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 2008

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") presents the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008 together with the comparative figures for the previous year.

Consolidated Income Statement
For the year ended 31 March 2008

	Note	**2008** **HK$'000**	2007 *HK$'000*
Turnover	*3*	**1,261,972**	969,375
Cost of sales		**(852,274)**	(661,995)
Gross profit		**409,698**	307,380
Other revenue	*3*	**26,781**	15,690
Other gains	*3*	**8,362**	8,616
Selling and distribution expenses		**(145,106)**	(108,434)
Administration expenses		**(153,947)**	(141,377)
Profit from operations	*4*	**145,788**	81,875
Finance income	*5*	**5,320**	4,668
Finance costs	*5*	**(19,298)**	(17,245)
Finance costs – net	*5*	**(13,978)**	(12,577)
Profit before income taxes		**131,810**	69,298
Income taxes	*6*	**(16,389)**	(9,023)
Profit for the year attributable to equity holders of the Company		**115,421**	60,275
Dividends	*7*	**50,586**	38,110
		HK cents	*HK cents*
Earnings per share	*8*		
– basic		**11.5**	7.0
– diluted		**11.4**	6.9

Consolidated Balance Sheet
As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Intangible assets		**3,174**	3,187
Property, plant and equipment		**410,560**	356,030
Investment properties		**25,650**	18,700
Land use rights		**74,767**	34,289
Deposits paid		**25,474**	9,292
Interest in an associate		**21,336**	–
Available-for-sale financial assets		**746**	950
Deferred tax assets		**10,717**	12,096
Bills and accounts receivable – due after one year	9	**–**	932
Restricted bank balances		**5,950**	3,943
		578,374	439,419
Current assets			
Inventories		**472,451**	353,546
Bills and accounts receivable	9	**360,943**	290,267
Other receivables, prepayments and deposits		**46,826**	17,023
Restricted bank balances		**56,223**	23,243
Cash and bank balances		**170,785**	259,629
		1,107,228	943,708
Current liabilities			
Bills and accounts payable	10	**248,836**	219,759
Other payables, deposits and accruals		**121,209**	100,433
Bank borrowings – due within one year		**381,074**	258,349
Tax payable		**1,677**	2,570
		752,796	581,111
Net current assets		**354,432**	362,597
Total assets less current liabilities		**932,806**	802,016
Non-current liabilities			
Bank borrowings – due after one year		**18,508**	49,402
Net assets		**914,298**	752,614
EQUITY			
Share capital		**101,125**	100,000
Reserves		**813,173**	652,614
Equity attributable to the Company's equity holders		**914,298**	752,614

Notes:

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 and by the Hong Kong Companies Ordinance.

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

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, that are relevant to its operation and effective for the current accounting period of the Group.

The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required.

However, the adoption of "HKFRS 7 Financial Instruments: Disclosures" and "Amendment to HKAS 1, Presentation of Financial Statements: Capital Disclosures" resulted in much extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated or included in the first time to achieve a consistent presentation.

The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new or revised HKFRSs, other than HKAS 23 (Revised) "Borrowing Costs" and HKFRS 8 "Operating Segments" as further discussed below, will have no material impact on the financial statements of the Group.

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 32 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2 Amendment	Share-based Payments – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – INT 12	Service Concession and Arrangements	1 January 2008
HK(IFRIC) – INT 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – INT 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

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. The option of immediately expensing those borrowing costs will be removed. The adoption of this standard may result in capitalisation of borrowing costs incurred for the Group's qualifying assets.

HKFRS 8 "Operating Segments" replaces HKAS 14 and requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management as to whether it will change the number of reportable segments and the manner in which the segments are reported in order to be consistent with the internal reporting provided to the chief operating decision-maker.

