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 2011

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 2011 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2011

	Note	**2011** ***HK$'000***	2010 *HK$'000*
Revenue	*3*	**2,602,564**	1,408,364
Cost of sales	*4*	**(1,758,970)**	(1,025,452)
Gross profit		**843,594**	382,912
Other income		**34,430**	21,683
Other gains – net		**5,208**	3,873
Selling and distribution expenses	*4*	**(237,471)**	(123,999)
General and administration expenses	*4*	**(285,844)**	(218,172)
Operating profit		**359,917**	66,297
Finance income	*5*	**2,450**	1,678
Finance costs	*5*	**(42,931)**	(35,790)
Finance costs – net	*5*	**(40,481)**	(34,112)

	Note	2011 HK$'000	2010 HK$'000
Share of loss of an associate		**–**	(4,079)
Share of loss of a jointly controlled entity		**–**	(964)
Profit before income tax		**319,436**	27,142
Income tax expense	*6*	**(60,298)**	(23,907)
Profit for the year		**259,138**	3,235
Profit attributable to:			
Owners of the parent		**259,365**	20,323
Non-controlling interests		**(227)**	(17,088)
		259,138	3,235
		HK cents	*HK cents*
Earnings per share for the profit attributable to owners of the parent during the year (expressed in HK cents per share)			
– Basic	*8*	**25.0**	2.0
– Diluted	*8*	**24.8**	2.0

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 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**259,138**	3,235
Other comprehensive income for the year:		
Currency translation difference	**36,430**	6,149
(Loss)/gain on fair value changes of available-for-sale financial assets	**(759)**	1,327
Reversal arising from the disposal of available-for-sale financial assets	**(568)**	–
Total comprehensive income for the year, net of tax	**294,241**	10,711
Attributable to:		
– Owners of the parent	**294,468**	26,357
– Non-controlling interests	**(227)**	(15,646)
	294,241	10,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)
Non-current assets				
Intangible assets		**14,463**	16,191	14,999
Property, plant and equipment		**719,408**	594,210	632,280
Investment properties		**32,240**	25,910	22,140
Land use rights		**142,273**	140,313	83,353
Deposits paid		**29,652**	28,568	21,935
Interest in an associate		**–**	71,397	75,476
Deferred income tax assets		**20,553**	11,073	16,951
Trade and bills receivables	*9*	**4,069**	6,156	–
Derivative financial instruments		**–**	2,771	4,744
Restricted bank balances		**13,542**	6,873	6,092
Interest in a jointly controlled entity		**–**	–	3,078
Total non-current assets		**976,200**	903,462	881,048
Current assets				
Inventories		**861,932**	534,861	454,410
Available-for-sale financial assets		**–**	10,418	9,091
Trade and bills receivables	*9*	**787,790**	487,352	351,737
Other receivables, prepayments and deposits		**177,094**	155,944	55,064
Amount due from an associate		**–**	340	–
Derivative financial instruments		**37**	2,670	34
Restricted bank balances		**66,374**	27,137	21,632
Cash and cash equivalents		**444,303**	398,074	330,265
		2,337,530	1,616,796	1,222,233
Non-current assets held-for-sale		**73,918**	–	–
Total current assets		**2,411,448**	1,616,796	1,222,233
Total assets		**3,387,648**	2,520,258	2,103,281

	Note	2011	2010	2009
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Equity				
Share capital		**113,107**	102,146	101,284
Reserves		**880,931**	460,274	449,190
Retained earnings				
– Proposed final dividend	*7*	**56,553**	–	–
– Others		**466,406**	322,909	302,757
Equity attributable to owners of the parent		**1,516,997**	885,329	853,231
Non-controlling interests		**3,439**	3,443	14,396
Total equity		**1,520,436**	888,772	867,627
Non-current liabilities				
Deferred income tax liabilities		**4,475**	8,595	3,708
Derivative financial instruments		**–**	1,168	2,236
Borrowings		**91,765**	72,080	–
Other payables		**9,513**	10,654	10,503
Total non-current liabilities		**105,753**	92,497	16,447
Current liabilities				
Trade and bills payable, other payables, deposits and accruals	*10*	**957,825**	682,739	330,434
Amount due to holding company		**–**	40,000	–
Amount due to an associate		**–**	–	40,909
Derivative financial instruments		**60,347**	2,322	3,307
Borrowings		**713,951**	810,065	844,076
Current income tax liabilities		**29,336**	3,863	481
Total current liabilities		**1,761,459**	1,538,989	1,219,207
Total liabilities		**1,867,212**	1,631,486	1,235,654
Total equity and liabilities		**3,387,648**	2,520,258	2,103,281
Net current assets		**649,989**	77,807	3,026
Total assets less current liabilities		**1,626,189**	981,269	884,074

