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 2009

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 2009 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2009

	Notes	**2009** ***HK$'000***	2008 *HK$'000*
Turnover	*3*	**1,192,487**	1,261,972
Cost of sales		**(887,564)**	(852,274)
Gross profit		**304,923**	409,698
Other revenue	*3*	**25,934**	26,781
Other gains/(losses)	*3*	**10,251**	8,362
Selling and distribution expenses		**(131,164)**	(145,106)
Administration expenses		**(218,506)**	(153,947)
(Loss)/profit from operations	*4*	**(8,562)**	145,788
Finance income		**3,921**	5,320
Finance costs		**(42,022)**	(19,298)
Finance costs – net	*5*	**(38,101)**	(13,978)
Share of loss of an associate		**(1,227)**	–
Share of loss of a jointly controlled entity		**(8)**	–
(Loss)/profit before income taxes		**(47,898)**	131,810
Income taxes	*6*	**(4,315)**	(16,389)
(Loss)/profit for the year		**(52,213)**	115,421

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**(43,671)**	115,421
Minority interests		**(8,542)**	–
		(52,213)	115,421
Dividends	*7*	**4,051**	50,586
		HK cents	*HK cents*
(Loss)/earnings per share:	*8*		
– basic		**(4.3)**	11.5
– diluted		**(4.3)**	11.4

CONSOLIDATED BALANCE SHEET
As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Intangible assets		**14,999**	3,174
Property, plant and equipment		**632,280**	410,560
Investment properties		**22,140**	25,650
Land use rights		**83,353**	74,767
Deposits paid		**21,935**	25,474
Interest in an associate		**75,476**	21,336
Interest in a jointly controlled entity		**3,078**	–
Available-for-sale financial assets		**–**	746
Deferred tax assets		**16,951**	10,717
Restricted bank balances		**6,092**	5,950
		876,304	578,374
Current assets			
Inventories		**454,410**	472,451
Available-for-sale financial assets		**9,091**	–
Bills and accounts receivable	*9*	**351,737**	360,943
Other receivables, prepayments and deposits		**55,064**	46,826
Derivative financial instruments		**4,778**	–
Restricted bank balances		**21,632**	56,223
Cash and bank balances		**330,265**	170,785
		1,226,977	1,107,228
Current liabilities			
Bills and accounts payable	*10*	**161,427**	248,836
Other payables, deposits and accruals		**169,007**	121,209
Amount due to an associate		**40,909**	–
Derivative financial instruments		**5,543**	–
Bank borrowings – due within one year		**841,153**	381,074
Tax payable		**481**	1,677
		1,218,520	752,796
Net current assets		**8,457**	354,432
Total assets less current liabilities		**884,761**	932,806

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Deferred tax liabilities		**3,708**	–
Bank borrowings – due after one year		**2,923**	18,508
Provision for post-employment benefits		**10,503**	–
		17,134	18,508
Net assets		**867,627**	914,298
EQUITY			
Share capital		**101,284**	101,125
Reserves		**751,947**	813,173
Equity attributable to the equity holders of the Company		**853,231**	914,298
Minority interests		**14,396**	–
Total equity		**867,627**	914,298

Note:

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") 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 (the "Listing Rules") and by 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. Adoption of Amendments and New HKFRSs

In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by the HKICPA that are effective for the current accounting period of the Group.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments and new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective. The directors anticipate 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.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation [4]
Amendment to HKAS 39	Eligible Hedged Items [3]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [4]
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments [4]
Amendments to HK(IFRIC) – Interpretation 9 and HKAS 39	Embedded Derivatives [5]
HKAS 1 (Revised)	Presentation of Financial Statements [4]
HKAS 23 (Revised)	Borrowing Costs [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [4]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [4]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [6]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate [4]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation [7]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [3]
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers [8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January, 2009, 1 July, 2009 and 1 January, 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 January 2009
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for annual periods beginning on or after 1 July 2008
[7] Effective for annual periods beginning on or after 1 October 2008
[8] Effective for transfers of assets from customers received on or after 1 July 2009

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 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/(Losses) and Segment Information

