dividend withholding tax** HK$'000	**Total** HK$'000
At 1 April 2018	(34,864)	(5,400)	(40,264)
(Charged)/credited to the consolidated income statement	(4,833)	147	(4,686)
Charged to the consolidated statement of comprehensive income	(496)	–	(496)
Exchange difference	2,032	–	2,032
At 1 April 2019	(38,161)	(5,253)	(43,414)
Charged to the consolidated income statement	(1,251)	(11,367)	(12,618)
Exchange difference	2,117	–	2,117
At 31 March 2020	(37,295)	(16,620)	(53,915)

Deferred income tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

14 DEFERRED INCOME TAX *(Continued)*

At the end of the reporting period, the Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax asset is recognised:

	2020 **HK$'000**	2019 HK$'000
Tax losses expiring:		
Within 5 years	**98,628**	125,080
Over 5 years	**147,562**	117,904
Without expiry date	**94,646**	66,361
	340,836	309,345

Dividends out of profits earned on or after 1 January 2008 for the PRC subsidiaries distributed to the Group will be subject to dividend withholding tax.

Deferred income tax liabilities of HK$30,738,000 (2019: HK$52,348,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings that are subject to withholding tax totalled HK$614,750,000 at 31 March 2020 (2019: HK$1,046,944,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China. For those subsidiaries that we have an intention to distribute their respective retained earnings, we have recognised deferred tax liabilities of HK$16,620,000 (2019: HK$5,253,000) for the withholding tax as at 31 March 2020 that would be payable upon such distribution.

15 TRADE AND BILLS RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**1,035,885**	1,118,530
Less: Provision for impairment	**(128,474)**	(118,790)
	907,411	999,740
Bills receivables	**250,620**	308,803
	1,158,031	1,308,543
Less: Balance due after one year shown as non-current assets	**(14,962)**	(19,901)
Trade and bills receivables, net	**1,143,069**	1,288,642

The amount of provision for impairment of trade receivables was HK$128,474,000 (2019: HK$118,790,000).

15 TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Within 90 days	**464,039**	564,181
91–180 days	**175,116**	163,829
181–365 days	**121,068**	154,172
Over one year	**275,662**	236,348
	1,035,885	1,118,530

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

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. Majority of customers are granted with credit term ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six months to twelve months.

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

	2020 HK$'000	2019 HK$'000
RMB	**888,185**	933,228
US$	**92,034**	108,242
EUR	**163,163**	261,376
Other currencies	**14,649**	5,697
Trade and bills receivables, net	**1,158,031**	1,308,543

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

16 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 HK$'000	2019 HK$'000
Non-current		
Deposits for acquisition of property, plant and equipment	**29,054**	12,729
Current		
Value added tax refund receivable from government	**3,554**	7,555
Value added tax receivable	**33,262**	37,908
Other deposits and receivables	**9,867**	9,867
Trade deposits	**53,922**	63,874
Advances to staff for business purpose	**6,149**	5,985
Sundry, rental and utility deposits	**2,952**	2,779
Others	**54,905**	65,873
	164,611	193,841
Total	**193,665**	206,570

17 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Unlisted equity investment	**5,555**	5,882

Financial asset at FVOCI is unlisted equity investment which is denominated in RMB.

Movement of the financial asset at FVOCI is as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**5,882**	6,250
Exchange difference	**(327)**	(368)
End of the year	**5,555**	5,882

The fair value of the unlisted equity investment has been arrived at on the basis of valuation carried out by Valor, an independent valuer, using market approach.

18 INSURANCE POLICY INVESTMENTS

	2020 HK$'000	2019 HK$'000
Non-current assets		
Insurance policy investments	**12,438**	12,147

Movement of the insurance policy investments is as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**12,147**	11,717
Fair value gain recognised to other comprehensive income	**291**	430
End of the year	**12,438**	12,147

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

The insurance policy investments are denominated in US$.

19 INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**534,286**	577,802
Work in progress	**399,792**	471,323
Finished goods	**322,313**	318,047
	1,256,391	1,367,172
Less: Provision for impairment of inventories	**(128,045)**	(169,917)
	1,128,346	1,197,255

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$1,570,421,000 (2019: HK$2,149,563,000).

For the year ended 31 March 2020, the Group reversed HK$34,617,000 of inventories write-downs, as the Group sold the relevant goods that had been written down in prior years.

For the year ended 31 March 2019, the Group recognised HK$28,254,000 write-downs of inventories to net realisable value.

The amount reversed/recognised has been included in 'cost of sales' in the consolidated income statement.

20 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

(a) Cash and cash equivalents

	2020 HK$'000	2019 HK$'000
Cash at banks and on hand	629,745	594,849
Short-term bank deposits	84,048	39,850
Cash and cash equivalents	713,793	634,699

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

	2020 HK$'000	2019 HK$'000
US$	72,819	47,874
HK$	55,020	45,118
RMB	488,924	412,599
EUR	92,853	123,456
Other currencies	4,177	5,652
	713,793	634,699

The effective interest rate on short-term bank deposits was 1.86% (2019: 1.30%) per annum; these deposits have an average maturity period of 30 days (2019: same).

The Group's cash and bank balances of approximately HK$476,295,000 and HK$402,406,000 as at 31 March 2020 and 2019, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

(b) Restricted bank balances

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

At the end of reporting period, the restricted bank balances carried interest at market rates which ranged from 0.00% to 2.20% (2019: 0.00% to 2.50%) per annum.

21 SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,191,265,000	119,127

(a) Share option scheme

A share option scheme (the "Share Option Scheme") was adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. At the annual general meeting held on 8 September 2016, the shareholders of the Company had approved the termination of the Share Option Scheme and the adoption of a new share option scheme ("New Share Option Scheme"). The New Share Option Scheme became effective from 8 September 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors and employees of the Group. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme. No option had been granted under the New Share Option Scheme since its date of adoption.

22 RESERVES

	Share premium HK$'000	Share reserve HK$'000 *(Note i)*	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000 *(Note ii)*	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2019	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	1,067,676	2,029,433
Profit for the year	-	-	-	-	-	-	-	-	3,278	3,278
Currency translation difference	-	-	(139,269)	-	-	-	-	-	-	(139,269)
Change in value of insurance policy investments *(Note 18)*	-	-	-	-	-	-	291	-	-	291
Transfer to statutory reserve	-	-	-	-	10,649	-	-	-	(10,649)	-
Final dividend paid *(Note 32)*	-	-	-	-	-	-	-	-	(26,208)	(26,208)
At 31 March 2020	579,809	13,771	(67,662)	11,116	251,506	45,118	(598)	368	1,034,097	1,867,525

22 RESERVES *(Continued)*

	Share premium HK$'000	Share reserve HK$'000 *(Note i)*	Exchange translation reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000 *(Note ii)*	Property revaluation reserve HK$'000	Insurance policy investments reserve HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2018, as previously reported	579,809	13,771	234,912	11,116	229,070	42,306	(1,319)	–	368	1,011,134	2,121,167
Effect of adoption of HKFRS 9	–	–	–	–	–	–	–	368	(368)	(11,560)	(11,560)
At 1 April 2018, as restated	579,809	13,771	234,912	11,116	229,070	42,306	(1,319)	368	–	999,574	2,109,607
Profit for the year	–	–	–	–	–	–	–	–	–	190,676	190,676
Currency translation difference	–	–	(163,305)	–	–	–	–	–	–	–	(163,305)
Change in value of insurance policy investments *(Note 18)*	–	–	–	–	–	–	430	–	–	–	430
Change in value of property, plant and equipment *(Note 8)*	–	–	–	–	–	2,812	–	–	–	–	2,812
Transfer to statutory reserve	–	–	–	–	11,787	–	–	–	–	(11,787)	–
Final dividend paid *(Note 32)*	–	–	–	–	–	–	–	–	–	(81,006)	(81,006)
Interim dividend paid *(Note 32)*	–	–	–	–	–	–	–	–	–	(29,781)	(29,781)
At 31 March 2019	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	–	1,067,676	2,029,433

Notes:

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

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

23 BORROWINGS

The borrowings of the Group comprise:

	2020 HK$'000	2019 HK$'000
Non-current		
Bank borrowings	**9,710**	438,174
Current		
Bank borrowings	**1,632,565**	1,239,004
Trust receipt loans	**123,232**	74,317
	1,755,797	1,313,321
	1,765,507	1,751,495
Secured:		
Bank borrowings	**283,041**	303,209
Trust receipt loans	**26,923**	13,436
	309,964	316,645
Unsecured:		
Bank borrowings	**1,359,234**	1,373,969
Trust receipt loans	**96,309**	60,881
	1,455,543	1,434,850
	1,765,507	1,751,495

23 BORROWINGS *(Continued)*

At 31 March 2020 and 2019, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within 1 year	**123,232**	74,317	**1,531,565**	1,208,966	**1,654,797**	1,283,283
Bank borrowings due for repayment after one year *(Note)*:						
After 1 year but within 2 years	**–**	–	**109,631**	452,005	**109,631**	452,005
After 2 years but within 5 years	**–**	–	**1,079**	16,207	**1,079**	16,207
	–	–	**110,710**	468,212	**110,710**	468,212
	123,232	74,317	**1,642,275**	1,677,178	**1,765,507**	1,751,495

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK$	**827,338**	841,808
RMB	**621,956**	549,414
US$	**147,122**	173,019
EUR	**134,172**	145,798
TWD	**34,919**	41,456
	1,765,507	1,751,495

The borrowings of approximately HK$663,156,000 and HK$591,332,000 as at 31 March 2020 and 31 March 2019, respectively, were borrowed from banks in the PRC by subsidiaries of the Group that are incorporated or established in the PRC.

23 BORROWINGS *(Continued)*

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

	As at 31 March 2020					As at 31 March 2019				
	HK$	**US$**	**RMB**	**EUR**	**TWD**	HK$	US$	RMB	EUR	TWD
Bank borrowings	**4.85%**	**4.71%**	**4.86%**	**0.48%**	**3.06%**	4.83%	4.95%	5.35%	0.66%	3.01%
Trust receipt bank loans	**4.24%**	**4.04%**	**5.07%**	**2.50%**	**2.68%**	3.64%	4.54%	4.88%	2.40%	2.68%

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

	2020 **HK$'000**	2019 HK$'000
Restricted bank balances	**80,196**	46,849
Land use rights	**–**	154,427
Right-of-use assets	**137,511**	–
Investment properties	**87,480**	89,720
Property, plant and equipment	**246,233**	281,278
Bills receivables	**47,935**	87,225
Insurance policy investments	**12,438**	12,147
	611,793	671,646

24 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2020 **HK$'000**	2019 HK$'000
Trade payables	**490,902**	568,958
Bills payables	**157,437**	145,204
Other deposits	**4,628**	5,199
Trade deposits and receipts in advance *(Note)*	**203,654**	224,587
Accrued salaries, bonuses and staff benefits	**73,126**	92,845
Accrued sales commission	**42,289**	49,876
Value added tax payable	**10,858**	17,737
Others	**177,722**	160,892
	1,160,616	1,265,298

Note: The Group recognised its contract liabilities under 'trade and bills payables, other payables, deposits and accruals' as 'trade deposits and receipts in advance' in the consolidated statement of financial position. The revenue recognised in the current reporting period is HK$217,208,000 (2019: HK$251,579,000) related to carried forward contract liabilities.

24 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS *(Continued)*

The following is the ageing analysis of the trade payables based on invoice date:

	2020 HK$'000	2019 HK$'000
Within 90 days	**365,532**	414,752
91–180 days	**99,625**	123,262
181–365 days	**14,046**	13,693
Over one year	**11,699**	17,251
	490,902	568,958

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

	2020 HK$'000	2019 HK$'000
RMB	**525,457**	474,808
EUR	**111,029**	223,084
TWD	**9,064**	10,434
HK$	**1,250**	2,147
US$	**1,539**	2,273
Other currencies	**–**	1,416
	648,339	714,162

The maturity dates of the bills payables are generally between one month to six months. The carrying amount of the bills receivables of the Group which has pledged to secure its bills payables is HK$34,796,000 (2019: HK$66,235,000).

As of the date of this report, a subsidiary of the Group in the PRC (the "Subsidiary") was involved in litigation with a former distributor which alleged that the Subsidiary breached certain terms of a former distribution agreement. A ruling with damages was issued by a court against the Subsidiary. The Subsidiary had since lodged an appeal against the ruling. The relevant legal process was undergoing as of the date of this report. A full provision was made in these financial statements by management of the Group. Certain information usually required by HKAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

25 REVENUE AND OTHER INCOME

	2020 HK$'000	2019 HK$'000
Revenue recognised under HKFRS15		
Sales of die-casting machine	**1,890,234**	2,553,286
Sales of plastic injection moulding machine	**756,390**	948,509
Sales of CNC machining centre	**99,475**	102,654
	2,746,099	3,604,449
Other income		
Value added tax refund	**11,364**	22,943
Other subsidies from government	**20,744**	12,556
Rental income	**21,030**	20,849
Sundry income	**16,580**	8,352
	69,718	64,700
Total revenue and other income	**2,815,817**	3,669,149

The Group derived revenue from the sales of goods at a point in time.

26 OTHER (LOSSES)/GAINS – NET

	2020 HK$'000	2019 HK$'000
Net foreign exchange loss	**(15,812)**	(21,079)
Increase in fair value of investment properties *(Note 8)*	**3,537**	17,605
Net gain on disposals of property, plant and equipment *(Note)*	**1,096**	82,707
	(11,179)	79,233

Note: During the year ended 31 March 2019, the gain included the compensation payment received from the government in the amount of HK$88,476,000 (Net gain: HK$84,611,000) in relation to a governmental resumption of a part of a land parcel owned by the Group in Shenzhen, and the removal of the staff dormitory and related facilities thereon.

27 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Raw materials and consumables used	**1,503,156**	2,043,359
Changes in inventories of finished goods and work in progress	**67,265**	106,204
Staff costs *(Note 28)*	**537,257**	618,271
Amortisation of land use rights	**–**	7,740
Amortisation of intangible assets	**3,918**	3,565
Depreciation of property, plant and equipment *(Note 7)*	**115,580**	127,403
Depreciation of right-of-use assets *(Note 9)*	**18,300**	–
Research costs	**21,403**	15,613
Transportation expenses	**48,543**	71,513
Auditor's remuneration		
– Audit services	**3,200**	3,200
– Non-audit services	**630**	1,085
Provision for impairment of trade receivables – net *(Note 3.1(b)(ii))*	**21,515**	11,970
(Reversal of)/provision for inventories write-down	**(34,617)**	28,254
Reversal of loss on financial guarantee contracts *(Note 35)*	**(3,367)**	(5,653)
Other expenses	**370,856**	386,420
	2,673,639	3,418,944
Represented by:		
Cost of sales	**2,027,618**	2,714,690
Selling and distribution expenses	**290,901**	339,092
General and administrative expenses	**333,605**	353,192
Provision for impairment of trade receivables – net	**21,515**	11,970
	2,673,639	3,418,944

28 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Wages and salaries	**477,213**	546,301
Retirement scheme contributions	**44,983**	55,779
Other allowances and benefits	**15,061**	16,191
	537,257	618,271

28 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)
(Continued)

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2020:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
Executive Directors							
Chong Siw Yin	–	3,900	–	–	18	–	3,918
Liu Zhuo Ming	–	1,400	–	–	18	–	1,418
Tse Siu Sze	–	1,914	–	–	18	–	1,932
Wang Xinliang *(Note (i))*	–	563	1,798	–	37	–	2,398
	–	7,777	1,798	–	91	–	9,666
Independent Non-Executive Directors							
Low Seow Chay	310	–	–	–	–	–	310
Lui Ming Wah	310	–	–	–	–	–	310
Tsang Yiu Keung	310	–	–	–	–	–	310
	930	–	–	–	–	–	930
Total	930	7,777	1,798	–	91	–	10,596

28 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below: (Continued)

For the year ended 31 March 2019:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors							
Chong Siw Yin	–	3,900	–	–	18	–	3,918
Liu Zhuo Ming	–	1,400	–	–	18	–	1,418
Tse Siu Sze	–	1,891	–	–	39	–	1,930
Wang Xinliang *(Note (i))*	–	1,588	1,165	–	94	–	2,847
	–	8,779	1,165	–	169	–	10,113
Independent Non-Executive Directors							
Low Seow Chay	310	–	–	–	–	–	310
Lui Ming Wah	310	–	–	–	–	–	310
Tsang Yiu Keung	310	–	–	–	–	–	310
	930	–	–	–	–	–	930
Total	930	8,779	1,166	–	169	–	11,044

Note: Salary paid to a director is generally an emolument paid or receivable by directors in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

Note (i): Mr. Wang Xinliang resigned as an executive director on 15 August 2019.

28 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings HK$'000	**Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings** HK$'000	**Total** HK$'000
For the year ended 31 March 2020	930	9,666	10,596
For the year ended 31 March 2019	930	10,114	11,044

(b) Directors' termination benefits

During the year ended 31 March 2020, one director received termination benefits of HK$814,000 for loss of office (2019: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 March 2020, there was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2019: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company 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 (2019: Nil).

28 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(Continued)

(f) Five highest paid individuals

During the year ended 31 March 2020, the five highest paid employees included two (2019: three) directors. The emoluments of the remaining three (2019: two) individuals were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other allowances	6,647	4,780
Retirement scheme contributions	1,167	869
	7,814	5,649

The emoluments fell within the following bands:

	2020	2019
HK$2,000,001–HK$2,500,000	2	1
HK$3,000,001–HK$3,500,000	1	1

29 FINANCE COSTS – NET

	2020 HK$'000	2019 HK$'000
Finance income:		
Interest income on short-term bank deposits	(5,305)	(5,474)
Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	82,266	79,039
Charges on bills receivables discounted without recourse	2,111	2,353
Interest on lease liabilities	1,194	–
Less: Capitalised in property, plant and equipment *(Note i)*	(351)	–
	85,220	81,392
	79,915	75,918

Note i: Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.3% (2019: Nil) to expenditure on qualifying assets.

30 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**28,823**	47,212
– Hong Kong profits tax	**–**	106
– Overseas tax	**8,429**	11,448
– Withholding income tax on dividends	**14,086**	2,326
	51,338	61,092
Deferred income tax *(Note 14)*	**(4,502)**	2,004
Tax charge	**46,836**	63,096

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2019: same).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai and Fuxin were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the Corporate Income Tax Law of the PRC, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. Pursuant to the implementation rules of the Corporate Income Tax Law of the PRC and a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. Provision for such withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2019: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2020 (2019: HK$106,000) as the subsidiaries established in Hong Kong had no assessable profits for the year ended 31 March 2020 (2019: as the subsidiaries established in Hong Kong had assessable profits).

For the year ended 31 March 2020, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operates.

30 INCOME TAX EXPENSE *(Continued)*

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

	2020	2019
	HK$'000	HK$'000
Profit before income tax	**50,114**	253,772
Tax calculated at applicable tax rates in the respective jurisdictions	**20,029**	69,179
Effect of preferential tax rates applicable to relevant jurisdictions	**(18,029)**	(23,043)
Tax effects of:		
– Super-deduction of research and development costs	**(5,353)**	(6,097)
– Income not subject to tax	**(1,207)**	(2,103)
– Expenses not deductible for tax purposes	**13,329**	9,404
– PRC withholding tax	**25,453**	2,226
Tax effect of unrecognised tax losses	**12,614**	13,530
Tax charge	**46,836**	63,096

The weighted average tax rate was 4.0% (2019: 18.2%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

During the year ended 31 March 2019, tax charge of HK$496,000 is relating to a revaluation surplus of HK$2,812,000 credited to other comprehensive income (Note 8).

31 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company of HK$3,278,000 (2019: HK$190,676,000) and on the weighted average number of approximately 1,191,265,000 (2019: 1,191,265,000) ordinary shares in issue.

	2020	2019
Profit attributable to owners of the Company (HK$'000)	**3,278**	190,676
Weighted average number of ordinary shares in issue (thousands)	**1,191,265**	1,191,265
Basic earnings per share (HK cents)	**0.3**	16.0

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 March 2020 and 2019, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

32 DIVIDENDS

The dividend paid and declared during the year ended 31 March 2020 and 2019:

	2020 HK$'000	2019 HK$'000
Final dividend for the year ended 31 March 2018 (HK6.8 cents per ordinary share)	**–**	81,006
Interim dividend for the six months ended 30 September 2018 (HK2.5 cents per ordinary share)	**–**	29,781
Final dividend for the year ended 31 March 2019 (HK2.2 cents per ordinary share)	**26,208**	–
	26,208	110,787

33 CASH GENERATED FROM OPERATIONS

	2020 HK$'000	2019 HK$'000
Profit before income tax	**50,114**	253,772
Adjustments for:		
Depreciation and amortisation	**137,798**	138,708
Increase in fair value of investment properties	**(3,537)**	(17,605)
Bank interest income	**(5,305)**	(5,474)
Finance costs	**85,220**	81,392
Provision for impairment of trade receivables – net	**21,515**	11,970
(Reversal of)/provision for inventories write-down	**(34,617)**	28,254
Net gain on disposals of property, plant and equipment	**(1,096)**	(82,707)
Share of loss/(profit) of associates	**970**	(252)
Operating profit before changes in working capital	**251,062**	408,058
Changes in working capital:		
Inventories	**49,022**	57,977
Trade and bills receivables	**70,762**	(50,418)
Other receivables, prepayments and deposits	**20,986**	53,426
Trade and bills payables, other payables, deposits and accruals	**(41,164)**	(296,954)
Restricted bank balances	**(35,843)**	34,402
Cash generated from operations	**314,825**	206,491

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

	2020 HK$'000	2019 HK$'000
Net book amount *(Note 7)*	**14,026**	8,154
Net gain on disposals of property, plant and equipment *(Note 26)*	**1,096**	82,707
Proceeds from disposals of property, plant and equipment	**15,122**	90,861

33 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) Liabilities from financing activities

	Cash and cash equivalents HK$'000	**Borrowings** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
Net debt as at 1 April 2018	628,672	(1,691,399)	–	(1,062,727)
Finance costs	–	(79,039)	–	(79,039)
Cash flows	41,188	(28,426)	–	12,762
Exchange alignment	(35,161)	47,369	–	12,208
Net debt as at 31 March 2019	634,699	(1,751,495)	–	(1,116,796)
Recognised on adoption of HKFRS 16 *(Note 2.2.3)*	–	–	(41,232)	(41,232)
Net debt as at 1 April 2019	**634,699**	**(1,751,495)**	**(41,232)**	**(1,158,028)**
Additions	**–**	**–**	**(3,267)**	**(3,267)**
Finance costs	**–**	**(82,266)**	**(1,194)**	**(83,460)**
Cash flows	**106,307**	**31,017**	**11,126**	**148,450**
Exchange alignment	**(27,213)**	**37,237**	**719**	**10,743**
Net debt as at 31 March 2020	**713,793**	**(1,765,507)**	**(33,848)**	**(1,085,562)**

34 COMMITMENTS

(a) Capital commitments

	2020 **HK$'000**	2019 HK$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	**131,293**	6,129

34 COMMITMENTS *(Continued)*

(b) Operating lease commitments

The Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments in respect of buildings under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Leases payable:	
Within one year	11,155
In the second to fifth year inclusive	32,137
After the fifth year	5,232
	48,524

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases (Note 9).

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

The Group as lessor

The Group leases out the investment properties and certain machinery under operating leases. The leases generally run for an initial period of one to five years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	2020 **HK$'000**	2019 HK$'000
Leases receivable:		
Within one year	**5,580**	10,341
In the second to fifth year inclusive	**1,353**	4,275
After the fifth year	**–**	–
	6,933	14,616

35 FINANCIAL GUARANTEES

	2020 HK$'000	2019 HK$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	**24,538**	108,960

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$24,538,000 as at 31 March 2020 (2019: HK$329,843,000) which are granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks. Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products. The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

During the year ended 31 March 2020, the Group recognised a reversal of loss of approximately HK$3,367,000 (2019: HK$5,653,000), as a result of repayment by customers of certain loans which previously had default in repayments.

The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 31 March 2020 amounted to approximately HK$9,282,000 (2019: HK$13,851,000).

The Company has provided guarantees in respect of banking facilities of its subsidiaries of approximately HK$1,633,486,000 (2019: HK$2,009,791,000). The facilities utilised by the subsidiaries as at 31 March 2020 amounted to HK$1,030,961,000 (2019: HK$1,219,316,000).

36 RELATED PARTY TRANSACTIONS

Key management compensation

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

	2020 HK$'000	2019 HK$'000
Wages and salaries, other allowances and benefits	**20,184**	23,953
Retirement scheme contributions	**1,416**	1,110
	21,600	25,063

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 March 2020 HK$'000	2019 HK$'000
Non-current asset			
Investments in subsidiaries		**65,000**	65,000
Current assets			
Other receivables, prepayments and deposits		**113**	212
Amounts due from subsidiaries		**685,394**	691,469
Cash and cash equivalents		**387**	546
Total current assets		**685,894**	692,227
Total assets		**750,894**	757,227
Equity			
Share capital		**119,127**	119,127
Reserves	37(a)	**626,240**	632,826
Total equity		**745,367**	751,953
Current liability			
Other payables, deposits and accruals		**5,527**	5,274
		5,527	5,274
Total equity and liability		**750,894**	757,227

The statement of financial position of the Company was approved by the Board of Directors on 29 June 2020 and was signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

	Share premium HK$'000	**Other reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
At 1 April 2018	579,809	11,116	83,856	674,781
Profit for the year	–	–	68,832	68,832
Final dividend paid	–	–	(81,006)	(81,006)
Interim dividend paid	–	–	(29,781)	(29,781)
At 31 March 2019 and 1 April 2019	579,809	11,116	41,901	632,826
Profit for the year	–	–	19,622	19,622
Final dividend paid	–	–	(26,208)	(26,208)
At 31 March 2020	579,809	11,116	35,315	626,240

MAJOR INVESTMENT PROPERTIES SUMMARY

	Location	Lease Expiry	Total Gross Floor Area
HONG KONG			
Factory	Unit Nos. 1102 and 1104 on 11th Floor, Tsuen Wan Industrial Centre, Nos. 220–248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	2047	4,377 (sq.ft.)
PRC			
Factory	Level 1 and portion of Level 2 of No. 4 Factory Building and 9 Apartment Units of No. 1 Dormitory Building, Jihua Industrial Area, Buji Town, Longgang District, Shenzhen City, Guangdong Province, the PRC	2049	3,252 (sq.m.)
Factory	Portion of Level 3, Levels 4 to 6 of Factory D, L.K. Hi-Tech Industrial Development Zone, Qinghe Road, Longhua Area, Baoan District, Shenzhen City, Guangdong Province, the PRC	2057	10,982 (sq.m.)
Factory	Factory No. 3, Songnan Road, Qiandeng Town, Kunshan City, Suzhou City, Jiangsu Province, the PRC	2057	17,291 (sq.m.)
Factory	Factory No. 1, No. 168 Qianhong Road, Qiandeng Town, Kunshan City, Suzhou City, Jiangsu Province, the PRC	2057	17,062 (sq.m.)
Offices	Units 2301–2306 and 2308–2310 on Level 23 Zhenyuan Building, No. 2052 Zhongshan Road North, Putuo District, Shanghai, the PRC	2045	812 (sq.m.)

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,746,099**	3,604,449	3,728,533	3,224,781	2,822,824
Profit before income tax	**50,114**	253,772	327,337	197,178	23,309
Income tax expense	**(46,836)**	(63,096)	(86,349)	(60,537)	(23,086)
Profit for the year	**3,278**	190,676	240,988	136,641	223
Profit attributable to:					
Owners of the Company	**3,278**	190,676	241,669	136,789	710
Non-controlling interests	**–**	–	(681)	(148)	(487)
	3,278	190,676	240,988	136,641	223

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**4,999,005**	5,220,784	5,647,797	4,561,766	4,404,849
Total liabilities	**(3,012,353)**	(3,072,224)	(3,407,503)	(2,823,120)	(2,650,028)
	1,986,652	2,148,560	2,240,294	1,738,646	1,754,821
Equity attributable to owners of the Company	**1,986,652**	2,148,560	2,240,294	1,736,654	1,752,681
Non-controlling interests	**–**	–	–	1,992	2,140
	1,986,652	2,148,560	2,240,294	1,738,646	1,754,821

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