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of L.K. Technology Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), 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 convention, as modified by the revaluation of the financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

2. NEW AND AMENDED STANDARDS

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2010.

a. HKFRS 3 (revised) "Business combinations"

'Business combinations', and consequential amendments to HKAS 27, 'Separate financial statements', HKAS 28, 'Investments in associates and joint ventures', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

b. HKAS 27 (revised) "Separate Financial Statements"

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. The Group has applied the revised standard to account for the acquisition of additional equity interest in a subsidiary from a non-controlling shareholder.

c. HKAS 17 (amendment) "Leases"

This amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest where title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term. The change in accounting policy has no material impact on the Group's consolidated financial statements.

d. HKAS 32 (amendment) "Classification of rights issues"

This amendment issued in October 2009, addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment is applied retrospectively in accordance with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The change in accounting policy has no material impact on the Group's consolidated financial statements.

e. Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

In November 2010 the HKICPA issued Hong Kong Interpretation 5 'Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause'. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 'Presentation of Financial Statements'. It sets out the conclusion reached by the HKICPA that a bank loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of bank loans that contain a repayment on demand clause. Under the new policy, bank loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously such bank loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of Hong Kong Interpretation 5 on the consolidated statement of financial position:

	31 March 2011	31 March 2010	1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in			
Current liabilities			
Bank borrowings	**20,046**	13,075	2,923
Non-current liabilities			
Bank borrowings	**(20,046)**	(13,075)	(2,923)

f. HKFRS 5 (amendment) "Non-current assets held-for-sale and discontinued operations"

The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. In addition, the improvement related to HKFRS 5 in the 2008 improvement to HKFRS is effective for annual period on or after 1 July 2009. The Group has applied the revised standard to account for the non-current assets held-for-sale.

g. New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted

The Group's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 1 (amendment), 'Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters', (effective for annual periods beginning on or after 1 April 2011).
- HKFRS 1 (amendment), 'Severe Hyperinflation and Removal of Fixed Dates for First-time adopters', (effective for annual periods beginning on or after 1 April 2012).
- HKFRS 7 (amendment), 'Disclosures – Transfers of Financial Assets', (effective for annual periods beginning on or after 1 April 2012).
- HKFRS 9, 'Financial instruments', (effective for annual periods beginning on or after 1 January 2013).
- HKFRS 10, 'Consolidated Financial Statements', (effective for annual periods beginning on or after 1 January 2013).
- HKFRS 11, 'Joint Arrangements', (effective for annual periods beginning on or after 1 January 2013).
- HKFRS 12, 'Disclosure of Interests in Other Entities', (effective for annual periods beginning on or after 1 January 2013).
- HKFRS 13, 'Fair Value Measurement', (effective for annual periods beginning on or after 1 January 2013).
- HKAS 12 (amendment), 'Deferred tax: Recovery of underlying assets', (effective the annual periods beginning on or after 1 January 2012).
- HKAS 24 (revised), 'Related party disclosures', (effective for annual periods beginning on or after 1 January 2011).

- HKAS 27, 'Separate Financial Statements', (effective for annual periods beginning on or after 1 April 2013).

- HKAS 28, 'Investments in Associates and Joint Ventures', (effective for annual periods beginning on or after 1 April 2013).

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) – Int 14), (effective for annual periods beginning on or after 1 January 2011).

- HK (IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments', (effective for annual periods beginning on or after 1 July 2010).

3. REVENUE AND 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 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 from operations", i.e. profit before finance income, finance costs and income taxes. To arrive at the profit from operations, the Group's profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into two main reportable segments.

(i) Manufacture and sales of machinery and equipment

(ii) Steel casting

The segment results for the year ended 31 March 2011 are as follows:

	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Total segments *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue					
External sales	**2,582,058**	**20,506**	**2,602,564**	**–**	**2,602,564**
Inter-segment sales	**476**	**83,879**	**84,355**	**(84,355)**	**–**
Total sales	**2,582,534**	**104,385**	**2,686,919**	**(84,355)**	**2,602,564**
Other income	**34,389**	**41**	**34,430**	**–**	**34,430**
Total revenue and other income	**2,616,923**	**104,426**	**2,721,349**	**(84,355)**	**2,636,994**
Result					
Segment results	**362,354**	**(2,437)**	**359,917**	**–**	**359,917**
Finance income					**2,450**
Finance costs					**(42,931)**
Profit before income tax					**319,436**

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*	Total segments *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue					
External sales	1,397,997	10,367	1,408,364	–	1,408,364
Inter-segment sales	44	15,749	15,793	(15,793)	–
Total sales	1,398,041	26,116	1,424,157	(15,793)	1,408,364
Other income	21,679	4	21,683	–	21,683
Total revenue and other income	1,419,720	26,120	1,445,840	(15,793)	1,430,047
Result					
Segment results	73,939	(7,642)	66,297	–	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 tax					27,142

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.

Segment assets and liabilities

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

As at 31 March 2011

	Manufacture and sales of machinery and equipment *HK$'000*	**Steel casting** *HK$'000*	**Total** *HK$'000*
Assets			
Segment assets	**2,996,615**	**296,525**	**3,293,140**
Unallocated assets			**94,508**
Consolidated total assets			**3,387,648**
Liabilities			
Segment liabilities	**1,676,727**	**96,327**	**1,773,054**
Unallocated liabilities			**94,158**
Consolidated total liabilities			**1,867,212**

As at 31 March 2010

	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Total *HK$'000*
Assets			
Segment assets	2,217,665	200,978	2,418,643
Unallocated assets			101,615
Consolidated total assets			2,520,258
Liabilities			
Segment liabilities	1,523,564	91,974	1,615,538
Unallocated liabilities			15,948
Consolidated total liabilities			1,631,486

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

– all assets are allocated to reportable segments other than corporate assets, non-current assets held-for-sale, 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, derivative financial instruments, current income tax liabilities and deferred income 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 2011

	Manufacture and sales of machinery and equipment *HK$'000*	**Steel casting** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets[1]	**194,591**	**10,157**	**204,748**
Depreciation and amortisation	**91,949**	**9,792**	**101,741**
Write down of inventories	**9,002**	**94**	**9,096**
Provision for impairment of trade receivables	**2,844**	**722**	**3,566**

For the year ended 31 March 2010

	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Total *HK$'000*
Additions to non-current assets[1]	68,427	79,080	147,507
Depreciation and amortisation	82,549	4,907	87,456
Write down of inventories	3,940	–	3,940
Provision for impairment of receivables	5,554	395	5,949
Provision for impairment of intangible assets	1,499	–	1,499
Provision for impairment of property, plant and equipment	3,501	–	3,501

[1] Non-current assets exclude interest in an associate, deferred income tax assets and derivative financial instruments.

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 2010 and 2011.

	2011	2010
	HK$'000	*HK$'000*
Analysis of revenue by category		
Sales of machinery and equipment	**2,582,058**	1,397,997
Steel casting	**20,506**	10,367
	2,602,564	1,408,364
Other revenue	**34,430**	21,683
	2,636,994	1,430,047

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[1]**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**2,065,388**	1,167,966	**864,092**	809,107
Hong Kong	**–**	–	**30,146**	23,543
Europe	**231,006**	114,139	**30,876**	40,870
Central America and South America	**75,724**	38,198	**–**	–
North America	**137,211**	50,450	**303**	556
Other countries	**93,235**	37,611	**12,619**	2,513
	2,602,564	1,408,364	**938,036**	876,589

1 Non-current assets exclude non-current portion of trade receivables, restricted bank balances deferred income tax assets and derivative financial instruments.