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

	2009 ***HK$'000***	2008 *HK$'000*
Turnover		
Sales of machines and related accessories, net of returns and discounts	**1,192,487**	1,261,972
Other revenue		
Value added tax refunded	**8,573**	19,175
Other subsidies from government	**11,088**	4,216
Rental income	**1,544**	2,146
Sundry income	**4,729**	1,244
	25,934	26,781
Total revenue	**1,218,421**	1,288,753
Other gains/(losses)		
Excess of fair value of net assets acquired over cost of acquisition	**17,452**	–
Net foreign exchange (losses)/gains	**(850)**	2,084
Change in fair value of investment properties	**(3,840)**	5,631
Change in fair value of derivative financial instruments	**(3,290)**	–
Gains on disposals of property, plant and equipment	**387**	40
Gain on disposal of available-for-sale financial assets	**392**	607
	10,251	8,362
	1,228,672	1,297,115

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 is presented.

Secondary reporting format – Geographical segments

The Group's revenue 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 of the Group's geographical segments.

	2009	2008
	HK$'000	*HK$'000*
Turnover and other revenue		
The PRC	**748,986**	1,164,173
Europe	**264,962**	23,777
Middle and South America	**64,912**	51,735
North America	**73,991**	6,032
Other countries	**65,570**	43,036
	1,218,421	1,288,753

	2009	2008
	HK$'000	*HK$'000*
Location of assets		
The PRC	**1,629,826**	1,528,571
Europe	**232,951**	3,487
Hong Kong	**135,728**	74,868
Other countries	**87,825**	67,959
Total segment assets	**2,086,330**	1,674,885
Deferred tax assets	**16,951**	10,717
Total assets	**2,103,281**	1,685,602

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

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure		
The PRC	**232,768**	101,534
Europe	**9,302**	–
Hong Kong	**4,304**	866
Other countries	**754**	1,943
	247,128	104,343

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

4. (Loss)/Profit from Operations

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit from operations has been arrived at after charging:		
Amortisation of:		
– Trademarks	**1,369**	56
– Land use rights	**1,680**	1,738
– Development costs and others	**4,547**	–
Depreciation of property, plant and equipment	**72,776**	47,691
Total amortisation and depreciation	**80,372**	49,485
Impairment losses on intangible assets	**327**	–
Impairment losses on property, plant and equipment	**5,168**	–
Impairment losses on accounts receivable	**4,760**	–
Write down of inventories	**9,158**	5,682

5. Finance Costs – Net

	2009	2008
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(3,921)**	(5,320)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**42,022**	19,298
	38,101	13,978

6. Income Taxes

	2009	2008
	HK$'000	*HK$'000*
The tax charge/(credit) for the year comprises:		
Current income tax		
– PRC income tax	**6,522**	14,758
– Hong Kong Profits Tax	**–**	–
– Under/(over) provision in prior years	**109**	(844)
	6,631	13,914
Deferred taxation	**(2,316)**	2,475
	4,315	16,389

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% during the year (2008: 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, 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 18% or 20% or 25% (2008: 18% or 25%). The tax rate of those subsidiaries subject to the tax rate 18% or 20% will progressively increase to 25%.

During the year, certain principal 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 New Tax Law, 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 provides 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.

No Hong Kong Profits Tax has been provided for the years ended 31 March 2009 and 2008 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 years ended 31 March 2009 and 2008.

7. Dividends

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

	2009	2008
	HK$'000	*HK$'000*
2009 interim dividend of HK0.4 cents per share (2008: 2008 interim dividend of HK2.7 cents per share)	**4,051**	27,301
2009 final dividend – nil (2008: 2008 final dividend of HK2.3 cents per share)	**–**	23,285
	4,051	50,586

Subsequent to the balance sheet date, the directors do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: HK2.3 cents per share).

8. (Loss)/Earnings Per Share

(a) Basic

The calculation of the basic loss/earnings per share is based on the consolidated loss attributable to the equity holders of the Company of HK$43,671,000 (2008: profit of HK$115,421,000) and on the weighted average number of approximately 1,012,603,000 (2008: 1,007,870,000) ordinary shares in issue during the year.

	2009	2008
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(43,671)**	115,421
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,012,603**	1,007,870
Basic (loss)/earnings per share *(HK cents)*	**(4.3)**	11.5

(b) *Diluted*

Diluted loss per share for the year is the same as basic loss per share as the effect of the assumed conversion of the outstanding share options is anti-dilutive.