3. Turnover, Other Revenue, Other Gains and Segment Information

The turnover, other revenue and other gains/(losses) recognised during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Sales of machines and related accessories, net of returns and discounts	**1,261,972**	969,375
Other revenue		
Value added tax refunded	**19,175**	8,411
Other subsidies from government	**4,216**	3,209
Rental income	**2,146**	1,692
Sundry income	**1,244**	2,378
	26,781	15,690
Total revenue	**1,288,753**	985,065
Other gains/(losses)		
Change in fair value of investment properties	**5,631**	1,292
Net foreign exchange gains	**2,084**	7,699
Gains/(losses) on disposals of property, plant and equipment	**40**	(375)
Gain on disposal of available-for-sale financial assets	**607**	–
	8,362	8,616
	1,297,115	993,681

Primary reporting format – Business segments

The Group is principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines and related accessories.

As the Group has only one business segment, no business segment analysis was presented.

Secondary reporting format – Geographical segments

The Group primarily operates in Hong Kong and the PRC. Sales are principally made to customers in the PRC and overseas customers. The Group's turnover by geographical location is determined by the final destination of delivery of the products.

The following tables present total revenue, assets and capital expenditure information for the Group's geographical segments.

	2008	2007
	HK$'000	*HK$'000*
Turnover and other revenue		
The PRC	**1,164,173**	881,173
Other countries	**124,580**	103,892
	1,288,753	985,065

	2008	2007
	HK$'000	HK$'000
Location of assets		
The PRC	**1,528,571**	1,138,385
Hong Kong	**74,868**	199,186
Other countries	**71,446**	33,460
Total segment assets	**1,674,885**	1,371,031
Deferred tax assets	**10,717**	12,096
Total assets	**1,685,602**	1,383,127

Carrying amount of segment assets are allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure		
The PRC	**101,534**	50,781
Hong Kong	**866**	4,101
Other countries	**1,943**	830
	104,343	55,712

Capital expenditure is allocated based on where the assets are located.

4. Profit from Operations

	2008	2007
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging/(crediting):		
Amortisation of :		
– Trademark	**56**	49
– Land use rights	**1,738**	634
Depreciation of property, plant and equipment	**47,691**	44,832
Total amortisation and depreciation	**49,485**	45,515
Reversal of impairment loss on accounts receivable	**–**	(7,632)
Reversal of impairment loss on amounts due from related companies	**–**	(1,981)
Write down/(reversal of write down) of inventories	**5,682**	(3,568)

5. Finance Costs – Net

	2008	2007
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(5,320)**	(4,668)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**19,298**	17,245
	13,978	12,577

6. Income Taxes

	2008	2007
	HK$'000	*HK$'000*
The tax charge/(credit) for the year comprises:		
Current income tax		
– PRC income tax	**14,758**	14,534
– Hong Kong Profits Tax	**–**	–
– Overprovision in prior years	**(844)**	(996)
	13,914	13,538
Deferred taxation	**2,475**	(4,515)
	16,389	9,023

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 7.5% to 27% during the year (2007: 7.5% to 27%).

Under the new Enterprise Income Tax Law of the PRC ("New Tax Law") and its implementation rules effective on 1 January 2008, the PRC enterprise income tax rate for domestic-invested and foreign-invested enterprises is unified to 25%. Also, a foreign-invested enterprise established before the New Tax Law was promulgated on 16 March 2007, which is entitled to foreign-invested enterprise income tax holiday, can continue to enjoy the existing tax holiday, if any, until its expiry subject to a 5-year period restriction. Consequently, certain subsidiaries of the Company which have unexpired tax holidays, continue to be tax exempted. For those subsidiaries with tax holidays expired, the tax rates for the period from 1 January 2008 to 31 March 2008 are 18% or 25%. The tax rate of those subsidiaries currently subject to the tax rate of 18% will progressively increase to the unified tax rate of 25%.

No Hong Kong Profits Tax has been provided for the years ended 31 March 2008 and 2007 as there were no assessable profits arose for both years.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for the year ended 31 March 2008 and 2007.

7. Dividends

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

	2008	2007
	HK$'000	*HK$'000*
2008 interim dividend of HK2.7 cents per share (2007: 2007 interim dividend of HK1.8 cents per share)	**27,301**	18,000
2008 final dividend of HK2.3 cents per share (2007: 2007 final dividend of HK2.0 cents per share) *(Note)*	**23,285**	20,110
	50,586	38,110

Note: Subsequent to the balance sheet date, the Directors proposed a final dividend of HK2.3 cents per share (2007: HK2.0 cents per share) for the year. The proposed final dividend totaling HK$23,285,000, which has not been recognised as liabilities at the balance sheet date, is calculated based on the number of ordinary shares in issue at the date of approval of the financial statements by the Directors on 15 July 2008 and is subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

8. Earnings Per Share

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to the equity holders of the Company of HK$115,421,000 (2007: HK$60,275,000) and on the weighted average number of approximately 1,007,870,000 (2007: 864,384,000) ordinary shares in issue during the year. In determining the number of ordinary shares in issue for the year ended 31 March 2007, a total of 650,000,000 ordinary shares in issue as of the date of the Company's prospectus dated 29 September 2006 and 100,000,000 ordinary shares issued pursuant to the capitalisation issue on 16 October 2006 were deemed to have been issued since 1 April 2006.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**115,421**	60,275
Weighted average number of ordinary shares in issue (shares in thousands)	**1,007,870**	864,384
Basic earnings per share (HK cents)	**11.5**	7.0

(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. 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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**115,421**	60,275
Weighted average number of ordinary shares in issue (shares in thousands)	**1,007,870**	864,384
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (shares in thousands)	**8,992**	3,355
Weighted average number of ordinary shares (diluted) (shares in thousands)	**1,016,862**	867,739
Diluted earnings per share (HK cents)	**11.4**	6.9

9. Bills and Accounts Receivable

	2008	2007
	HK$'000	*HK$'000*
Gross accounts receivable	**350,552**	286,721
Less: Allowance for impairment losses	**(26,156)**	(24,066)
	324,396	262,655
Bills receivable	**36,547**	28,544
Less: Balance due within one year included in current assets	**(360,943)**	(290,267)
Balance due after one year shown as non-current assets	**–**	932

The following is an aging analysis of the gross accounts receivable at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0-90 days	**168,931**	133,794
91-180 days	**66,785**	68,531
181-365 days	**63,944**	41,614
Over one year	**50,892**	42,782
	350,552	286,721

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

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.

10. Bills and Accounts Payable

	2008	2007
	HK$'000	*HK$'000*
Accounts payable	**218,513**	202,433
Bills payable	**30,323**	17,326
	248,836	219,759

The following is the aging analysis of the accounts payable at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0-90 days	**185,007**	178,681
91-180 days	**25,479**	19,328
181-365 days	**4,565**	1,440
Over one year	**3,462**	2,984
	218,513	202,433

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

11. Comparative Amounts

Deposits paid of HK$9,292,000 included in other receivables, prepayments and deposits under current assets in the 2007 financial statements have been reclassified to non-current assets in order to achieve a consistent presentation with the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Despite the challenging business environment during the year under review, especially the second half of the year when clustered with adversities including the US sub-prime lending crisis, economic slowdown, rocketing international crude oil price, rising raw material costs and the PRC government continuing to impose macroeconomic austerity measures, the Group still managed to achieve satisfactory results with turnover, gross profit and net profit all reaching new heights. Turnover increased by 30% against last year to HK$1,261,972,000, while gross profit went up by 33% to HK$409,698,000. Although market expansion led to the increase in both selling and administration expenses, net profit amounted to HK$115,421,000, an increase of 92% as compared with last year.

Business Review

In the first half of the year, the Group set up additional sales and service offices and strengthened its sales and service teams in order to gear up its marketing efforts in the PRC, as well as expanded its sales network in overseas market. As a result, domestic and overseas sales together grew by 30%. The increase in production capacities for medium to large sizes die-casting machines, direct clamp plastic injection moulding machines and sophisticated computerized numerical controlled (CNC) machines also helped boost the Group's sales.

However, in the second half year, problems stemming from the US sub-prime lending issue began to surface and snowballed into crisis. Escalating inflation in the PRC also prompted more frequent introduction of austerity measures, such as raising the benchmark interest rates for deposit and lending and reserve requirement ratio applicable to depository financial institutions and issuing earmarked notes by the central bank. The extent to which monetary policy was tightened was unprecedented. Furthermore, with the accelerated appreciation of RMB, some PRC enterprises experienced drop in export sales as well as shortage of working capital, hence became more cautious in purchasing additional equipment, and delayed their plan to add new manufacturing facilities. As a result, demand for our small to medium size die-casting machines and conventional plastic injection moulding machines in the PRC market softened during the second half year.

Reacting on this circumstances, the Group rationalized the production capacity by shifting focus on to medium to large size die-casting machines, direct clamp plastic injection moulding machines and specialised CNC machines for post die-casting processing, in order to meet the increase in demand of such equipment. As a result, the Group maintained double-digit growth in sales turnover in the second half year. At the same time, the Group tightened cost control resulting in an increase of gross profit margin from 32% in the previous year to 33% this year.

In November 2007, the Group was awarded “Hong Kong Outstanding Enterprises 2007” by Economic Digest, an influential business magazine published in Hong Kong.

Die-casting machine business

During the year, demand for die-casting machines in the PRC market grew continuously due to thriving industries and high demand for die casting parts required by the final products. The automobile industry, for example, produced 8.882 million vehicles in 2007 (growth of 22% year-on-year), of which 4.798 million (up 24% year-on-year) were passenger vehicles. According to National Bureau of Statistics of the PRC, 120.734 million units of micro computers and 43.971 million units of household fridge were produced in 2007, representing growth of 29% and 25% year-on-year respectively. According to Foundry Institution of the Chinese Mechanical Engineering Society data, the total output of die-casting parts in the PRC in 2007 was 1,188,920 tonnes, up 16% year-on-year. Die-casting machines sales for the same year reached about 4,500 units for the first time, up 15% year-on-year.

During the year, the Group sold approximately 2,200 units of die-casting machines to the domestic market, representing nearly 50% of the total sales of die-casting machines in the PRC, higher than 44% at the time of listing of the Group. This demonstrated that the Group had increased its market share and become the leader in the PRC die- casting machine market.

The Group is among the handful of enterprises in the world that are capable of manufacturing extra large size die-casting machines with clamping force of 3,000 tonnes and above. This clearly gives the Group an edge over its competitors. Meanwhile, medium to large size die-casting machines manufactured by the Group are also well-received by the market. During the year under review, the Group delivered a number of medium to large size die-casting machines to prestigious customers including Guangzhou Honda Automobile Co., Ltd.

In addition, the Group made a breakthrough in the overseas market during the year. It won the bid for purchase order for 3,000-tonne ultra large size die-casting machines with a total order value of approximately HK$200 million in the global tender launched by General Motors Corporation in the US ("GM"). The management believes the GM order will be a stimulus to develop the Group's business in overseas market.

In September 2007, our die-casting machine was awarded the "China Top Brand" title by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China. The Group is the only die-casting machine company in the country to receive the honour.

Plastic injection moulding business

Crude oil price had kept hitting new heights during the year under review. It was about US$60 per barrel in April 2007, rose to US$90 per barrel at the end of March 2008 and by the end of June to over US$130 per barrel. Unfavourable factors such as surging oil prices and escalating operating costs, state policy restricting the processing trade and economic uncertainties have put some enterprises in difficult situations. However, the Group's plastic injection moulding machine business still achieved growth during the year. The Group's own developed "Effort" series of direct clamp plastic injection moulding machine made headway in different applications of various industries due to its superior performance. This "Effort" series, having the specific features of higher injection speed, shorter cycle time, more energy saving, higher yield rate and better mould protection during repetitive running of the machine, are well received in the market.

Computerised numerical controlled (CNC) machine business

During the period under review, the Group's R&D centre in Taiwan completed development of a number of new products, among which the TT510P monocoque CNC machine has obtained patent registration in Taiwan and its patent registration in the US is pending.

The Group's CNC machines are positioned as specialised equipment for post die-casting processing. Several series of the machines were launched and have gained popularity in the market.

Prospects

The business environment is going to stay challenging in the light of a possible global economic slowdown, continual introduction of macroeconomic austerity measures and rising labour costs in the PRC. Nevertheless, the management believes the Group is able to tackle the challenges due to the Group's strong brand, huge market network and diverse customer base spanning over various industries.

Die-casting machine business

To reinforce its market position in the die-casting machine industry and capture market shares in overseas markets, the Group completed in April 2008 the acquisition of an Italian company Idra Srl ("Idra"), one of the world's top die-casting machine manufacturers. Idra designs, manufactures and sells die- casting machines and peripherals. With a history of over 60 years, it is one of the longest standing players in the industry and a world leader in die-casting technology. The technologies, performance and quality of its products are ranked top grade by world standards. Its die-casting machines and equipment branded IDRA are sold to major customers worldwide, in particular certain world-renowned automobile manufacturers including Benz, BMW, Audi, Ford, Chrysler etc.

The acquisition is expected to create synergies in terms of brand exposure, technologies, markets and costs. Through the acquisition, the Group is able to promote its brand name in overseas market and to world renowned customers, which can facilitate development of the high-end market and improve overseas market share. Sales turnover from overseas market to the Group's total sales turnover is expected to increase from the current level of approximately 10% to 20% or above, so as to spread the market risk across a wider spectrum of markets. Idra's advanced design, product technologies and production experiences will also substantially enhance the Group's overall technological level and capability in formulating effective solutions to customers. On the other hand, Idra can strengthen its supply chain and improve its production capacity through the assistance of the Group, so as to produce higher cost effective products and in turn sharpen its competitive edges for securing more customers and orders. The acquisition will not only reinforce the Group's position in the PRC market, but will also make the Group the largest die-casting machine manufacturer in the world. The Group anticipates continuous growth for its die-casting machine business.

Plastic injection moulding machine business

The Group is working diligently on upgrading the conventional plastic injection moulding machine to boost its performance and competitiveness, and has taken various strategies to attain further growth. These strategies included: (1) Direct clamp plastic injection moulding machine: the Group made a breakthrough for its "Effort" series and will keep boosting the market influence and coverage, and tremendous growth is expected; (2) Medium to large size plastic injection moulding machine: the Group has developed several models of the machines which are well-received by the market; (3) Energy saving plastic injection moulding machine: due to the fact that this series has higher energy-efficiency and die-clamping precision, less maintenance and more cost-effective, the machine will have huge market potential, and is one of the priorities for future development; and (4) Provision of high value-added services to customers: this includes customised design to meet customers' specific production requirements, streamlining of manufacturing processes and improving production efficiency.

The management believes, with the help of the above measures, the Group's plastic injection moulding machine business will become more competitive and can increase its market share, as such, the business will have ample room for further growth.

CNC machine business

CNC machines are commonly used in various industries, including automobile and related components, machinery, sophisticated medical equipment, aerospace, aviation, dies and electronics, as well as information technology. The management believes CNC machines have promising prospects in the PRC market. With a wealth of experience in the equipment manufacturing industry, leading position in the die-casting machine sector, seasoned technicians in its R&D centre in Taiwan and a well established customer base in the PRC, the Group plans to develop specialised CNC machines for post die-casting processing to meet the needs of the PRC market.

So far, the Group has developed a number of CNC vertical machines, which include the newly developed dual-platform vertical CNC machine and horizontal CNC machine. The CNC machines produced by the Group enjoy strong customer recognition. The Group is planning construction of Phase I of its manufacturing facilities at Kunshan with the aim of expanding production capacity for CNC machines.

The Group's CNC machine business is progressing well and on growth track. Under the strategic guidance of the management, the business is expected to grow and gain share in the PRC market.

Conclusion

Iron and steel prices, which have been escalating since the latter half of 2007, have exerted pressure on the Group's material costs. To stabilize the iron and steel prices, and provide raw material for producing cast components, the Group invested in an enterprise for iron ore mining and iron ore smelting in Fuxin City of Liaoning Province, of which the Group is interested at 35%. At the same time, the Group also incorporated a wholly owned company in the same City for the production of cast iron/cast steel components, which are one of the key components used by the Group in its manufacturing process.

The Group has taken various measures to mitigate the impacts of adverse market conditions. These measures included increasing the selling price of products, developing higher added-value products, regulating production capacity, improving production efficiency, enhancing the utilization of resources and tightening cost control.

With international interest rates on an upward trend, and PRC banks expected to keep tightening credit policy, the Group is negotiating with a leading bank in Hong Kong for a syndicate loan of approximately HK$500 million for funding future development, with the loan arrangement expected to be finalised at the end of this month.

Despite the uncertain and challenging business environment, the management believes, with an optimal product mix, reputable brand name and leading market position, the Group is able to overcome adversities. At the same time, the Group will continue to develop its plastic injection moulding machine business and CNC machine business, building them into core businesses, together with die casting machine business, will become the major businesses of the Group.

The Group also strives to nurture talents and strengthen staff training. By providing appropriate remuneration and incentive packages and promotion opportunities, we aim at building a good team spirits among staff members to work for sustainable growth 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 2008, the Group's cash and bank balances amounted to approximately HK$170,800,000 (2007: HK$259,600,000).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 44% (2007: 41%).

Contingent liabilities

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 2008, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$77,446,000 (2007: HK$21,233,000).

Pledge of assets

(i) The Group's banking facilities were secured by certain assets of the Group, including restricted bank balances, leasehold land and buildings, land use rights, investment properties, plant and machinery, furniture, fixtures and office equipment, with aggregate carrying amounts of HK$195,982,000 (2007: HK$93,709,000).

(ii) As at 31 March 2008, the Group also has restricted bank balances to the extent of HK$24,471,000 (2007: HK$17,119,000) pledged to banks for credit facilities granted to customers to purchase the Group's products.

(iii) As at 31 March 2008, the Group's investments in certain subsidiaries with aggregate net asset value of HK$156,920,000 (2007: HK$85,386,000) are pledged to a bank for banking facilities granted to the Group.

Capital commitments

As at 31 March 2008, the Group had made capital expenditure commitments of approximately HK$150,203,000 (2007: HK$42,714,000) in respect of acquisition of land use rights, property, plant and equipment.

STAFF AND REMUNERATION POLICIES

As at 31 March 2008, the Group employed approximately 3,780 full-time staff. The staff costs for current year amounted to HK$210,800,000 (2007: HK$170,700,000). 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 benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

FINAL DIVIDEND

The Directors have proposed a final dividend of HK 2.3 cents per share for the year ended 31 March 2008 (2007 : HK 2.0 cents). Subject to approval by shareholders at the forthcoming annual general meeting to be held on 22 August 2008, the final dividend will be payable on or about 2 September 2008 to shareholders whose names appear on the register of members of the Company 22 August 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to receive the final dividend, attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 20 August 2008 to Friday, 22 August 2008, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 19 August 2008.

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 2008.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008. Detailed information on the Company's corporate governance practices is set out in the corporate governance report included in the 2007/08 Annual Report to be despatched 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 2008.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Hon. Lui Ming Wah, SBS, JP, and Mr. Chan Wah Tip, Michael. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2008.

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 2008 containing all information required by the Listing Rules will be despatched 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.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 15 July 2008

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