4. EXPENSE BY NATURE

	2011	2010
	HK$'000	*HK$'000*
Amortisation of land use rights	**3,106**	2,666
Amortisation of trademarks	**701**	1,211
Amortisation of patents	**214**	178
Amortisation of development costs and others	**4,409**	4,707
Depreciation of property, plant and equipment	**93,311**	78,694
Provision for impairment of intangible assets	**–**	1,499
Provision for impairment of property, plant and equipment	**–**	3,501
Provision for impairment of trade receivables	**3,566**	5,949
Write down of inventories	**9,096**	3,940

5. FINANCE COSTS – NET

	2011	2010
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(2,450)**	(1,678)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**46,325**	36,077
Less: Capitalised in property, plant and equipment	**(3,394)**	(287)
	42,931	35,790
	40,481	34,112

Borrowing costs capitalised during the year arose on general borrowing pool and were calculated by applying a capitalisation rate of 4% (2010: 3.5%) to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**64,571**	15,616
– Hong Kong profits tax	**–**	–
– Under/(over)-provision in prior years	**8,995**	(2,474)
	73,566	13,142
Deferred taxation	**(13,268)**	10,765
Tax charge	**60,298**	23,907

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% (2010: 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 expired tax holidays (other than those approved to be High and New Technology Enterprises as discussed in the next paragraph), the tax rates for the year are 24% (2010: 20% or 22% or 25%).

Certain subsidiaries in Shenzhen, Zhongshan and Shanghai were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years commencing from 1 January 2009. 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% (2010: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2011 as the 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 2010 as there were no assessable profits for that year.

No provision for overseas income tax (other than taxes in the PRC) has been made as the Group has no assessable profits subject to overseas income tax for the years ended 31 March 2011 and 2010.

7. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Proposed final dividend of HK5 cents per share (2010: Nil)	**56,553**	–

At a meeting held on 29 June 2011, the directors recommended the payment of a final dividend of HK 5 cents per ordinary share, totalling HK$56,553,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting of the Company on 18 August 2011. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2012.

8. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the profit attributable to owners of the parent of HK$259,365,000 (2010: HK$20,323,000) and on the weighted average number of approximately 1,036,168,000 (2010: 1,014,668,000) ordinary shares in issue during the year.

	2011	2010
Profit attributable to owners of the parent *(HK$'000)*	**259,365**	20,323
Weighted average number of ordinary shares in issue *(thousands)*	**1,036,168**	1,014,668
Basic earnings per share *(HK cents)*	**25.0**	2.0

(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. The Company has two categories of dilutive potential ordinary shares: perpetual convertible securities and share options. The perpetual convertible securities are assumed to have been converted into 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.

	2011	2010
Profit attributable to owners of the parent *(HK$'000)*	**259,365**	20,323
Weighted average number of ordinary shares in issue *(thousands)*	**1,036,168**	1,014,668
Assumed conversion of perpetual convertible securities *(thousand)*	**5,403**	–
Adjustment for share options *(thousands)*	**3,409**	5,721
Weighted average number of ordinary shares of diluted earnings per share *(thousands)*	**1,044,980**	1,020,389
Weighted average number of ordinary shares for diluted earnings per share *(HK cents)*	**24.8**	2.0

The assumed conversion of potential ordinary shares arising from warrants during the year would be anti-dilutive.

9. TRADE AND BILLS RECEIVABLE

	2011 *HK$'000*	2010 *HK$'000*
Trade receivables	**722,434**	467,757
Less: Provision for impairment	**(39,604)**	(37,760)
	682,830	429,997
Bills receivable	**109,029**	63,511
	791,859	493,508
Less: Balance due after one year shown as non-current assets	**(4,069)**	(6,156)
Trade and bills receivables, net	**787,790**	487,352

The amount of provision for impaired trade receivables was HK$ 39,604,000 (2010: HK$ 37,760,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	2011 *HK$'000*	2010 *HK$'000*
Within 90 days	**459,409**	287,735
91–180 days	**103,039**	76,344
181–365 days	**80,312**	24,117
Over one year	**79,674**	79,561
	722,434	467,757

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 basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery 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 installments which normally range from 6 months to 12 months.

10. TRADE AND BILLS PAYABLE, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**548,857**	432,597
Bills payable	**43,158**	158
Other payables	**375,323**	260,638
	967,338	693,393
Less: Balance due after one year shown as non-current liabilities	**(9,513)**	(10,654)
	957,825	682,739

The following is the aging analysis of the trade payables:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**479,121**	393,615
91-180 days	**54,643**	27,791
181-365 days	**6,366**	1,446
Over one year	**8,727**	9,745
	548,857	432,597

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 2011(the 'Year'), the Group recorded an encouraging result. Both revenue and profit have reached a record high. The Group recorded a revenue of HK$2,602,564,000, representing an increase of approximately 85% as compared to HK$1,408,364,000 of the corresponding period last year. Profit attributable to owners of the parent amounted to HK$259,365,000, demonstrating a remarkable increase for over ten fold as compared to a profit of HK$20,323,000 in the corresponding period last year.

Business review

During the Year, the Group maintained the strong momentum of recovery. Three business segments, namely die-casting machines, plastic injection moulding machines and computerised numerical controlled (CNC) machines demonstrated a significant increase and reached a new record. During the Year, the Group recorded a revenue of HK$2,602,564,000, representing an increase of approximately 85% as compared to the corresponding period last year.

During the Year, with the continuing strong growth in macro economy in the PRC, the Group's revenue from the PRC reached HK$2,000,000,000 for the first time to HK$2,065,388,000, demonstrating an increase of over 77% as compared to the corresponding period last year. Although the overall recovery of European and the USA economy remained slow, the performance of Idra S.r.l. ("Idra") in the European market showed improvement, the delivery of General Motors' order in the USA and the outstanding performance in the emerging market doubled the Group's revenue among the European, North American and the emerging market. The Group's revenue from overseas markets for the year amounted to HK$537,176,000, representing a remarkable increase of approximately 123% as compared to HK$240,399,000 in the corresponding period last year.

Die-casting machines

For the first half of 2010, the accumulated automobile production and sales in the PRC exceeded 8.47 million units and 7.18 million units respectively, representing year-on-year increases of over 44% and 30% respectively. Such booming production and sales levels in the PRC automobile market stimulated the die-casting machine business of the Group. For the second half of Year, with the termination of the "Automobiles for the Rural Residents"(汽車下鄉) and "Trade-in" (以舊換新) subsidy stimulation policies, the production and sales of automobile market remained steady, and the growth in investment in die-casting machines slowed down accordingly. On the other hand, the increasing application for the die-casting machines in products such as kitchenware, radiators, transport equipment and energy saving LED/LNP encouraged the growth of die-casting machine business. The revenue of the die-casting machines for the Year increased by more than 65%.

With the recovery of the sales orders from the overseas market and the increasing sales orders from the emerging market, the revenue of the die-casting machines of the Group from the overseas market for the Year increased by more than 104%.

Although facing with the slow recovery in the European market, Idra, the Group's subsidiary in Italy recorded a remarkable increase in revenue of approximately 65%, as the synergy with the Group gradually took shape and the income from the PRC market recorded a significant increase. The business of Idra showed noticeable sign of improvement.

Plastic injection moulding machine

For the business of plastic injection moulding machines, the Group has achieved major breakthroughs in four types of plastic injection moulding machines, namely large tonnage plastic injection moulding machines, servo control energy-saving plastic injection moulding machines, sophisticated direct-clamp plastic injection moulding machines and micro-injection moulding machines. Coupled with the recovery of the electric appliances and toy markets in the PRC, the revenue of plastic injection moulding machine business of the Group continued a significant increase of approximately 119% as compared to the corresponding period last year, and reached a record high again in despite of the gradual termination of stimulation policies of the PRC in the second half of the Year.

Computerised numerical controlled (CNC) machines

The CNC machine business is a major growth potential business of the Group and is also one of the focuses for the future growth of the Group. With the competitive price performance ratio, a number of the Group's new products, especially those used to produce the components for smart phones and tablets personal computers, are well-received in the market and have successfully secured bulk orders from renowned customers such as BYD Auto and Foxconn. The revenue of the Group's CNC machines for the Year achieved a significant increase of approximately 262% as compared to the corresponding period last year and showed a continuing high growth trend.

Cast components

The Group's large-scale modernised casting factory located in Fuxin County, Liaoning Province has commenced commercial production with number of models and volume of cast components increasing continuously. Apart from supplying high quality cast components for die-casting machines, plastic injection moulding machines and (CNC) machines of the Group, the factory also supplies to other customers.

Research and development ("R&D")

R&D of die-casting machines

After the development of the 4,000-tonne super-large cold chamber die-casting machine, the Group have successfully developed a two platen energy-saving die-casting machines. It was showed in big exhibitions in Shenzhen and other cities, and received good appreciation. The Group once again has shown its leading R&D capability to the industry.

Apart from the above, the Group has continued to enhance the provision of integrated services to its die casting machine customers, and has reaped tangible progress in the integration service of hardware and software. On top of providing high end die casting machines to its customers, the Group also provides peripheral accessories such as sprayers, ladles, extractors, trim presses, component conveyer belts and dedusting facilities, as well as professional software systems.

R&D of plastic injection moulding machines

The Group continued to invest in the R&D of plastic injection moulding machines and it has attained major breakthroughs in large-tonnage plastic injection moulding machines. The large-tonnage plastic injection moulding machines produced by the Group can be used in the manufacture of large plastic accessories such as automobile instrument panels, large home appliances and large logistics containers. The breakthroughs achieved by the Group of large tonnage plastic injection moulding machines expands the product coverage, and extends to major industries such as large home appliances, automobile, large packaging container, and have helped the Group to gain new growth engines from these specific segments.

Meanwhile, the EFFORT series direct-clamp plastic injection moulding machine has been upgraded to EFFORT II high speed servo driven energy-saving series by the Group. This EFFORT II series incorporates an advance injection system, higher precision and better energy saving, with the overall performance closes to the European and USA standards. The machine has successfully established presence in the production of the high-end food and cosmetics packaging boxes in overseas market.

In response to the requirement of energy saving product in the market, the servo driven energy-saving series has been incorporated as the Group's standard feature and all the existing plastic injection moulding machines are upgraded accordingly. The Group has received good responses from the market.

In order to achieve a comprehensive enhancement in the Group's R&D capability in plastic injection moulding machine, The Group has entered into a technology development agreement with Beijing University of Chemical Technology, a well-known university in the PRC. The parties will collaborate in R&D of micro plastic injection moulding formation technology and its application. Micro plastic injection moulding machines will be widely used in the production of medical components and sophisticated electric components.

R&D of CNC machines

With an outstanding R&D efficiency, the Group's R&D centre in Taiwan has successfully developed numerous new models to suit the needs of different customers, and have demonstrated strong competitiveness on the market in just several years. Apart from the well-received "TC510", "TC710" and "TC1200" series of small size vertical drilling CNC machines specialised for post die-casting processing, new model series of "MV650", "MV850", "MV1050" and "MV-1680" vertical CNC machines were also developed. The MV model series is suitable for fine processing of automobile components. For the horizontal CNC machines, apart from the developed "HT400" and HT500"series, the Group also added new models "HT630" and "HT800".

Prospects

Looking forward, the PRC, other emerging economies and developed economies will demonstrate growth momentum in different ways.

In respect of the PRC's economy, the PRC Government is trying to strike balance among growth, inflation and economic transition. The PRC have tightened its monetary policies for over half year. Inflation in the PRC has been under control in the second half of 2010, and it is expected that those monetary policies will be loosened, which will benefit small and medium-sized enterprises to obtain credit facilities and to invest in equipment. On the other hand, due to increasing labour shortage in the PRC, manufacturers are prompted to use more automatic equipments such as CNC machines, which will promote continuous growth of our CNC machine business. The large-scale construction of indemnificatory housing projects such as "comfortable housing" and "affordable housing" by the governments at different levels in the PRC will contribute to the new orders from customers in the construction materials industry and the home appliances industry. Meanwhile, it is expected that the "12th Five-Year Plan" issued by the PRC will continue to support equipment manufacturing industry as one of the core industries, so as to provide growth potentials for the equipment manufacturers, including the Group.

In addition, as our die-casting machines enjoy a high price performance ratio, are increasingly well-received in the developed countries such as the USA.

To meet the customer demands for large-tonnage die-casting machines and large-tonnage plastic injection moulding machines, the Group's new phase of factory in Shenzhen has commenced production, and the production capacity for large-tonnage die-casting machines and large-tonnage plastic injection moulding machines have been increased. Meanwhile, to cope with the rapid growth of the Group's CNC machine business, the Group's phase I new factory in Kunshan City, Jiangsu Province has also commenced production. The production capacity of the new factory in Kunshan City has been increased gradually and it is expected that the production capacity of CNC machines will be doubled by the end of 2011.

Although the global economy is undergoing recovery, uncertainties still exist which would impose an extraordinary challenge for the business development of equipment manufacturers. Firstly, European Debt Crisis and the slack recovery of economy in developed countries has slowed down the investment requirement in equipment. Secondly, the loose monetary policy in the USA together with its high inflation and low growth impose volatility risk for the global economy. Thirdly, the PRC government has initiated control measures such as raising both the reserve requirement ratio and borrowing interest rate several times in order to control the rise in prices. If the PRC implements too strict tightening measures to address inflation, it will be difficult for small and medium-sized enterprises to obtain credit facilities. Fourthly, other emerging economies other than the PRC are presently facing issues such as overheated economy and high inflation rate, thus controlling the development progress and inflation will be the future trend. Each of the above uncertainties may have impact to the business development of the Group in the PRC and emerging countries. At the same time, it may also impact the export business of the Group and the business performance of Idra.

Notwithstanding the above concerns, the management believes that the three product categories of the Group are all widely utilised in the manufacturing of consumer products with strong demands in the PRC market. Moreover, leveraging on the Group's leading position in the die-casting machine industry, significant progress achieved from its plastic injection moulding machine and the CNC machine businesses, plus advanced technology, large production scale and brand effect together with a solid and vast customer base, the management believes that the Group enjoys an optimistic outlook for future growth. The management will also closely monitor the macro-economy and market situation to seek for other development opportunities in prudent manner. Meanwhile, the Group will focus on R&D and talent pool, to strengthen the professional team in different sectors, so as to sustain the healthy 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 2011, the Group's cash and bank balances amounted to approximately HK$444.3 million (2010: HK$398.1 million).

The gearing ratio (a ratio of net debt to total equity) was approximately 24% (2010: 54%).

Note: Net debt is calculated as total borrowings less cash and cash equivalents.

As at 31 March 2011, the capital structure of the Company was constituted exclusively of 1,131,065,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$805.7 million (2010: HK$882.1 million), approximately 88% of which being short-term loans. Approximately 24% 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.

Financial Guarantees

The Group provided financial guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2011, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$193.6 million (2010: HK$106.7 million).

Pledge of Assets

The Group's banking facilities and financial guarantees were secured by the assets of the Group, including restricted bank balances, land use rights, investment properties and property, plant and equipment, with aggregate carrying amounts of HK$372.1 million (2010: HK$353.5 million).

Capital commitments

As at 31 March 2011, the Group had capital expenditure commitments of approximately HK$85.6 million (2010: HK$50.5 million) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2011, the Group employed approximately 3,900 full time staff. The staff costs for current year amounted to HK$409.0 million (2010: HK$265.0 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.

FINAL DIVIDEND

The Directors have proposed a final dividend of HK 5 cents per share for the year ended 31 March 2011 (2010: Nil). Subject to approval by shareholders at the forthcoming annual general meeting to be held on 18 August 2011, the final dividend will be payable on or about 1 September 2011 to shareholders whose names appear on the register of members of the Company on 18 August 2011.

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 Tuesday, 16 August 2011 to Thursday, 18 August 2011, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 August 2011.

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 2011.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2011.

The Company does not fully comply with code provision A.4.1 in the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Hu Yongmin, a non-executive Director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

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 2011.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2011. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditors, PricewaterhouseCoopers Hong Kong ("PwC Hong Kong"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

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 2011 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, 29 June 2011

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang and Mr. Chung Yuk Ming; the non-executive Director is Mr. Hu Yongmin; 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.