Diluted earnings per share for the year ended 31 March 2008 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
Profit attributable to equity holders of the Company *(HK$'000)*	115,421
Weighted average number of ordinary shares in issue *(shares in thousands)*	1,007,870
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(shares in thousands)*	8,992
Weighted average number of ordinary shares (diluted) *(shares in thousands)*	1,016,862
Diluted earnings per share *(HK cents)*	11.4

9. Bills and Accounts Receivable

	2009	2008
	HK$'000	*HK$'000*
Gross accounts receivable	**341,947**	350,552
Less: Allowance for impairment losses	**(31,862)**	(26,156)
	310,085	324,396
Bills receivable	**41,652**	36,547
	351,737	360,943

The following is an aging analysis of the gross accounts receivable:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**159,782**	168,931
91-180 days	**46,418**	66,785
181-365 days	**57,253**	63,944
Over one year	**78,494**	50,892
	341,947	350,552

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

	2009	2008
	HK$'000	*HK$'000*
Accounts payable	**136,782**	218,513
Bills payable	**24,645**	30,323
	161,427	248,836

The following is the aging analysis of the accounts payable:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**70,147**	185,007
91-180 days	**46,608**	25,479
181-365 days	**8,661**	4,565
Over one year	**11,366**	3,462
	136,782	218,513

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The worst global financial crisis since the Second World War erupted during the year under review. Although the Group made corresponding adjustments and arrangements, its results for the year still suffered severely. For the year ended 31 March 2009, the Group recorded a turnover of HK$1,192,487,000, representing a 5.5% decrease as compared to HK$1,261,972,000 last year. Loss attributable to the equity holders for the year was HK$43,671,000, which was the most difficult year for the Group since it entered the PRC market.

Business Review

The impact of the looming global financial crisis has been widespread and heavy at an unprecedented magnitude. Our customers were hard hit. With consumer confidence plunging, economies in recession and the future uncertain, our customers drastically cut back investment in machines and equipment especially in the fourth quarter of 2008 and the first quarter of 2009 affecting our turnover adversely and notably. During the year, the Group's turnover (excluding Idra's turnover) amounted to only HK$890,731,000, representing a significant decrease of 29.4% as compared to HK$1,261,972,000 last year.

To continuously develop its business and cope with the market environment in the future, the Group implemented an array of measures in the first half of the year:

1. In April 2008, the Group completed the acquisition of Idra S.r.l. ("Idra"), an Italian company and one of the top die-casting machine manufacturers in the world, with the aim of expanding its overseas markets, diversifying market risk and enhancing the exposure and coverage of its products in the global market. With a history of over 60 years, Idra is the leader in die-casting machine industry with high-end customers including Benz, BMW, Audi, Ford, Chrysler, etc. The acquisition has not only made the Group one of the world's largest die-casting machine manufacturers, but has also tripled its overseas turnover to HK$465,050,000, meeting its objective of diversifying market risk and enhancing presence and its global market share.

2. To stabilise iron and steel costs and supply, the Group established a wholly-owned enterprise in Fuxin City of Liaoning Province to produce cast components. The plant has been in trial production and most of its products will be used to meet internal demand hence help to reduce production cost of the Group. It will also be able to provide quality cast components to customers in the machinery, power electricity (such as wind power generation) and ships, etc. Furthermore, the Group has invested with 35% interest in an iron ore mining and smelting enterprise in the same city. This enterprise has acquired certain iron ore resources and obtained a license for exploration rights from the local state-owned land resources authority. Part of the pig iron ore will be provided to the cast components plant.

3. To support business development and prepare for changes in the business environment, the Group secured a syndicated bank loan of HK$500 million with a term of three years arranged by HSBC in July 2008.

During the second half of the year, affected by the global financial crisis, economic activities contracted and confidence plunged, making the operating environment very tough. The Group promptly adjusted its strategies, including suspending all plans related to major capital expenditure, restructuring human resources, tightening customer credit control, implementing the "Toyota Production System" which simplified management structure and optimising work procedures to improve operational efficiency, raising inventory turnover and reducing operating costs. Moreover, efforts were made in R&D and widening product range to facilitate expansion of the Group's customer base.

Die-casting machine business

Affected by the adverse environment, global demand for die-casting machines slowed down notably during the year. Customers were cautious in capital assets investment. Especially due to the shrink in the global automobile market, demand for large die-casting machines dropped sharply. Moreover, certain customers including General Motors requested that delivery of orders be delayed as a means to cope with the crisis, which led to a significant drop in turnover from large die-casting machines of the Group. Fortunately, the price of zinc-alloy has come down and with the introduction of "Home Appliances for Rural Residents" policy by the PRC government, the turnover of the small die-casting machine business of the Group only declined slightly, which helped mitigate the overall turnover drop. During the year of review, the turnover of die-casting machine business (excluding Idra's turnover) decreased by 32.7% as compared with the previous year.

As the target customers of Idra are large automobile makers in Europe and the USA, who are among the hardest hit in the financial crisis, its order book was also severely affected. However, the management was prepared and started to extend its business in emerging markets with BRIC (Brazil, Russia, India and China) as the key focus. Efforts are expected to bear fruits gradually after 2010. At the same time, Idra will strengthen its R&D, optimise product design and widen its product range.

Although the global die-casting machine market has slowed down, our die-casting machines still hold a favorable position in the market, especially in the PRC market where we enjoy approximately 50% share.

Plastic injection moulding machine business

During the year under review, our customers were unwilling to invest in equipment in the face of the global financial crisis, fluctuating oil price, weak consumption and the turbulent market. As a result, the Group's plastic injection moulding machine business was affected with turnover down by 29.7% against last year.

Computerised numerical controlled (CNC) machine business

The Group's CNC machine business was also affected by the adverse market environment. It recorded moderate growth in turnover for the first half of the year, but suffered a heavy blow when market conditions deteriorated drastically in the second half year. As a result, its full year turnover decreased by approximately 9.9% when compared with the previous year.

Research and development (R&D)

The Group's strong R&D capabilities is the key factor for it to maintain its high market share in the long term and its competitiveness. The management is convinced that strengthening R&D amid the market downturn will ensure the Group is ready to seize the best opportunities when the market recovers. By the end of March 2009, the Group had streamlined its workforce, but still maintaining a R&D team of around 180 staff. At the end of 2008, three main subsidiaries of the Group, namely Shenzhen Leadwell, Shanghai Atech and Zhongshan L.K., were recognized as "Advanced Technology Enterprises" by state authorities, which indicating that R&D capabilities of the Group have been well recognised by the government and the society.

Die-casting machines

The Group made progress with the proprietary technology for developing the U-Series large tonnage die-casting machine. Its R&D team was successful in developing a new quick die change system that allows customers to substantially enhance efficiency of the related procedure. Furthermore, the Group optimised the speed mould clamping and injection system, which can significantly shorten the production cycle, hence boost production efficiency for customers using the large tonnage die-casting machines when compared with conventional die-casting machines. The U-Series machines have been well-received in the domestic and overseas markets and are already sold to the United States of America.

In January 2009, three large die-casting machines developed by the Group, namely the "DCC2500" cold chamber die-casting machine, "DCC3000" cold chamber die-casting machine and "DCC3000M" magnesium alloy cold chamber die-casting machine, were named "Shenzhen Self-developed Innovative Products". Furthermore, the R&D department of the Group is currently working on developing a super large cold chamber die-casting machine and new application technologies including the L.K. network system (which will enable connection of all die-casting machines and injection moulding machines and hence provide customers with integrated production management information), real-time control system (which will enable the machines to perform self- diagnosis and control) and high-end techniques such as semi-solid metal die-casting.

Plastic injection moulding machines

Employing a servo-driven mechanism, "Effort", the proprietary series of direct-clamp plastic injection moulding machines of the Group, boosts higher injection speed, higher energy efficiency and higher product yield, thus has been well-received by the market. At the same time, the Group has also developed a new series of large tonnage two-platen, energy-saving plastic injection moulding machines. Apart from being energy efficient and environmentally friendly, it can operate with higher precision and shorten the production cycle. It also has a very compatible and expandable control system to meet the requirements of different industries. The series is of top notch in the domestic market and is expected to become one of the major growth drivers of the Group.

In addition to stepping up R&D and promotion of "Effort" series, the Group entered into an agreement with The Hong Kong Polytechnic University ("PolyU") in October 2008 to establish a company "L.K. Precision Machinery Company Limited" to produce high-precision micro-injection moulding machines of 2 tons, 5 tons, 20 tons and 50 tons. Under the arrangement, the Group is responsible for the production and sale, and providing market information on product design and development, whereas PolyU is to provide R&D service and exclusive patented micro-injection moulding technology. With the new technology, the Group will be able to produce the first-in-the-world upward injection high-precision micro-injection moulding machine for producing nano-standard micro components and miniaturised precision parts. This type of injection moulding machines is ideal for production of such as micro medical components, mini pumps, medical equipment parts, mini lenses, and optic connectors. The company is currently working on producing a prototype. It intends to commence pilot production in the second half of 2009. The management believes the new product will enhance the product offerings and help to expand the customer base of the Group.

CNC machines

The Group made an overall upgrade and improvement of the CNC machines, enabling customisation according to the specific customer requirements, offering the customer greater convenience, more flexibility and higher production efficiency. The Group's R&D centre in Taiwan also completed development of the new "TC510" and "TC710" models of CNC machine. With higher performance, these new models of CNC machines help customers to save notable cost, thus are very competitive in the market. The management is confident that CNC machines will become another major growth driver of the Group in the foreseeable future.

Product line expansion to broaden customer base

Although die-casting machines and plastic injection moulding machines remain the core business of the Group, the management recognises the need to diversify the Group's customer base. With this objective, the Group's casting plant in Fuxin City will also produce a wide range of new products for different customers of different industries such as wind power generator parts and mould base, in addition to satisfying internal needs. The Group will make use of its capacity in die-casting and machining to produce cast components for generators and wind power generator pedestals for Japanese and European corporations. It expects to commence trial production gradually in the future.

Prospects

Although there have been signs of the global financial market stabilising, consumption sentiment around the world has yet to return and the adjustments to the financial and economic system necessary to resume growth are also far from completed. Thus, we expect the road to recovery to be rugged and the Group will still face severe challenge in the coming year.

Despite that the future is unclear, measures implemented by the PRC government to tackle the economic slowdown have begun to take effect. The 4 trillion yuan stimulation package has been launched late last year targetting at "sustaining growth momentum, expanding domestic demand and rationalising economic structure". In particular, the launch of "the plan for readjustment and revitalization of equipment manufacturing industry"(裝備製造業調整和振興規劃), "the plan for readjustment and revitalization of the automotive industry"(汽車產業調整振興規劃) and the plans to construct buffer housing units, raise export tax rebate repeatedly, together with the implementation of the "Home Appliances for Rural Residents"(家電下鄉) and the "Automobiles for Rural Residents"(汽車下鄉) incentive policies, etc., all these moves will directly or indirectly bring new opportunities to the business of the Group in the future.

The management believes the Group enjoys an obvious edge in the competitive market riding on its market leadership, prestigious brands, advanced technologies, solid R&D strengths, comprehensive sales and service networks, sophisticated production facilities and highly effective production scale. The Group will meet the challenges ahead with a positive attitude and approach, and is prepared to recapture first opportunities when the market starts to recover.

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 2009, the Group's cash and bank balances amounted to approximately HK$330.3 million (2008: HK$170.8 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 97% (2008: 44%).

As at 31 March 2009, the capital structure of the Company was constituted exclusively of 1,012,835,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$844.1 million (2008: 399.6 million), approximately 99% of which being short-term loans. Approximately 9% of the total borrowing was subject to interest payable at fixed rates. During the year, the Group used interest rate swap to mitigate its exposure to cash flow interest rate risk and used foreign exchange forward contracts to mitigate its 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 2009, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$71,278,000 (2008: HK$77,446,000).

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$100,700,000 (2008: 195,982,000).

(ii) As at 31 March 2009, the Group also has restricted bank balances to the extent of HK$21,638,000 (2008: HK$24,471,000) pledged to banks for credit facilities granted to customers to purchase the Group's products.

Capital Commitments

As at 31 March 2009, the Group had made capital expenditure commitments of approximately HK$73,120,000 (2008: HK$150,203,000) in respect of acquisition of land use rights and property, plant and equipment and capital contribution in a jointly controlled entity.

Staff and Remuneration Policies

As at 31 March 2009, the Group employed approximately 2,500 full time staff. The staff costs for current year amounted to HK$273.9 million (2008: HK$210.8 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 2009.

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 2009. Detailed information on the Company's corporate governance practices is set out in the corporate governance report included in the 2008/09 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 2009.

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 2009.

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 2009 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, 22 July 2009

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. Hon. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael.