



力勁科技集團有限公司
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code:558)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010

The board (the “Board”) of directors (the “Directors”) of L.K. Technology Holdings Limited (the “Company”) presents the consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	3	1,408,364	1,192,487
Cost of sales		(1,025,452)	(887,564)
Gross profit		382,912	304,923
Other revenue		21,683	25,934
Other gains/(losses)		3,873	10,251
Selling and distribution expenses		(123,999)	(131,164)
Administration expenses		(218,172)	(218,506)
Profit/(loss) from operations	4	66,297	(8,562)
Finance income		1,678	3,921
Finance costs		(35,790)	(42,022)
Finance costs – net	5	(34,112)	(38,101)
Share of loss of an associate		(4,079)	(1,227)
Share of loss of a jointly controlled entity		(964)	(8)
Profit/(loss) before income taxes		27,142	(47,898)
Income taxes	6	(23,907)	(4,315)
Profit/(loss) for the year		3,235	(52,213)
Attributable to:			
Owners of the Company		20,323	(43,671)
Minority interests		(17,088)	(8,542)
		3,235	(52,213)
		HK cents	HK cents
Earnings/(loss) per share	8		
– basic		2.0	(4.3)
– diluted		2.0	(4.3)

Details of the dividends payable and proposed are disclosed in note 7 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit/(loss) for the year	3,235	(52,213)
Other comprehensive income for the year:		
Exchange differences arising on translation of foreign operations	6,149	5,531
Gain on fair value changes of available-for-sale financial assets	1,327	206
Transfer to income statement upon disposal of available-for-sales financial assets	—	(392)
Total comprehensive income for the year, net of tax	<u>10,711</u>	<u>(46,868)</u>
Attributable to:		
Owners of the Company	26,357	(34,948)
Minority interests	<u>(15,646)</u>	<u>(11,920)</u>
	<u>10,711</u>	<u>(46,868)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Non-current assets			
Intangible assets		16,191	14,999
Property, plant and equipment		594,210	632,280
Investment properties		25,910	22,140
Land use rights		140,313	83,353
Deposits paid		28,568	21,935
Interest in an associate		71,397	75,476
Interest in a jointly controlled entity		–	3,078
Deferred tax assets		11,073	16,951
Bills and accounts receivable – due after one year	9	6,156	–
Derivative financial instruments		2,771	4,744
Restricted bank balances		6,873	6,092
		903,462	881,048
Current assets			
Inventories		534,861	454,410
Available-for-sale financial assets		10,418	9,091
Bills and accounts receivable	9	487,352	351,737
Other receivables, prepayments and deposits		155,944	55,064
Amount due from an associate		340	–
Derivative financial instruments		2,670	34
Restricted bank balances		27,137	21,632
Cash and bank balances		398,074	330,265
		1,616,796	1,222,233
Current liabilities			
Bills and accounts payable	10	366,962	161,427
Other payables, deposits and accruals		315,777	169,007
Amount due to holding company		40,000	–
Amount due to an associate		–	40,909
Derivative financial instruments		2,322	3,307
Bank borrowings – due within one year		796,990	841,153
Tax payable		3,863	481
		1,525,914	1,216,284
Net current assets		90,882	5,949
Total assets less current liabilities		994,344	886,997

<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
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Non-current liabilities

Deferred tax liabilities	8,595	3,708
Derivative financial instruments	1,168	2,236
Bank borrowings – due after one year	85,155	2,923
Provision for post-employment benefits	10,654	10,503

	<u>105,572</u>	<u>19,370</u>
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Net assets

	<u>888,772</u>	<u>867,627</u>
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EQUITY

Share capital	102,146	101,284
Reserves	783,183	751,947

Equity attributable to owners of the Company

	885,329	853,231
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Minority interests

	3,443	14,396
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Total equity

	<u>888,772</u>	<u>867,627</u>
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Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, available-for-sale financial assets and derivative financial instruments, which are measured at fair values.

2. NEW AND REVISED HKFRSs

The principal effects of adopting new and revised HKFRSs that are effective for the current accounting period are as follows:

a. HKFRSs (Amendments) “Improvements to HKFRSs”

The improvements remove the inconsistent guidance regarding the current or non-current classification of derivatives under HKAS 1 “Presentation of Financial Statements” and HKAS 39 “Financial Instruments: Recognition and Measurement”. A derivative which is not held for trading purpose should be presented as current or non-current on the basis of its settlement date. Certain derivatives of the Group previously classified as current are therefore reclassified as non-current.

b. HKAS 1 (Revised) “Presentation of Financial Statements”

The revised standard has introduced a number of terminology changes (including revised titles for financial statements) and has resulted in a number of changes in presentation and disclosure. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the “Statement of Comprehensive Income”, the “Statement of Financial Position” and the “Statement of Cash Flows” respectively. However, the revised standard had no effect on the reported results and financial position of the Group. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with other items recognised income or expenses recognised in other comprehensive income, either in one single statement, or in two linked statements. The Group has elected to present two statements.

c. HKAS 23 (Revised) “Borrowing costs”

HKAS 23 (Revised) “Borrowing Costs” requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset and removes the option of immediately expensing those borrowing costs. The adoption of this revised standard has resulted in capitalisation of borrowing costs incurred for the Group’s qualifying assets. The Group has elected to prospectively apply the revised standard to qualifying assets for which the commencement date for capitalisation is on or after the effective date of 1 April 2009.

d. HKFRS 7 (Amendment) “Improving Disclosures about Financial Instruments”

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. In particular, a three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

e. HKFRS 8 “Operating segments”

HKFRS 8 replaces HKAS 14 “Segment Reporting”, and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. In the past, the Group’s reporting format was business and geographical segments. The application of HKFRS 8 has resulted in a re-designation of the Group’s segment reporting from one reportable segment of manufacture and sales of machinery and equipment into two reportable segments, namely, manufacture and sales of machinery and equipment, and steel casting.

Except for the adoption of the amendment to HKFRS 7, comparative information has been restated or presented for the first time in order to achieve a consistent presentation. The adoption of other new or revised HKFRSs had no material effect on the reported results and financial position of the Group for both the current and prior reporting periods and no prior period adjustment has been recognised.

3. TURNOVER AND SEGMENT INFORMATION

	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover		
Sales of machines and related accessories and equipment net of returns and discounts	1,397,997	1,192,487
Steel casting	10,367	–
	1,408,364	1,192,487

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Board of Directors) in order to allocate resources to the segments and to assess their performance.

The Group is organised into two main reportable segments.

- (i) Manufacture and sales of machinery and equipment
- (ii) Steel casting

The Group determines its operating segments based upon the internal reports reviewed by the management that are used to make strategic decisions. Segment results represent the profit/(loss) for the period in each reportable segment. This is the measure reported to the Group’s management for the purpose of resource allocation and assessment of segment performance.

The measure used for reporting segment results is “profit/(loss) from operations”, i.e. profit/(loss) before finance income, finance costs and income taxes. To arrive at the profit/(loss) from operations, the Group’s profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate and a jointly controlled entity.

The segment results for the year ended 31 March 2010 are as follows:

	Manufacture and sales of machinery and equipment HK\$’000	Steel casting HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
TURNOVER				
External sales	1,397,997	10,367	–	1,408,364
Inter-segment sales [#]	44	15,749	(15,793)	–
Total sales	1,398,041	26,116	(15,793)	1,408,364
Other revenue	21,679	4	–	21,683
Total revenue	<u>1,419,720</u>	<u>26,120</u>	<u>(15,793)</u>	<u>1,430,047</u>

[#] *Inter-segment sales are charged at prevailing market rates.*

RESULTS				
Segment results	73,939	(7,642)	–	66,297
Finance income				1,678
Finance costs				(35,790)
Share of loss of an associate				(4,079)
Share of loss of a jointly controlled entity				(964)
Profit before income taxes				<u>27,142</u>

The segment results for the year ended 31 March 2009 are as follows:

	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	1,192,487	–	–	1,192,487
Inter-segment sales [#]	<u>98</u>	<u>–</u>	<u>(98)</u>	<u>–</u>
Total sales	1,192,585	–	(98)	1,192,487
Other revenue	<u>25,934</u>	<u>–</u>	<u>–</u>	<u>25,934</u>
Total revenue	<u><u>1,218,519</u></u>	<u><u>–</u></u>	<u><u>(98)</u></u>	<u><u>1,218,421</u></u>

[#] *Inter-segment sales are charged at prevailing market rates.*

RESULTS				
Segment results	<u>(5,550)</u>	<u>(3,012)</u>	<u>–</u>	(8,562)
Finance income				3,921
Finance costs				(42,022)
Share of loss of an associate				(1,227)
Share of loss of a jointly controlled entity				<u>(8)</u>
Loss before income taxes				<u><u>(47,898)</u></u>

Segment assets and liabilities

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

As at 31 March 2010

	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	2,217,665	200,978	2,418,643
Interest in an associate			71,397
Unallocated assets			<u>30,218</u>
Consolidated total assets			<u><u>2,520,258</u></u>
LIABILITIES			
Segment liabilities	1,523,564	91,974	1,615,538
Unallocated liabilities			<u>15,948</u>
Consolidated total liabilities			<u><u>1,631,486</u></u>

As at 31 March 2009

	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	1,827,721	166,186	1,993,907
Interest in an associate			75,476
Interest in a jointly controlled entity			3,078
Unallocated assets			30,820
			<u>2,103,281</u>
LIABILITIES			
Segment liabilities	1,128,959	56,054	1,185,013
Unallocated liabilities			50,641
			<u>1,235,654</u>

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

- all assets are allocated to reportable segments other than corporate assets, interest in an associate, interest in a jointly controlled entity, amount due from an associate, derivative financial instruments, available-for-sale financial assets and deferred tax assets.
- all liabilities are allocated to reportable segments other than corporate liabilities, amount due to an associate, derivative financial instruments, tax payable and deferred tax 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 2010

	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions to non-current assets*	68,427	79,080	147,507
Depreciation and amortisation	80,397	4,907	85,304
Write down of inventories	3,940	–	3,940
Impairment losses on accounts receivable	5,554	395	5,949
Impairment losses on intangible assets	1,499	–	1,499
Impairment losses on property, plant and equipment	3,501	–	3,501
	<u>3,501</u>	<u>–</u>	<u>3,501</u>

For the year ended 31 March 2009

	Manufacture and sales of machinery and equipment HK\$'000	Steel casting HK\$'000	Consolidated HK\$'000
Additions to non-current assets*	214,218	115,430	329,648
Depreciation and amortisation	79,440	932	80,372
Write down of inventories	9,158	–	9,158
Impairment losses on accounts receivable	4,760	–	4,760
Impairment losses on intangible assets	327	–	327
Impairment losses on property, plant and equipment	5,168	–	5,168

* Non-current assets exclude interest in an associate, interest in a jointly controlled entity, deferred tax assets and financial instruments.

Revenue from major products and customers:

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 2009 and 2010.

Sales of die-casting machines and plastic injection moulding machines accounted for approximately 70% (2009: 70%) and 15% (2009: 11%) of the Group's sales for the year ended 31 March 2010 respectively.

Geographical information

The Group's total 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*	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
The PRC	1,188,142	748,986	809,107	772,705
Hong Kong	–	–	23,543	20,143
Europe	115,544	264,962	40,870	58,288
Middle and South America	38,198	64,912	–	–
North America	50,450	73,991	556	434
Other countries	37,713	65,570	2,513	1,691
	<u>1,430,047</u>	<u>1,218,421</u>	<u>876,589</u>	<u>853,261</u>

* Non-current assets exclude deferred tax assets and financial instruments.

4. PROFIT/(LOSS) FROM OPERATIONS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit/(loss) from operations has been arrived at after charging/(crediting):		
Amortisation and depreciation	85,304	80,372
Impairment losses on intangible assets	1,499	327
Impairment losses on property, plant and equipment	3,501	5,168
Impairment losses on accounts receivable	5,949	4,760
Write down of inventories	3,940	9,158
	<u>85,304</u>	<u>99,835</u>

5. FINANCE COSTS – NET

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Finance income:		
Interest income on short-term bank deposits	(1,678)	(3,921)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	36,077	42,022
Less: Capitalised in property, plant and equipment	(287)	–
	<u>35,790</u>	<u>42,022</u>
	<u>34,112</u>	<u>38,101</u>

6. INCOME TAXES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The tax charge/(credit) for the year comprises:		
Current income tax		
– PRC income tax	15,616	6,522
– Hong Kong Profits Tax	–	–
– (Over)/underprovision in prior years	(2,474)	109
	<u>13,142</u>	<u>6,631</u>
Deferred taxation	10,765	(2,316)
	<u>23,907</u>	<u>4,315</u>

In accordance with the applicable Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, certain of the Company's subsidiaries registered in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on the income tax in the following three years. In addition, certain of these subsidiaries are entitled to additional tax concessions granted by local tax bureau. These subsidiaries are subject to income tax at rates ranging from 12.5% to 25% (2009: 12.5% to 25%) during the year.

Certain subsidiaries of the Company which have unexpired tax holidays, continue to be tax exempted. For those subsidiaries, which are still entitled to the 50% relief on income tax, the tax rate for the year is 12.5%. For those subsidiaries with tax holidays expired (other than those approved to be Advanced Technology Enterprises as discussed in the next paragraph), the tax rates for the year are 20%, 22% or 25% (2009: 18% or 20% or 25%). The tax rate of the subsidiaries subject to the tax rate of 20% or 22% will progressively increase to 25%.

Certain subsidiaries in Shenzhen, Zhongshan and Shanghai were certified as Advanced Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years commencing from 1 January 2008. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the 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 dividend withholding tax. The implementation rules provide for the dividend withholding tax to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong are subject to a dividend withholding tax rate of 5%. Provision for withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. No Hong Kong Profits Tax has been provided for the year ended 31 March 2010 as subsidiaries in Hong Kong either have unutilised tax losses available to set off current year's estimated assessable profits or have no assessable profits for the current year. No Hong Kong Profits Tax has been provided for the year ended 31 March 2009 as there were no assessable profits arose for that year.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for the years ended 31 March 2010 and 2009.

7. DIVIDENDS

Dividends paid or payable to owners of the Company attributable to the year are as follows:

	2010	2009
	HK\$'000	HK\$'000
2010 interim dividend of nil (2009: interim dividend of HK0.4 cents per share)	<u> -</u>	<u> 4,051</u>

The directors do not recommend the payment of final dividend for the year ended 31 March 2010 (2009: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of the basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company of HK\$20,323,000 (2009: loss of HK\$43,671,000) and on the weighted average number of approximately 1,014,668,000 (2009: 1,012,603,000) ordinary shares in issue during the year.

(b) Diluted

Diluted earnings per share for the year ended 31 March 2010 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes of the Company are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010
Profit attributable to owners of the Company (<i>HK\$'000</i>)	20,323
Weighted average number of ordinary shares in issue (<i>shares in thousands</i>)	1,014,668
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (<i>shares in thousands</i>)	5,721
Weighted average number of ordinary shares (diluted) (<i>shares in thousands</i>)	1,020,389
Diluted earnings per share (<i>HK cents</i>)	2.0

Diluted loss per share for the year ended 31 March 2009 was the same as basic loss per share as the effect of the assumed conversion of the outstanding share options was anti-dilutive.

9. BILLS AND ACCOUNTS RECEIVABLE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gross accounts receivable	467,757	341,947
Less: Allowance for impairment losses	(37,760)	(31,862)
	429,997	310,085
Bills receivable	63,511	41,652
Less: Balance due after one year shown as non-current assets	(6,156)	–
	487,352	351,737

The following is an aging analysis of the gross accounts receivable at the end of reporting period:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 90 days	287,735	159,782
91-180 days	76,344	46,418
181-365 days	24,117	57,253
Over one year	79,561	78,494
	467,757	341,947

Goods sold to customers are either made on cash on delivery or on credit. Customers in general are required to pay deposits upon purchases orders are placed, the remaining balances will be payable upon goods are delivered to customers. Some customers are granted a credit term with repayment period ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by instalments which normally range from 6 months to 12 months.

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

10. BILLS AND ACCOUNTS PAYABLE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Accounts payable	366,804	136,782
Bills payable	158	24,645
	366,962	161,427

The following is the aging analysis of the accounts payable:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 90 days	327,822	70,147
91-180 days	27,791	46,608
181-365 days	1,446	8,661
Over one year	9,745	11,366
	<u>366,804</u>	<u>136,782</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 March 2010, the Group recorded a turnover of HK\$1,408,364,000, representing an increase of 18% as compared to HK\$1,192,487,000 last year. Profit attributable to owners of the Company for the year was HK\$20,323,000, which demonstrated a remarkable improvement as compared to a loss of HK\$43,671,000 last year. Since the second half of the year, the business of the Group has recovered and as a result turned from loss to profit.

Business review

The Group recorded a turnover of HK\$1,408,364,000 for the year, of which turnover from October 2009 to March 2010 (the second half of the year) was HK\$878,390,000, representing an increase of approximately 66% as compared to HK\$529,974,000 of the first half of the year, which indicated a strong turnaround in business.

The large-scaled economic stimulus measures taken by the PRC government subsequent to the global financial crisis had not only inhibited the downturn risk of the PRC economy, but also produced a positive impact on global economic recovery. The recovery momentum of the PRC economy was particularly notable during the second half of the year, which brought with it the rapid recovery of the business of the Group.

The Group's turnover from the PRC market for the year amounted to HK\$1,167,966,000, representing a significant increase of more than 60% over last year. However, as the recovery of other economic entities in the world, particularly the European economy, remained slow, the Group's turnover from overseas markets for the year was only HK\$240,398,000, representing a decline of 48% as compared to last year.

Die-casting machines

As a result of the financial crisis, new orders for large die-casting machines were sluggish, and the delivery of existing orders were postponed, only small die-casting machines gained a growth in the unfavourable environment during the first half of the year. However, during the second half of the year, delivery of the postponed orders resumed gradually, and new orders also increased rapidly. The growth momentum in the die-casting machine market in the PRC, in particular, was encouraging. The turnover of the Group's die-casting machines products from the PRC market for the year increased by more than 65% over last year.

Overseas markets including Europe were, however, still suffering and recovering slowly, and were basically stagnant during the first half of the year, which limited the growth of the overall turnover of the Group's die-casting machines products. Nevertheless, the turnover of die-casting machines from overseas markets in the second half of the year showed notable sign of improvements, which increased by more than 450% over the first half of the year.

Plastic injection moulding machines

The development of the Group's plastic injection moulding machine business during the year was satisfactory, which managed to sustain growth during the first half of the year despite the adverse environment, and even achieved rapid growth during the second half of the year. The turnover of plastic injection moulding machines of the Group for the year increased by 57% as compared to last year.

Computerised numerical controlled (CNC) machines

CNC machine business is a growing business of the Group and also one of the major focuses for the Group's future development. New products including TC510, TC710 and TC1200 launched by the Group were well received in the market. The turnover of CNC machine of the Group grew by more than 140% as compared to last year.

Cast components

During the first half of the year, the Group's large-scaled modernised casting factory located in Fuxin City, Liaoning Province, started trial production for supply to the Group and external customers. During the second half of the year, the output volume of cast components increased steadily each month. The commencement of production of the cast components had not only stabilised the supply chain of the Group, but also enhanced the comprehensive benefit with the three major products, namely die-casting machines, plastic injection moulding machines and CNC machines, and offered the Group with a new source of income.

Research and development ("R&D")

R&D of die-casting machines

During the year, the Group conducted research and development on all series of die-casting machines and enhanced overall performance including operating efficiency and level of automation. Being more energy saving, more environmental protection, much simpler control helped customers to reduce their overall production cost and to enhance product competitiveness. Apart from completed projects such as the new large tonnage cold chamber die-casting machine series and the brand new quick die change system, the 4000-tonne super large cold chamber die-casting machines developed by the Group have also been ordered by customers. In the area of professional control system for die casting machines, a number of new breakthroughs were also made. For example, the Group developed four major computerised control systems, including the "LK-ADVANCE", "LK-CAST", "LK-NET" and "LK-MONITOR", which facilitate customers to achieve automated, intelligence-driven, integrated and remote-controlled production management, to enhance significantly management efficiency and to improve management cost. The "LK-ADVANCE" control system helps customers to achieve intelligence-driven production, and is capable of monitoring and controlling production data and production status automatically, which helps customers to enhance management efficiency and save management cost; the "LK-CAST" control system helps customers to monitor the process data and the process motion of the die-

casting machines, thus controlling product quality; the “LK-NET” production control system allows connection of multiple die-casting machines with real-time control, which enables integrated and intelligence-driven workshop management; and the “LK-MONITOR” remote control system allows remote diagnosis for providing customers with timely solutions to problems so as to reduce production interruption, and enhance product quality.

R&D of plastic injection moulding machines

During the year, the Group made good achievement in the R&D of plastic injection moulding machines. In respect of servo-driven energy-saving plastic injection moulding machines, after authoritative inspection and testing by the Chinese National Plastic Machinery Products Quality Supervision and Inspection Centre, the servo-driven energy-saving high precision plastic injection moulding machines developed by the Group attained Grade 1 in the energy efficiency standard set out by the State, and gained a leading position among counterparts in the industry. On the basis of the “EFFORT” series of direct-clamp plastic injection moulding machines which were successfully launched, the Group has already developed the advance-performance second generation direct-clamp plastic injection moulding machines and is launching them in the market. In respect of large-scaled plastic injection moulding machines, the Group successfully developed the “FORZA” new series of large tonnage two-platen plastic injection moulding machines, and have also developed large tonnage plastic injection moulding machines with a clamping force of 3000 tonnes. This was not only an important breakthrough in the R&D of the Group, but also played a key role in expanding the scope of plastic injection moulding machines product profile, in meeting customer demands and in accelerating the development of the Group’s plastic injection moulding machine business.

In addition, the micro-injection moulding machines developed in the joint efforts of the Group with The Hong Kong Polytechnic University represents the first-in-the-world nano-standard upward injection high precision plastic micro-injection moulding machine for producing nano-standard components and miniaturised precision parts, which are suitable for use in medical and optic instruments. This new injection moulding machine has captured widespread market attention and has received the “Creation Prize” at the China International Industry Fair as well as the “Gold Medal Award” at the International Exhibition of Inventions held at Geneva, Switzerland.

R&D of CNC machines

In addition to the new and competitive “TC510” and “TC710” series of CNC machines, the Group’s R&D centre in Taiwan has also successfully developed a number of new series namely “TC1200”, “HT400”, “HT500” and “MV-1680” to meet various market demands.

R&D of cast components

The Group’s die-casting machines, plastic injection moulding machines and CNC machines all required a large volume of high-quality cast components. The Group’s large-scaled modernised casting factory located in Fuxin City, Liaoning Province, has successfully developed a few hundred kinds of high-quality cast components, to be supplied to both the Group and the external customers.

Prospects

It is generally believed in the industry that in the coming year, the momentum in global economic recovery will basically be secured. The recovered economic environment, the steadily improving customer demands and the less stringent bank credit and money supply in the PRC will facilitate another round of equipment investment by customers. All of these will be beneficial to the business recovery and business development of equipment manufacturers including the Group.

Currently, the Group's order book is satisfactory and the turnover of the Group for the next financial year is expected to increase further.

To meet customer demands for the Group's large-tonnage die-casting machines and plastic injection moulding machines, the Group has started construction of the new phase of factory in Shenzhen City, Guangdong Province, which is expected to complete in the second half of 2010. Meanwhile, to cope with the rapid development of the Group's CNC machine business, the Group has started construction of a factory in Kunshan City, Jiangsu Province, which is also expected to complete in the second half of 2010.

Although the overall business environment is improving, certain concerns still exist among equipment manufacturers. Firstly, the over-relaxed bank credit may result in partial bubbles where the macro economy of the PRC may gradually move from "recovery" to "overheat", leading to the possible recurrence of inflation. Under such situation, macro economic policies might be tightened steadily, which would bring negative effects to customers of the Group. Secondly, as the pace of recovery of the European economy and the Japanese economy remained slow, the speed of recovery of orders from overseas markets of the Group is restricted. The Group will adjust its strategies in a timely manner according to the change in environment and utilise its resources in an effective way so as to allow the Group flexibility in tackling any challenges ahead.

Meanwhile, the Group will strengthen R&D, nurture talents and seek new business growth potentials which have synergy effects with the Group's businesses so as to ensure the sustainable development of the Group.

Liquidity and Financial Resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 31 March 2010, the Group's cash and bank balances amounted to approximately HK\$398.1 million (2009: HK\$330.3 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 99% (2009: 97%).

As at 31 March 2010, the capital structure of the Company was constituted of 1,021,455,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was approximately HK\$882.1 million (2009: HK\$844.1 million), approximately 90% of which being short-term loans. Approximately 20% of the total borrowing was subject to interest payable at fixed rates. During the year, the Group used interest rate swap to manage risks associated with interest rate risks and used foreign exchange forward contracts to hedge against foreign currency exposure.

Financial Guarantees

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2010, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK\$106.7 million (2009: HK\$71.3 million).

Pledge of Assets

- (i) The Group's banking facilities were secured by the assets of the Group, including restricted bank balances, leasehold land and building, land use rights, investment properties, plant and machinery, with aggregate carrying amounts of HK\$319.7 million (2009: HK\$100.7 million).
- (ii) As at 31 March 2010, the Group also has restricted bank balances to the extent of HK\$33.8 million (2009: HK\$21.6 million) pledged to banks for credit facilities granted to customers to purchase the Group's products.
- (iii) The Company's investments in certain subsidiaries with aggregate net asset value of HK\$176.7 million (2009: HK\$167.4 million) are pledged to a bank for banking facilities granted to its subsidiaries.

Capital Commitments

As at 31 March 2010, the Group had made capital expenditure commitments of approximately HK\$50.5 million (2009: HK\$57.7 million) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2010, the Group employed approximately 3,300 full time staff. The staff costs for current year amounted to HK\$265.0 million (2009: HK\$273.9 million). 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 benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2010.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2010. Detailed information on the Company's corporate governance practices is set out in the corporate governance report included in the 2009/10 Annual Report to be dispatched to shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah, *SBS, JP*, and Mr. Chan Wah Tip, Michael.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2010.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.lktechnology.com. The annual report of the Company for the year ended 31 March 2010 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff of the Group for their commitment and services throughout the year.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 21 July 2010

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang, Mr. Chung Yuk Ming and Ms. Wong Pui Chun; and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael.