L.K. TECHNOLOGY HOLDINGS LIMITED

力勁科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 558)

Annual Report 2007/08

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L.K. Technology Holdings Limited
Annual Report 2007/08

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Liu Zhao Ming
Mr. Chung Yuk Ming

Independent non-executive Directors

Dr. Low Seow Chay
Dr. Hon. Lui Ming Wah, SBS, JP
Mr. Tsang Yiu Keung, Paul
Mr. Chan Wah Tip, Michael

Qualified Accountant

Mr. Yuen Chee Wing

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee

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

Nomination Committee

Mr. Chan Wah Tip, Michael
Dr. Low Seow Chay
Dr. Hon. Lui Ming Wah, SBS, JP

Remuneration Committee

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

Compliance Adviser

Taifook Capital Limited

Auditor

BDO McCabe Lo Limited

Registered Office

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

Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
China Construction Bank
Shenzhen Development Bank Ltd
Fubon Bank (Hong Kong) Limited
KBC Bank N.V.

Stock Code

558

Website

http://www.lktechnology.com

CHAIRMAN'S STATEMENT

Chong Siw Yin
Chairperson

Dear shareholders,

On behalf of the Board of Directors (the "Board") of L.K. Technology Holdings Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008.

During the year under review, the Group recorded good results with turnover, gross profit and net profit all reaching new heights. Turnover amounted to HK$1,261,972,000, representing a 30% growth compared to HK$969,375,000 in last year. Gross profit was HK$409,698,000, increasing by 33% compared to HK$307,380,000 in last year. Net profit was HK$115,421,000, representing a significant growth of 92% compared to HK$60,275,000 in last year. Basic earnings per share were HK11.5 cents, up a marked 64% against HK7 cents in last year.

The Group's business achieved good progress during the year, and expanded its marketing network and market coverage both at PRC and abroad. Sales of die-casting machines by the Group increased from about 44% at the time of listing in 2006 to about 50% of the total die casting machine sales in the PRC market in this year. In relation to overseas markets, the Group won an order with value of approximately HK$200 million for ultra large size die-casting machines in a global tender launched by US General Motors Corporation. The Group's die-casting machine was awarded the "China Top Brand" title by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, the only die-casting machine company in the country to receive this honour. The Group was also awarded "Hong Kong Outstanding Enterprises 2007" by Economic Digest, an influential business magazine published in Hong Kong.

CHAIRMAN'S STATEMENT

Despite the remarkable performance for the year under review, the Group acknowledges the need to plan for the coming year and beyond. Looking ahead to 2008/2009, the Group continues to see plenty of opportunities, but at the same time also tougher challenges. The crisis stemming from the US sub-prime lending issue, the threat of global economic slowdown, concern over inflation, fluctuation of interest rates and exchange rates, and surging crude oil prices, have all put pressure to those enterprises relying on export trades; at the same time, escalating raw material prices such as that of steel and iron, and rising labour costs have also put pressure on the operating costs. All these adverse factors have created uncertainty among the entire business environment.

To tackle these challenges, the Group has endeavored to adopt a series of strategies to strengthen its integrated operation both vertically and horizontally. In early-April 2008, the Group completed the acquisition of an Italian company Idra Srl, one of the world's top die-casting machine manufacturers, making the Group the world's largest die-casting machine manufacturer and uplifting synergies and expanding its overseas market. To stabilize the iron and steel prices, and strengthen the supply chain by providing raw material for producing cast components, the Group invested in an enterprise for iron ore mining and 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.

Even though challenges increase, the Group is determined to move forward in accordance to its formulated goals. Internally, we will continue to reinforce staff training, enhance management quality, strive to better utilization of resources for cost improvement. Externally, we will keep looking for development prospects at the appropriate time, so as to grow the Group's business with prudence.

I would like to take this opportunity to express our sincere appreciation to our customers, suppliers, bankers, business partners and shareholders for their continued warm support to the Group. My heartfelt gratitude also goes to our dedicated management and staff for their hard work which contributed to good performance of the Company.

Chong Siw Yin
Chairperson

15 July 2008

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.

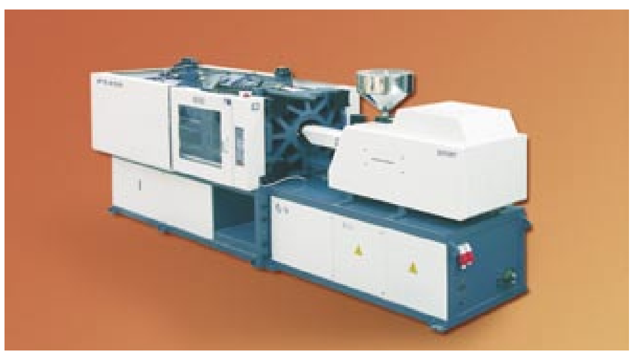
Business Review

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 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.

DCC 2000 cold chamber die-casting machine



"Effort" series of direct clamp plastic injection moulding machine

MANAGEMENT DISCUSSION AND ANALYSIS

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.

TT510P monocoque CNC machine

The Group’s manufacturing plant at Ningbo

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 vertical CNC 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 by the end of July, 2008.

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%).

Exposure to Fluctuations in Exchange Rates and Related Hedges

As the Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"), it exposes to the currency risk of RMB against Hong Kong dollars. Details of the Group's sensitivity to fluctuation in the RMB against Hong Kong dollars are set out in note 30(a)(ii) to the consolidated financial statements. The Group currently does not have a foreign currency hedging policy. However, the Group will closely monitor foreign exchange exposure and consider hedging significant exposure when necessary.

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors

Ms. Chong Siw Yin, aged 52, is the chairperson of the Board and an executive Director of the Company. Ms. Chong joined the Group in March 1988, and was appointed as an executive Director in August 2004. She is also a director of certain subsidiaries of the Company. Ms. Chong is responsible for the strategic planning, administration and human resources management of the Group and has over 20 years of management experience. Ms. Chong has attended secondary education.

Mr. Cao Yang, aged 41, is an executive Director and chief executive officer of the Company. Prior to joining the Group, he worked for the Ganzhou education bureau in Jiangxi Province. He joined the Group in December 1991 as supervisor of human resources and administration department and plant manager of L.K. Machinery (Shenzhen) Co. Ltd. and became the general manager of both L.K. Machinery (Shenzhen) Co. Ltd. in 2000 and Shenzhen Leadwell Technology Co. Ltd. since its establishment. He was appointed as an executive Director in September 2004. Mr. Cao is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning as well as the overall manufacturing planning and sales activities of all manufacturing subsidiaries of the Group in the PRC. He has more than 16 years of experience in the manufacturing business. Mr. Cao graduated from the Mathematics faculty of Gannan Institute of Education and obtained an Executive MBA Degree from Huazhong University of Science and Technology. He currently serves as Vice President of Shenzhen Youth Federation, President of Shenzhen Hi-Tech Talents Association, Vice Director General of Guangdong Die-Casting Association, Vice President of Shenzhen Machinery Association. In addition, Mr. Cao is also the Vice President of Shenzhen Hi-Tech Industry Association and the Youth Entrepreneur Association.

Mr. Liu Zhao Ming, aged 40, is an executive Director of the Company. He worked as an engineer in Jingyue Chinese Characters Computer Center from 1990 to 1992. He joined the Group in February 1992 as an engineering manager of L.K. Machinery (Shenzhen) Co. Ltd. and has become the chief engineer of the Group since May 1995. He was appointed as an executive Director in September 2004. Mr. Liu is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning, the research and development and engineering of the Group, and has over 11 years of experience in machinery design. Mr. Liu graduated from Jinan University with a Bachelor of Science Degree in Applied Physics in 1990. He currently serves as the vice president of the Die-Casting Technical Committee of Chinese Mechanical Engineering Society, the vice president of Shenzhen Young Scientists Association, and the deputy officer of Tsinghua and L.K. Die-Casting High and New Technology Research Centre. Mr. Liu is a nephew to Ms. Chong Siw Yin.

Mr. Chung Yuk Ming, aged 60, is an executive Director of the Company. Mr. Chung joined the Group in February 2001 as a director of L.K. Machinery Company Limited. He was appointed as an executive Director in September 2004. Mr. Chung is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning, the finance and investment of the Group. Mr. Chung has over 26 years of working experience in various sectors, including automobile, toys, electronics and telecommunication. Before joining the Group, he was an executive director of Kader Holdings Company Limited and Kader Investment Company Ltd. (now known as Shougang Concord Grand (Group) Limited), both of which are publicly listed companies in Hong Kong. Mr. Chung holds a master degree in Business Administration from the University of East Asia of Macau. He is a fellow member of the Hong Kong Institute of Directors and currently serves as vice president of The Hong Kong Association for the Advancement of Science and Technology Ltd., a director of Hong Kong & Kowloon Plastic Products Merchants United Association Limited and The Hong Kong Electronic Industries Association Limited.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Dr. Low Seow Chay, aged 58, was appointed as an independent non-executive Director of the Company in September 2004. He is the associate professor of the Nanyang Technological University of Singapore and has more than 26 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is the board member of three publicly listed companies in Singapore, namely CASA Holdings Limited, Hor Kew Corporation Limited and Heeton Holdings Limited. Dr. Low received a Doctor of Philosophy Degree from The Victoria University of Manchester, U.K.

Dr. Hon. Lui Ming Wah, *SBS, JP*, aged 70, was appointed as an independent non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association Ltd. and the representative of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association, member of The Hong Kong International Arbitration Center Advisory Council, vice-chairman of Independent Police Complaints Council, and a council member of The Hong Kong Polytechnic University. In the PRC, he is a member of the National Committee of The Chinese People's Political Consultative Conference and a member of China Overseas Friendship Association. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. He is currently the managing director of Keystone Electronics Co., Limited. Dr. Lui obtained a master of applied science degree from the University New South Wales in Australia and a PhD from the University of Saskatchewan in Canada.

Mr. Tsang Yiu Keung, Paul, aged 54, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is a professional accountant and a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tsang was with KPMG for more than 27 years, where he was a senior banking partner until he retired from the firm on 31 March 2003.

Mr. Chan Wah Tip, Michael, aged 55, was appointed as an independent non-executive Director of the Company in September 2004. He has practiced as a solicitor in Hong Kong for over 30 years. Mr. Chan graduated with Bachelor of Laws (LL.B) from the University of Hong Kong in 1975 and received a Postgraduate Certificate of Laws (P.C.LL) from the University of Hong Kong in 1976. Mr. Chan is a partner of Wilkinson & Grist.

Senior Management

Mr. Chan Kwok Keung, aged 42, is the engineering manager of the Group. He joined the Group in December 1998 and is responsible for the technical support, customer services and product development. He has over 16 years of experience in mechanical engineering and customer service. He is an associate member of the Hong Kong Institution of Engineers. Prior to joining the Group, he was the customer service executive of Fong's National Engineering Co Ltd.. Mr. Chan graduated from Newcastle Upon Tyne Polytechnic with a bachelor degree in Mechanical Engineering and obtained a degree of master of Science in Management from The Hong Kong Polytechnic University.

Mr. Li Pin Zhang, aged 46, is the general manager of Shanghai Atech Machinery Co., Ltd. and is responsible for the production and sales, marketing and operation of Shanghai Atech Machinery Co., Ltd. He has over 16 years of experience in production, quality control, engineering, customer service and sales. He joined the Group in February 1991 and served various positions, including customer services officer of L.K. Machinery (Shenzhen) Co. Ltd., manager of Fujian sales office, plant manager of Zhongshan L.K. Machinery Co. Ltd. and deputy general manager of Shanghai Atech Machinery Co., Ltd. Prior to joining the Group, he worked as an engineer at Fujian Nam Ping Electric Machinery Factory, a state-owned enterprise in the PRC. Mr. Li received a Diploma in Industrial Electrical Automation from Fujian Mechanical & Electrical Institute. Mr. Li was appointed the president of the 9th Executive Committee of the Shanghai Die-Casting Association and the deputy officer of the 4th Executive Committee of the Die-Casting Technical Committee, Foundry Institution of the Chinese Mechanical Engineering Society.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Te Yi Ming, aged 45, is the sales controller of L.K. Machinery International Limited and is responsible for the sales and marketing in South China. After graduation from the Liuzhou Heavy Industrial Technical School, he worked in Liuzhou Compressor Factory in Guangxi Province until he joined the Group in March 1989 where he once served as customer services supervisor, sales officer and sales manager. He has over 16 years of experience in customer services, sales and marketing. Mr. Te is a fellow of The Professional Validation Council of Hong Kong Industries and was appointed the 2nd vice-chairman of Hong Kong (SME) Economic and Trade Promotional Association, and the 10th vice-chairman of Hong Kong Foundry Association.

Mr. Tse Siu Sze, aged 40, is the general manager of Zhongshan L.K. Machinery Co. Ltd. and is responsible for the production and sales, marketing and operation of this company. He joined the Group in July 1990 and served several positions in L.K. Machinery Company Limited, including maintenance supervisor, customer services manager, marketing manager and sales manager. He has over 13 years experience in sales and marketing. Mr. Tse was appointed the vice-chairman of the 7th Executive Committee of the Hong Kong Plastic Machinery Association, the member of the 4th Committee of the Foreign Invested Enterprises Association of Zhongshan, the vice-chairman of the 3rd Committee of the Association of Commerce of Dongshen County, Zhongshan and the fellow of The Professional Validation Council of Hong Kong Industries. Mr. Tse was awarded fellow of Business Administration by Asian Knowledge Management Association in 2005 and received his MBA Degree from the Lincoln University, U.S..

Mr. Wang Xin Liang, aged 40, is the general manager of both Ningbo L.K. Machinery Co. Ltd. and Ningbo L.K. Technology Co. Ltd. and is responsible for the production and sales, marketing and operation of these companies. He joined the Group in July 1993 and served a number of positions in L.K. Machinery (Shenzhen) Co. Ltd., including customer services supervisor, customer services manager and marketing manager. He has over 13 years of experience in customer support services and sales. Prior to joining the Group, he was an assistant engineer of Tao Jiang Machinery Factory. He graduated from Changsha Ferrous Metal Technical School.

Ms. Wong Pui Chun, aged 49, is the general manager of L.K. Machinery International Limited. She joined the Group in April 2006 and has over 20 years of experience in management, finance and accounting. Ms. Wong is a Certified Public Accountant and she is also a member of American Institute of Certified Public Accountants. She graduated from University of Hawaii at Manoa with a bachelor degree in Business Administration. Prior to joining the Group, she was the administrative director of Foshan Nanhai Tai Ping Carpets Company Limited.

Mr. Yang Yi Zhong, aged 64, is the Group's chief internal auditor and is responsible for the internal audit of the subsidiaries in the PRC. Prior to joining the Group, he was a senior accountant of Jiaozuo Electrochemistry Group. He joined the Group as the financial controller of all the PRC subsidiaries of the Group in November 1999. He has over 34 years of experience in finance and accounting. He graduated from Henan Radio & Television University with a diploma in Accounting. Mr. Yang is a member of The Chinese Institute of Certified Public Accountants.

Mr. Yuen Chee Wing, aged 42, is the group financial controller of the Group. He joined the Group in February 2008 and is responsible for the strategic planning, the finance and accounting functions of the Group. He has over 13 years of experience in audit and accounting. Mr. Yuen is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He graduated from City University of Hong Kong with a bachelor degree in Business, Chinese University of Hong Kong with a master degree in Business Administration, and Manchester Metropolitan University with a bachelor degree in Laws. Prior to joining the Group, Mr. Yuen was the finance director of a footwear manufacturer in Hong Kong.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good standard of corporate governance practices. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code. The Company has complied with all code provisions set out in the Code throughout the year ended 31 March 2008.

Board of Directors

The Company is led by an efficient Board which is responsible for promoting the success of the Company. The Board currently comprises four Executive Directors and four Independent Non-executive Directors. The Board of Directors has a balance of skill and experience appropriate for the requirements of the Group. There is a strong independent element on the Board as the number of Independent Non-executive Directors represents more than one-third of the Board. The Independent Non-executive Directors are appointed for a fixed term of three years and are subject to retirement by rotation in accordance with the Company's Articles of Association. They have brought independent judgment and provided the Company with invaluable guidance and advice on the Group's development. The present structure of the Board ensures the independence and objectivity of the Board and provides a system of checks and balances to safeguard the interests of the shareholders as a whole. All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has received from each of the Independent Non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. Biographical details of each board member are set out in pages 10 to 11 of this report. Except that Mr. Liu Zhao Ming who is a nephew to Ms. Chong Siw Yin, there is no other relationship (including financial, business, family or other material relationship) among members of the Board.

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

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

The Board has resolved to provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

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

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the insurance coverage from time to time to ensure adequate coverage.

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

CORPORATE GOVERNANCE REPORT

Attendance at meetings

The attendance records of the Directors at Board meetings, Audit Committee meetings, Nomination Committee meetings and Remuneration Committee meetings during the year are as follows:

	Number of meetings attended/held			
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting
Executive Directors				
Ms. Chong Siw Yin	6/6	N/A	N/A	N/A
Mr. Cao Yang	6/6	N/A	N/A	N/A
Mr. Liu Zhao Ming	3/6	N/A	N/A	N/A
Mr. Chung Yuk Ming	5/6	N/A	N/A	N/A
Independent Non-executive Directors				
Dr. Low Seow Chay	5/6	N/A	1/2	N/A
Dr. Lui Ming Wah Note (1)	5/6	3/4	1/2	2/2
Mr. Tsang Yiu Keung, Paul	5/6	4/4	N/A	1/2
Mr. Chan Wah Tip, Michael Note (2)	4/6	3/4	2/2	1/2
Mr. Liu Chee Ming Note (3)	3/6	N/A	1/2	1/2

Notes:

(1) Dr. Lui Ming Wah was appointed as chairman of the Remuneration Committee and a member of the Nomination Committee on 1 February 2008.

(2) Mr. Chan Wah Tip, Michael was appointed as a member of the Remuneration Committee on 1 February 2008.

(3) Mr. Liu Chee Ming resigned as chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 20 December 2007.

Board Committees

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors, namely Dr. Lui Ming Wah, Mr. Chan Wah Tip, Michael and Mr. Tsang Yiu Keung, Paul. Dr. Lui Ming Wah is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages of Directors and senior management, determining the award of bonuses and considering the grant of options under the share option scheme of the Company. Under its terms of reference, the Remuneration Committee shall meet at least twice a year.

The Remuneration Committee held two meetings during the year. The members of the Remuneration Committee had reviewed the terms of employment of the independent non-executive directors. They also discussed and reviewed the executive directors' salary and package.

Nomination Committee

The Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Chan Wah Tip, Michael, Dr. Low Seow Chay and Dr. Lui Ming Wah, Mr. Chan Wah Tip, Michael is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors and the management of the board succession. The Nomination Committee can reasonably ensure that only candidates with capability and relevant experience will be appointed as future directors. Such monitoring by the Nomination Committee will lower the possibility for appointment of someone that may affect the independence of the Board. Under its terms of reference, the Nomination Committee shall meet at least twice a year.

During the year, the Nomination Committee held two meetings to make recommendations to the Board on the re-appointment of independent non-executive directors and to review the terms of employment of the independent non-executive directors. Members also reviewed the structure, size and composition of the Board and made recommendations to the Board.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Mr. Chan Wah Tip, Michael. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. Under its terms of reference, the Audit Committee shall meet at least four times a year. The Internal Audit Department reports directly to the Audit Committee.

During the year ended 31 March 2008, the Audit Committee held four meetings with the representatives of the management, the internal auditors and the external auditors of the Company to discuss the auditing, financial reporting and internal control matters. The Audit Committee also met with external auditors in the absence of management to discuss and make enquiries on various financial and operational matters.

The following is a summary of works performed by the Audit Committee during the year:

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

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

(iii) review of the independence of the external auditor and approval of its engagement letter and audit fee;

(iv) review of the quarterly reports by the Internal Audit Department and make recommendations;

(v) review of internal control and working procedures;

(vi) review the internal control review report and findings from the external consultant.

Auditor's Remuneration

During the year, the remuneration paid to the Group's external auditor, BDO McCabe Lo Limited, is set out as follows:

	Fee paid/payable
	HK$'000
Audit services	1,808
Non-audit services	302
	2,110

The non-audit services are mainly for interim results review.

Model Code for Securities Transactions

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

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

Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2008.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 28 and 29.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Internal Control

The Board has overall responsibility for the maintenance of sound and effective internal control systems within the Group.

The Company has established an internal audit department (the "IAD"). The functions and responsibilities of the IAD include, among others, formulating audit plan, reviewing monthly management accounts, preparing and performing audit field work, preparing quarterly audit summary reports. Quarterly reports are prepared and submitted to the Audit Committee for review. The head of the IAD or his deputy, is required to attend all the Audit Committee meetings and report to the Audit Committee regarding the work done and findings made by the IAD. The IAD is required to incorporate recommendations from the Audit Committee into the workflow or procedures of the IAD. When the IAD identifies any irregularities, it will report them to the Audit Committee and depending on the nature of the irregularities, recommend corresponding precautionary measures. All recommendations from the IAD will be properly followed up to ensure that they are implemented within a reasonable timeframe.

In addition, the Company has continuously engaged an independent CPA firm, Grant Thornton, to assist in reviewing the Group's internal control system and procedures. Grant Thornton has conducted risk assessment on the Group's business and operations and formulated an audit plan for the Group to ensure a thorough review and implementation of the Group's internal control procedures and system. The review covered the material controls on the Group's operations including the financial, operational, compliance and risk management functions of the Group. The engagement of professional consultant has helped to improve the internal control procedures of the Group. A review report from Grant Thornton was presented to the Audit Committee and the Board. The Board has reviewed the effectiveness of the Group's internal control system and was satisfied that an effective and adequate internal control has been in place.

Shareholder Rights and Investor Relations

The Company maintains various communication channels with its shareholders. The Company's annual general meeting provides a good opportunity for shareholders to exchange views with the Board. The chairperson of the Board and the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee will attend the annual general meeting ready to answer shareholders' questions. A separate resolution will be proposed at a general meeting in respect of each substantially separate issue. Details of the poll voting procedures and rights of shareholders to demand a poll are included in circular convening a general meeting.

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

The Company regards communications with its investors as being vital. The Company continues to enhance investor relations. During the year, plant visits and meetings were held with financial analysts, fund managers and potential investors to help them better understand the Group's operations and developments. Press releases were issued and press conference was held to provide with the most updated business development of the Group to the public.

DIRECTORS' REPORT

The Directors submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2008.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 36 and 17 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group are set out in the consolidated income statement on page 30.

An interim dividend of HK2.7 cents per share was paid to the shareholders on 15 January 2008. The Directors now recommend the payment of a final dividend of HK2.3 cents per share to shareholders whose names appear on the register of members of the Company on 22 August 2008.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

Investment Properties

Details of the movements in investment properties are set out in note 15 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

Use of Proceeds From the Company's Initial Public Offering

Proceeds from the issue of new shares of the Company for listing on the Stock Exchange in October 2006, after deducting related share issuance expenses and listing expenses, amounted to approximately HK$252.5 million. As at 1 April 2007, the unutilised proceeds amounted to approximately HK$157.9 million and such balance had been partially utilised during the year ended 31 March 2008 in accordance with the proposed use of proceeds allocation set out in the Prospectus as follows:

(i) approximately HK$58.4 million for expansion of production capacity;

(ii) approximately HK$10.0 million for vertical integration;

(iii) approximately HK$3.2 million for general working capital for the Group; and

(iv) approximately HK$0.6 million for product development and research.

As at 31 March 2008, the remaining balance of the net proceeds had been deposited with licensed banks in Hong Kong and the People's Republic of China.

DIRECTORS' REPORT

Donations
During the year, the Group made charitable or other donations totalling HK$265,000.

Reserves
Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 38 to the consolidated financial statements respectively.

Distributable Reserves of the Company
As at 31 March 2008, the Company's reserves available for distribution to shareholders of the Company were HK$272.2 million, representing share premium of HK$234 million, share option reserve of HK$12.3 million, dividend reserve of HK$23.3 million and retained profits of HK$2.6 million.

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

Financial Summary
A summary of the results and of the assets and liabilities of the Group is set out on page 88.

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

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

Executive Directors
Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Liu Zhao Ming
Mr. Chung Yuk Ming

Directors *(Continued)*

Independent Non-executive Directors

Dr. Low Seow Chay
Dr. Hon. Lui Ming Wah, SBS, JP
Mr. Tsang Yiu Keung, Paul
Mr. Chan Wah Tip, Michael
Mr. Liu Chee Ming (resigned on 20 December 2007)

The biographical details of the Directors are set out on page 10 to page 11 of this annual report.

In accordance with Article 87 of the Company's Articles of Association, Ms. Chong Siw Yin, Mr. Chung Yuk Ming and Dr. Low Seow Chay shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing on 16 October 2006, until terminated by not less than six months' notice in writing served by either party on the other.

Each of the Independent Non-executive Directors, namely Dr. Low Seow Chay, Dr. Hon. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael have been re-appointed for a term of three years commencing on 4 September 2007. Each of the Independent Non-executive Directors or the Company may terminate the appointment at any time during the three-year term by giving the other party at least three months' notice in writing.

Each of the Directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

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

Directors' Interest in Contracts

No contract of significance, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year except for those disclosed under "Continuing Connected Transaction" below.

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note [1]	750,000,000 [1] Long position	74.2%
	the Company	Beneficial owner	3,000,000 [2] Long position	0.3%
Mr. Cao Yang	the Company	Beneficial owner	1,000,000 Long position	0.1%
			2,000,000 [2] Long position	0.2%
Mr. Liu Zhao Ming	the Company	Beneficial owner	3,000,000 [2] Long position	0.3%
Mr. Chung Yuk Ming	the Company	Beneficial owner	1,000,000 Long position	0.1%
			2,000,000 [2] Long position	0.2%

Notes:

1. These 750,000,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siong Song ("Mr. Liu"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed to be interested in the shares held by Girgio through Fullwit and Mr. Liu.

2. Such interest in shares is held pursuant to options granted under the Pre-IPO Share Option Scheme, details of which are described in the paragraph headed "Share Option Schemes" in this report.

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

Interests and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2008, the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	750,000,000 [(1)] Long position	74.2%
Mr. Liu	See Note [(2)]	750,000,000 [(2)] Long position	74.2%
		3,000,000 [(2)] Long position	0.3%
Fullwit	See Note [(1)]	750,000,000 [(1)] Long position	74.2%
HSBC International Trustee Limited	See Note [(3)]	750,000,000 [(3)] Long position	74.2%
The Hamon Investment Group Pte Limited	Investment manager	71,220,000 Long position	7.0%
The Bank of New York Mellon Corporation	Interest of a controlled corporation	60,242,500 Long position	6.0%

Notes:

1. These 750,000,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.

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

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

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

Share Option Schemes

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2008 were as follows:

				Number of shares subject to options			
Name/category of participant	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 01/04/07	Exercised during the year	Lapsed during the year	Outstanding as at 31/03/08
The Directors							
Ms. Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	–	–	3,000,000
Mr. Cao Yang	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	(1,000,000)	–	2,000,000
Mr. Liu Zhao Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	–	–	3,000,000
Mr. Chung Yuk Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	(1,000,000)	–	2,000,000
				12,000,000	(2,000,000)	–	10,000,000
Other Employees	23/09/2006	0.666	16/04/2007 – 15/10/2016	24,800,000	(9,245,000)	(867,500)	14,687,500
				36,800,000	(11,245,000)	(867,500)	24,687,500

Each of the grantees to whom options were granted under the Pre-IPO Share Option Scheme would be subject to the following restrictions on the exercise of the options granted to him/her:

Period (as from 16 October 2006, the day on which the shares of the Company commenced trading on the Stock Exchange, the "Listing Date")	Maximum cumulative percentage of the shares under option exercisable by the grantee
First 6 months	0%
Second 6 months	33%
Third 6 months	66%
For the remaining option period	100%

Save as disclosed above, no further options were granted under the Pre-IPO Share Option Scheme as the right to do so had ended on the day on which the prospectus of the Company dated 29 September 2006 (the "Prospectus") was registered with the Registrar of Companies in Hong Kong.

Share Option Schemes *(Continued)*

The fair value of the options granted under the Pre-IPO Share Option Scheme amounting to HK$18,480,000 was determined at the Listing Date under the Binominal Option Pricing Model by an independent valuer. The assumptions used to calculate the fair value of the options are disclosed in note 39(i) to the consolidated financial statements.

The fair value of the options granted is expensed over the respective vesting periods.

The weighted average closing price immediately before the dates on which the options were exercised during the year was HK$1.02.

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption and up to 31 March 2008.

A. Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme (as summarised in section B below) except that:

(a) the subscription price for the shares is HK$0.666;

(b) the total number of shares subject to the Pre-IPO Share Option Scheme is 36,800,000 shares and there are no similar requirements on granting options to connected persons as detailed in the Share Option Scheme;

(c) only employees, executive directors, non-executive directors and independent non-executive directors are eligible for the grant of options under the Pre-IPO Share Option Scheme;

(d) save for the options which have been granted (with details set out in the Prospectus), no further options will be granted as the right to do so has ended on the day on which the Prospectus was registered with the Registrar of Companies in Hong Kong;

(e) the options granted under the Pre-IPO Share Option Scheme will not be exercised within the first six months of the Listing Date;

(f) the grantees will not exercise any option as a result of which the Company will not be able to comply with the public float requirement of the Listing Rules; and

(g) each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme is subject to the restrictions on the exercise of the options granted to him/her as mentioned in the preceding paragraph.

Share Option Schemes *(Continued)*

B. The Share Option Scheme

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group.

(b) *Participants of the Share Option Scheme*

The Board may, at its absolute discretion, invite any employees (whether full time or part time), any executive directors, any non-executive directors, any independent non-executive directors, or any consultant, suppliers or customers of the Group (the "Participants") to take up options to subscribe for shares at a price calculated in accordance with paragraph (g) below.

(c) *Maximum number of shares available for issue under the Share Option Scheme*

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme(s) of the Group, if this will result in such 30% limit being exceeded.

(d) *Maximum entitlement of each Participant under the Share Option Scheme*

The total number of shares issued and which may fall to be issued on the exercise of options granted under the Share Option Scheme and any other share option scheme(s) of the Group (including both exercised and outstanding options) to each Participant shall not exceed 1% of the total issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

(e) *Amount payable upon acceptance of the option*

The Participant must pay HK$10 to the Company by way of a non-refundable nominal consideration for the grant thereof. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Participant together with the said consideration of HK$10 is received by the Company.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of grant and to be notified by the Directors to each grantee which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than ten years from the date of grant, subject to the provisions for early termination thereof. An option may not be exercised after the expiry of ten years from the date of grant. The Board may in the letter containing the offer of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to), if appropriate, the minimum period for which an option must be held or may be exercised. All of the options must be held for a period of six months (the "Six-Months Period") from the date of grant and no option may be exercised within the Six-Months Period.

The Board may in the letter containing the offer of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to) a performance target (as determined by the Board from time to time) which must be achieved before an option can be exercised.

Share Option Schemes *(Continued)*

B. The Share Option Scheme *(Continued)*

(g) Basis of determining the exercise price

The subscription price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, which must be a business day; and (iii) the nominal value of the shares on the date of grant of option.

(h) Period of the Share Option Scheme

Subject to earlier termination by the Company by ordinary resolution in general meeting, the Share Option Scheme will remain in force for a period of ten years commencing from 23 September 2006 after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all aspect.

Arrangements to Purchase Shares or Debentures

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

Management Contracts

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

Competing Business

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

Major Customers and Suppliers

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

DIRECTORS' REPORT

Continuing Connected Transaction

A related party transaction as detailed below and disclosed in note 29(b) to the consolidated financial statements constituted a connected transaction under the Listing Rules which is required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules.

On 25 August 2006, L.K. Machinery Company Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Wheelfit Investment Limited ("Wheelfit"), a company directly owned as to 50% by Mr. Liu and 50% by an independent third party, in respect of the lease from Wheelfit a premise at Unit A, Ground floor (with a gross floor area of approximately 12,104 sq.ft.), Mai Wah Industrial Building, Nos. 1-7 Wah Sing Street, Kwai Chung, New Territories for a term of two years from 1 September 2006 to 31 August 2008 at a monthly rental of HK$93,000. During the year, the rentals paid by the Group to Wheelfit amounted to HK$1,116,000.

Sufficiency of Public Float

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

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries, fellow subsidiaries and holding company has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2008.

Events After Balance Sheet Date

Details of the events after balance sheet date are set out in note 40 to the consolidated financial statements.

Auditor

A resolution to re-appoint Messrs. BDO McCabe Lo Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Cao Yang
Chief Executive Officer

Hong Kong, 15 July 2008

INDEPENDENT AUDITOR'S REPORT

BDO McCabe Lo Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2541 5041
Telefax: (852) 2815 0002

德豪嘉信會計師事務所有限公司

香港干諾道中一百一十一號
永安中心二十五樓
電話:(八五二)二五四一 五〇四一
傳真:(八五二)二八一五 〇〇〇二

TO THE SHAREHOLDERS OF
L.K. TECHNOLOGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of L.K. Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 30 to 87, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO McCabe Lo Limited
Certified Public Accountants
Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 15 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	6	**1,261,972**	969,375
Cost of sales		**(852,274)**	(661,995)
Gross profit		**409,698**	307,380
Other revenue	6	**26,781**	15,690
Other gains	6	**8,362**	8,616
Selling and distribution expenses		**(145,106)**	(108,434)
Administration expenses		**(153,947)**	(141,377)
Profit from operations	7	**145,788**	81,875
Finance income	9	**5,320**	4,668
Finance costs	9	**(19,298)**	(17,245)
Finance costs – net	9	**(13,978)**	(12,577)
Profit before income taxes		**131,810**	69,298
Income taxes	10	**(16,389)**	(9,023)
Profit for the year attributable to equity holders of the Company		**115,421**	60,275
Dividends	11	**50,586**	38,110
		HK cents	HK cents
Earnings per share	12		
– 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	13	**3,174**	3,187
Property, plant and equipment	14	**410,560**	356,030
Investment properties	15	**25,650**	18,700
Land use rights	16	**74,767**	34,289
Deposits paid	23	**25,474**	9,292
Interest in an associate	17	**21,336**	–
Available-for-sale financial assets	18	**746**	950
Deferred tax assets	19	**10,717**	12,096
Bills and accounts receivable – due after one year	20	**–**	932
Restricted bank balances	21	**5,950**	3,943
		578,374	439,419
Current assets			
Inventories	22	**472,451**	353,546
Bills and accounts receivable	20	**360,943**	290,267
Other receivables, prepayments and deposits	23	**46,826**	17,023
Restricted bank balances	21	**56,223**	23,243
Cash and bank balances	24	**170,785**	259,629
		1,107,228	943,708
Current liabilities			
Bills and accounts payable	25	**248,836**	219,759
Other payables, deposits and accruals	26	**121,209**	100,433
Bank borrowings – due within one year	27	**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	27	**18,508**	49,402
Net assets		**914,298**	752,614
EQUITY			
Share capital	28	**101,125**	100,000
Reserves		**813,173**	652,614
Equity attributable to the Company's equity holders		**914,298**	752,614

Approved by the Board of Directors on 15 July 2008 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive Director

BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	36	**65,000**	65,000
Current assets			
Other receivables, prepayments and deposits		**129**	–
Amounts due from subsidiaries	37	**296,505**	128,549
Restricted bank balance	21	**13,000**	–
Cash and bank balances		**1,474**	162,563
		311,108	291,112
Current liabilities			
Other payables, deposits and accruals		**2,804**	2,482
		2,804	2,482
Net current assets		**308,304**	288,630
Net assets		**373,304**	353,630
EQUITY			
Share capital	28	**101,125**	100,000
Reserves	38	**272,179**	253,630
Equity attributable to the Company's equity holders		**373,304**	353,630

Approved by the Board of Directors on 15 July 2008 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Special reserve HK$'000 (Note i)	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 (Note ii)	Available-for-sale investment reserve HK$'000	Property revaluation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	10,000	–	–	68,771	–	6,440	52,149	(665)	2,200	43,000	292,047	473,942
Exchange realignment	–	–	–	–	–	12,314	–	–	–	–	–	12,314
Loss on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	–	(266)	–	–	–	(266)
Gain/(loss) recognised in equity	–	–	–	–	–	12,314	–	(266)	–	–	–	12,048
Profit for the year	–	–	–	–	–	–	–	–	–	–	60,275	60,275
Total recognised income/(expense) for the year	–	–	–	–	–	12,314	–	(266)	–	–	60,275	72,323
Arising from corporate reorganisation	55,000	–	–	(68,771)	13,771	–	–	–	–	–	–	–
Issue of shares	25,000	252,500	–	–	–	–	–	–	–	–	–	277,500
Capitalisation of share premium	10,000	(10,000)	–	–	–	–	–	–	–	–	–	–
Share issue costs	–	(20,432)	–	–	–	–	–	–	–	–	–	(20,432)
Share-based payments	–	–	10,281	–	–	–	–	–	–	–	–	10,281
Transfer to reserve	–	–	–	–	–	–	11,866	–	–	–	(11,866)	–
Dividends of group companies paid to then equity holders	–	–	–	–	–	–	–	–	–	(43,000)	–	(43,000)
2007 interim dividend paid (Note 11)	–	–	–	–	–	–	–	–	–	–	(18,000)	(18,000)
2007 proposed final dividend (Note 11)	–	–	–	–	–	–	–	–	–	20,110	(20,110)	–
	90,000	222,068	10,281	(68,771)	13,771	12,314	11,866	(266)	–	(22,890)	10,299	278,672
At 31 March 2007	100,000	222,068	10,281	–	13,771	18,754	64,015	(931)	2,200	20,110	302,346	752,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Special reserve HK$'000 (Note i)	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 (Note ii)	Available-for-sale investment reserve HK$'000	Property revaluation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007	100,000	222,068	10,281	–	13,771	18,754	64,015	(931)	2,200	20,110	302,346	752,614
Exchange realignment	–	–	–	–	–	77,147	–	–	–	–	–	77,147
Gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	–	463	–	–	–	463
Gain recognised in equity	–	–	–	–	–	77,147	–	463	–	–	–	77,610
Transfer to income statement upon disposal of available-for-sale financial assets	–	–	–	–	–	–	–	654	–	–	–	654
Profit for the year	–	–	–	–	–	–	–	–	–	–	115,421	115,421
Total recognised income for the year	–	–	–	–	–	77,147	–	1,117	–	–	115,421	193,685
Issue of shares upon exercise of share options	1,125	6,365	–	–	–	–	–	–	–	–	–	7,490
Transfer to share premium upon exercise of share options	–	5,575	(5,575)	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	7,964	–	–	–	–	–	–	–	–	7,964
Transfer to retained profits upon lapse of share options	–	–	(388)	–	–	–	–	–	–	–	388	–
Transfer to reserve	–	–	–	–	–	–	19,279	–	–	–	(19,279)	–
2007 final dividend declared and paid	–	–	–	–	–	–	–	–	–	(20,110)	(44)	(20,154)
2008 interim dividend paid (Note 11)	–	–	–	–	–	–	–	–	–	–	(27,301)	(27,301)
2008 proposed final dividend (Note 11)	–	–	–	–	–	–	–	–	–	23,285	(23,285)	–
	1,125	11,940	2,001	–	–	77,147	19,279	1,117	–	3,175	45,900	161,684
At 31 March 2008	101,125	234,008	12,282	–	13,771	95,901	83,294	186	2,200	23,285	348,246	914,298

Note:

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

(ii) The statutory reserve is reserve of the Company's subsidiaries operating as foreign investment enterprises in the People's Republic of China (the "PRC"). The transfer to this reserve is governed by relevant regulations of the PRC and the articles of association of these subsidiaries. Subject to certain restrictions set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses or capitalised as paid up capital.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
Profit before income taxes	**131,810**	69,298
Adjustments for:		
Depreciation and amortisation	**49,485**	45,515
Share-based payments	**7,964**	10,281
Increase in fair value of investment properties	**(5,631)**	(1,292)
Bank interest income	**(5,320)**	(4,668)
Interests on bank borrowings	**19,298**	17,245
Write down/(reversal of write down) of inventories	**5,682**	(3,568)
Gain on disposal of available-for-sale financial assets	**(607)**	–
(Gains)/losses on disposals of property, plant and equipment	**(40)**	375
Reversal of impairment loss on accounts receivable	**–**	(7,632)
Reversal of impairment loss on amounts due from related companies	**–**	(1,981)
Operating profit before changes in working capital	**202,641**	123,573
Increase in inventories	**(124,587)**	(144,014)
Increase in bills and accounts receivable	**(69,744)**	(35,852)
(Increase)/decrease in other receivables, prepayments and deposits	**(29,803)**	7,486
Increase in bills and accounts payable	**29,077**	77,749
Increase in other payables, deposits and accruals	**20,776**	18,529
Decrease in amounts due from related companies	**–**	87,890
Decrease in amounts due from fellow subsidiaries	**–**	9,716
Effect of foreign exchange rates changes	**23,769**	(5,214)
Cash generated from operations	**52,129**	139,863
Tax paid	**(15,903)**	(16,101)
Interest paid	**(19,298)**	(17,245)
Net cash from operating activities	**16,928**	106,517

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Investing activities		
Purchases of property, plant and equipment	**(68,206)**	(53,779)
Deposits for acquisition of property, plant & equipment	**(7,879)**	–
Payment for land use rights	**(36,137)**	(1,933)
Deposits for acquisition of land use rights	**(8,303)**	(7,137)
Increase in restricted bank balances	**(34,987)**	(6,735)
Interest in an associate	**(21,336)**	–
Proceeds from disposal of available-for-sale financial assets	**1,928**	–
Proceeds from disposals of property, plant and equipment	**1,804**	1,508
Interest received	**5,320**	4,668
Settlement of the remaining cash consideration for acquisition of a business	**–**	(2,064)
Net cash used in investing activities	**(167,796)**	(65,472)
Financing activities		
Inception of new bank loans	**376,964**	269,209
Proceeds from issue of shares	**7,490**	277,500
Repayment of bank loans	**(272,303)**	(318,872)
Net (decrease)/increase in trust receipt loans	**(12,830)**	9,135
Dividends paid	**(47,455)**	(18,000)
Dividend paid to then equity holders of group companies	**–**	(43,000)
Share issue costs	**–**	(20,432)
Decrease in amount due to holding company	**–**	(109)
Net cash from financing activities	**51,866**	155,431
Net (decrease)/increase in cash and cash equivalents	**(99,002)**	196,476
Effect of foreign exchange rates changes	**10,158**	2,310
Cash and cash equivalents at beginning of year	**259,629**	60,843
Cash and cash equivalents at end of year	**170,785**	259,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. General Information

L.K. Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 October 2006. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report. The immediate and ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

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

2. Basis of Preparation

(a) Statement of compliance

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.

(b) Basis of measurement

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 as explained in the accounting policies set out in note 4.

(c) Use of estimates and judgments

The preparation of the financial statements in accordance with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of these assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

(a) 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 and the Company.

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.

(b) Potential Impact Arising On The New Accounting Standards Not Yet Effective

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.

4. Significant Accounting Policies

The principal accounting policies which have been consistently applied during the year are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are those entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions and balances are eliminated on consolidation.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

(i) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(ii) Business combinations other than common control combinations

Except for using the merger accounting for common control combinations, the purchase method of accounting is used to account for the acquisition of subsidiaries, associates, or businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. In respect of associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

4. Significant Accounting Policies *(Continued)*

(b) Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If the cost of acquisition is less than the fair value of the identifiable assets, liabilities and contingent liabilities of an entity or business acquired, the difference (i.e. negative goodwill) is recognised directly in the income statement.

(c) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is recognised in income statement as follows:

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable interest rate.

(d) Government subsidies and value added tax refunded

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

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

4. Significant Accounting Policies *(Continued)*

(e) Property, plant and equipment

Land held under operating leases and buildings thereon, where the fair values of the interest in the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease, are treated as finance lease and included in leasehold land and buildings at cost, less accumulated depreciation and impairment losses, if any.

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement for the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss of each asset to its residual value over its estimated useful life at the following annual rates:

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

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

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

4. Significant Accounting Policies *(Continued)*

(f) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

(g) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions. Investment in an associate is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in an associate includes any goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(h) Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental payments/receipts under operating leases are recognised in the income statement on a straight-line basis over the terms of the respective leases.

4. Significant Accounting Policies *(Continued)*

(i) Foreign currencies

The individual financial statements of each group companies are presented in the currency of the primary economic environment in which the group company operates (its functional currency). For the purpose of preparation of the consolidated financial statements, the results, cash flows and financial position of each group companies are presented in Hong Kong dollars, which is the Company's functional currency and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual group companies, transactions in currencies other than the group company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in income statement. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised in income statement in the year in which the foreign operation is disposed of.

(j) Borrowing costs

Borrowing costs are recognised in income statement when they are incurred.

(k) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

4. Significant Accounting Policies *(Continued)*

(l) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Intangible assets (other than goodwill)

Trademark

Trademark acquired separately is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over its estimated useful life of ten years.

Gain or loss arising from derecognition of an intangible asset is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised.

4. Significant Accounting Policies *(Continued)*

(m) Intangible assets (other than goodwill) *(Continued)*

Research and development expenditures

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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

(n) Impairment of assets excluding goodwill and financial assets

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss:

– Intangible assets other than goodwill

– Property, plant and equipment

– Land use rights

– Interests in subsidiaries and associates

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement.

4. Significant Accounting Policies *(Continued)*

(o) Land use rights

Land use rights represent up-front payments to acquire long term interests in lessee-occupied properties. These payments are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight-line basis over the terms of the respective leases.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in first out method. Net realisable value represents the estimated selling price in the ordinary and usual course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write down is made for deteriorated, damaged, obsolete and slow moving inventories.

(q) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

The Group classifies its financial assets into the following two categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, bills receivable, other receivables, pledged bank deposits, cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or, loans and receivables. The Group designated its listed securities as available-for-sale financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in income statement.

4. Significant Accounting Policies *(Continued)*

(q) Financial instruments *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence that an asset is impaired includes observable data that comes to the attention of the Group includes the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

For trade and other receivables and other financial assets carried at amortised cost, an impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate, where the effect of discounting is material. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognised as administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for the receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

Assessment of impairment loss is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed in income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in income statement. The amount of the cumulative loss that is recognised in income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in income statement. Impairment losses recognised in income statement in respect of available-for-sale equity securities are not reversed in income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

4. Significant Accounting Policies *(Continued)*

(q) Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities of the Group (including bank borrowings, trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by a group company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement.

The Group regards its financial guarantee contracts provided in respect of credit facilities granted by financial institutions to certain customers of the Group as insurance contracts.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

4. Significant Accounting Policies *(Continued)*

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received from employees determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in income statement, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

(t) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors. Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Inventories

Note 4(p) describes that inventories are stated at the lower of cost and net realisable value.

The Group has a policy to write down inventories based on their aging. Management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value to ascertain whether allowance is required to be made for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

(b) Bills and accounts receivable

Note 4(q) describes that bills and accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Impairment loss on an account receivable is recognised in income statement when there is objective evidence that the asset is impaired. The Group adopts a prudent approach in selecting its customers in order to minimise its credit risk. All new customer accounts with credit terms are reviewed by the finance department in areas including credit ratings, credit history, and sales amount, etc for the purpose of making an assessment of the payment term or assigning a credit limit if applicable.

The Group has implemented a credit policy with an aim to maintain the accounts receivable balance at an acceptable level. The accounts receivable will be reviewed by the Group's senior management of the finance department on a monthly basis. Impairment loss will be recognised when the recoverability of the outstanding debts is uncertain after taking into account various consideration including the aging of the debts, the current creditworthiness, the historical loss experience for debts with similar credit risk characteristics and the current market condition.

(c) Deferred tax

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

As at 31 March 2008, the Group has net deferred tax assets in the amount of approximately HK$10,717,000 (2007: HK$12,096,000). To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences mainly arising from impairment losses on inventories and receivables, unutilised tax losses and depreciation allowances.

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

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

	2008 HK$'000	2007 HK$'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

6. Turnover, Other Revenue, Other Gains and Segment Information *(Continued)*

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 of the Group's geographical segments.

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

	2008 HK$'000	2007 HK$'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 HK$'000	2007 HK$'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.

7. Profit from Operations

	2008 HK$'000	2007 HK$'000
Profit from operations has been arrived at after charging/(crediting):		
Share-based payments	**7,964**	10,281
Other staff costs	**192,852**	153,334
Contributions to defined contribution retirement plans	**10,025**	7,117
Total staff costs	**210,841**	170,732
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
Research and development costs	**24,582**	19,568
Less: Government grants	**–**	(400)
Net research and development costs	**24,582**	19,168
Auditor's remuneration		
Audit fees	**1,680**	1,680
Underprovision of audit fees in prior year	**128**	689
Others	**302**	603
	2,110	2,972
Gross rental income from investment properties*	**(2,146)**	(1,692)
Less: Direct operating expenses from investment properties that generated income during the year	**204**	90
	(1,942)	(1,602)
Cost of sales	**852,274**	661,995
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)

* *All investment properties were rented out for rental income during the years ended 31 March 2007 and 2008.*

8. Directors' and Senior Executives' Emoluments

(a) Directors' emoluments

The emoluments of each of the directors were as follows:

	Fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 March 2008						
Executive directors						
Chong Siw Yin	**–**	**2,657**	**700**	**12**	**654**	**4,023**
Cao Yang	**–**	**1,540**	**667**	**50**	**654**	**2,911**
Liu Zhao Ming	**–**	**1,079**	**278**	**24**	**654**	**2,035**
Chung Yuk Ming	**–**	**1,640**	**350**	**12**	**654**	**2,656**
	–	**6,916**	**1,995**	**98**	**2,616**	**11,625**
Independent non-executive directors						
Low Seow Chay	**180**	**–**	**–**	**–**	**–**	**180**
Lui Ming Wah	**180**	**–**	**–**	**–**	**–**	**180**
Tsang Yiu Keung	**250**	**–**	**–**	**–**	**–**	**250**
Chan Wah Tip	**250**	**–**	**–**	**–**	**–**	**250**
Liu Chee Ming	**250**	**–**	**–**	**–**	**–**	**250**
	1,110	**–**	**–**	**–**	**–**	**1,110**
	1,110	**6,916**	**1,995**	**98**	**2,616**	**12,735**
Year ended 31 March 2007						
Executive directors						
Chong Siw Yin	–	2,096	–	12	838	2,946
Cao Yang	–	911	700	54	838	2,503
Liu Zhao Ming	–	430	300	19	838	1,587
Chung Yuk Ming	–	1,161	350	12	838	2,361
	–	4,598	1,350	97	3,352	9,397
Independent non-executive directors						
Low Seow Chay	180	–	–	–	–	180
Lui Ming Wah	180	–	–	–	–	180
Tsang Yiu Keung	250	–	–	–	–	250
Chan Wah Tip	250	–	–	–	–	250
Liu Chee Ming	250	–	–	–	–	250
	1,110	–	–	–	–	1,110
	1,110	4,598	1,350	97	3,352	10,507

No directors of the Company waived any emoluments for the year ended 31 March 2008 (2007: Nil).

8. Directors' and Senior Executives' Emoluments *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments are included in the disclosures in note 8(a) above. The emoluments of the remaining one (2007: one) individual was as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other allowances	**488**	361
Discretionary bonuses	**1,196**	550
Retirement scheme contributions	**60**	49
Share-based payments	**436**	559
	2,180	1,519

9. Finance Costs – Net

	2008 HK$'000	2007 HK$'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

10. Income Taxes

	2008 HK$'000	2007 HK$'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 (Note 19)	**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 years ended 31 March 2008 and 2007.

10. Income Taxes *(Continued)*

A reconciliation of the tax charge applicable to profit before tax using the statutory tax rate for Hong Kong to the tax expense at the Group's effective tax rate is as follows:

	2008 HK$'000	2007 HK$'000
Profit before income taxes	**131,810**	69,298
Applicable Hong Kong Profits Tax rate	**17.5%**	17.5%
Tax charge at Hong Kong Profits Tax rate	**23,067**	12,127
Effect of different or preferential tax rates applicable to other jurisdictions	**(8,074)**	(8,080)
Effect of non-taxable income	**(556)**	(2,215)
Effect of non-deductible expenses	**1,910**	4,589
Effect of changes in tax rates	**(2,960)**	(2,741)
Effect of unrecognised tax losses	**3,579**	3,768
Effect of other temporary differences not recognised	**1,655**	139
Effect of recognition of temporary differences not previously recognised	**(1,393)**	–
Write-down of unrecoverable deferred tax assets	**5**	2,432
Overprovision of Hong Kong Profits Tax in prior years	**(844)**	(996)
Tax charge for the year	**16,389**	9,023

11. Dividends

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

	2008 HK$'000	2007 HK$'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, are calculated based on the number of ordinary shares in issue at the date of approval of these financial statements by the directors and are subject to the approval of shareholders in the forthcoming annual general meeting.

12. 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

13. Intangible Assets

	Group		
	Goodwill HK$'000	Trademark HK$'000	Total HK$'000
Cost			
At 1 April 2006	2,799	481	3,280
Exchange realignment	–	19	19
At 31 March 2007	2,799	500	3,299
Exchange realignment	–	56	56
At 31 March 2008	**2,799**	**556**	**3,355**
Amortisation			
At 1 April 2006	–	60	60
Exchange realignment	–	3	3
Amortisation during the year	–	49	49
At 31 March 2007	–	112	112
Exchange realignment	–	13	13
Amortisation during the year	–	56	56
At 31 March 2008	**–**	**181**	**181**
Net book value			
At 31 March 2007	2,799	388	3,187
At 31 March 2008	**2,799**	**375**	**3,174**

The Group tests annually whether the goodwill arising from acquisition of a subsidiary principally engaged in manufacture and sale of die-casting machine has suffered any impairment, in accordance with the accounting policy stated in note 4(b). The recoverable amount of the subsidiary (i.e. cash-generating unit), to which the goodwill relates, has been determined based on a value-in-use calculation. The calculation is based on a one year profit forecast approved by the management. The cash flows beyond the one year period are extrapolated for five years assuming no growth and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 7.5% and it reflects specific risks relating to the subsidiary.

Management believes that any reasonably possible change in any of the key assumptions including the projected sales and gross margin and discount rate would not result in the carrying amount of goodwill exceeding its recoverable amount.

14. Property, Plant and Equipment

	Group						
	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2006	185,110	1,201	13,992	211,670	23,138	26,500	461,611
Exchange realignment	7,302	47	553	8,024	729	933	17,588
Additions	3,748	5,880	4,270	23,668	8,379	7,834	53,779
Disposals	–	–	(712)	(899)	(695)	(2,223)	(4,529)
Reclassification	(106)	(1,248)	–	856	498	–	–
At 31 March 2007	196,054	5,880	18,103	243,319	32,049	33,044	528,449
Exchange realignment	21,496	654	1,645	25,772	2,751	3,259	55,577
Additions	823	19,720	1,276	35,005	5,208	6,174	68,206
Disposals	–	–	(141)	(652)	(659)	(3,620)	(5,072)
Reclassification	(1,652)	(9,004)	4,244	6,412	–	–	–
At 31 March 2008	**216,721**	**17,250**	**25,127**	**309,856**	**39,349**	**38,857**	**647,160**
Accumulated depreciation							
At 1 April 2006	18,899	–	4,956	77,909	10,203	14,423	126,390
Exchange realignment	684	–	104	2,387	252	416	3,843
Charge for the year	12,787	–	977	21,197	5,243	4,628	44,832
Written back on disposals	–	–	(458)	(165)	(340)	(1,683)	(2,646)
At 31 March 2007	32,370	–	5,579	101,328	15,358	17,784	172,419
Exchange realignment	4,154	–	658	11,490	1,550	1,946	19,798
Charge for the year	9,868	–	3,116	23,852	5,850	5,005	47,691
Reclassification	(30)	–	30	–	–	–	–
Written back on disposals	–	–	(5)	(121)	(556)	(2,626)	(3,308)
At 31 March 2008	**46,362**	**–**	**9,378**	**136,549**	**22,202**	**22,109**	**236,600**
Net book value							
At 31 March 2007	163,684	5,880	12,524	141,991	16,691	15,260	356,030
At 31 March 2008	**170,359**	**17,250**	**15,749**	**173,307**	**17,147**	**16,748**	**410,560**

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in note 32(i).

The cost of leasehold land and buildings of HK$3,337,000 as at 31 March 2007 and 2008 includes the cost of leasehold land situated in Hong Kong under medium term leases which cannot practically be separated from the cost of leasehold land and buildings thereon.

15. Investment Properties

	Group HK$'000
At fair value	
At 1 April 2006	17,219
Exchange realignment	189
Increase in fair value during the year	1,292
At 31 March 2007	18,700
Exchange realignment	1,319
Increase in fair value during the year	5,631
At 31 March 2008	**25,650**

	Group	
	2008 HK$'000	2007 HK$'000
The carrying amount of investment properties shown above comprises:		
Leasehold land and buildings in Hong Kong under medium term leases	**11,120**	8,850
Leasehold land and buildings in the PRC under medium term leases	**14,530**	9,850
	25,650	18,700

The fair value of the investment properties at 31 March 2008 has been arrived at on the basis of a valuation carried out on that date by Messrs. Jones Lang LaSalle Sallmanns Limited, being independent professional surveyors and valuers not connected with the Group. Messrs. Jones Lang LaSalle Sallmanns Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the HKIS Valuation Standards on Properties (First Edition), was made on market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable sales transaction as available in the relevant market.

One of the investment properties is pledged to secure bank borrowings of the Group as detailed in note 32(i).

16. Land Use Rights

	Group HK$'000
Cost	
At 1 April 2006	34,540
Exchange realignment	1,381
Additions	1,933
At 31 March 2007	37,854
Exchange realignment	6,591
Additions	36,137
At 31 March 2008	**80,582**
Amortisation	
At 1 April 2006	2,818
Exchange realignment	113
Amortisation during the year	634
At 31 March 2007	3,565
Exchange realignment	512
Amortisation during the year	1,738
At 31 March 2008	**5,815**
Net book value	
At 31 March 2007	34,289
At 31 March 2008	**74,767**

	Group	
	2008 HK$'000	2007 HK$'000
The carrying amount of land use rights shown above are located in the PRC and comprises:		
Long term leases	**10,040**	–
Medium term leases	**64,727**	34,289
	74,767	34,289

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in note 32(i).

17. Interest in an Associate

	Group 2008 HK$'000	Group 2007 HK$'000
Cost of investment in an unlisted associate	**4,667**	–
Amount due from an associate	**16,669**	–
	21,336	–

As at 31 March 2008, the Group had equity interest in the following associate:

Name of entity	Place of establishment and operation	Particulars of registered capital	Attributable equity interest held by the Group	Principal activities
阜新力昌鋼鐵鑄造有限公司 Fuxin Li Chang Steel & Iron Foundry Co., Ltd.	PRC	RMB60,000,000	35%	Iron ore mining and smelting

The summarised financial information in respect of the associate is set out below:

	Group 2008 HK$'000	Group 2007 HK$'000
Total assets	**30,000**	–
Total liabilities	**(16,667)**	–
Net assets	**13,333**	–
Group's share of net assets of the associate	**4,667**	–

The revenue and results of the associate attributable to the Group are insignificant during the year as the associate has not yet commenced operation as at 31 March 2008.

The amount due from the associate, which is interest free, unsecured and with no fixed terms of repayment, is subsequently applied for payment of registered capital of the associate on 8 April 2008.

18. Available-For-Sale Financial Assets

	Group	
	2008	2007
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**746**	950
Market value of listed securities in Hong Kong	**746**	950

19. Deferred Tax Assets

The following are the components of deferred tax assets/(liabilities) recognised and movements thereon during the current and prior year:

	Group					
	Unutilised tax losses	Impairment losses and allowances	Depreciation allowances	Revaluation of investment properties	Other temporary differences	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	5	6,123	1,120	(555)	671	7,364
Exchange realignment	–	155	38	(1)	25	217
Credit/(charge) to income statement	–	(1,977)	2,614	(9)	3,887	4,515
At 31 March 2007	5	4,301	3,772	(565)	4,583	12,096
Exchange realignment	–	571	522	(120)	123	1,096
Credit/(charge) to income statement	1,844	1,396	711	(854)	(5,572)	(2,475)
At 31 March 2008	**1,849**	**6,268**	**5,005**	**(1,539)**	**(866)**	**10,717**

At the balance sheet date, the Group has the following unutilised tax losses available for offsetting against future taxable profits:

	Group	
	2008	2007
	HK$'000	HK$'000
Tax losses expire:		
Within 5 years	**23,177**	20,742
Over 5 years	**7,546**	7,546
Without expiry date	**7,848**	9,560
	38,571	37,848

No deferred tax asset has been recognised in respect of the above tax losses due to unpredictability of future profit streams.

20. Bills and Accounts Receivable

	Group	
	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:

	Group	
	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.

20. Bills and Accounts Receivable *(Continued)*

The following is an analysis of accounts receivable comprising balances past due but not impaired, and balances neither past due nor impaired:

	Group	
	2008	2007
	HK$'000	HK$'000
Overdue:		
Within 90 days	**80,328**	74,660
91-180 days	**33,429**	27,146
181-365 days	**32,640**	22,253
Over one year	**8,367**	11,295
Balances past due but not impaired	**154,764**	135,354
Balances neither past due nor impaired	**169,632**	127,301
	324,396	262,655

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a large number of customers that have a good track record with the Group. Based on experience, management believes that no impairment loss is necessary in respect of these balances as there has not been a significant deterioration in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movement in the allowance for impairment losses on accounts receivable:

	Group	
	2008	2007
	HK$'000	HK$'000
Balance at beginning of year	**24,066**	32,475
Exchange realignment	**2,090**	1,126
Reversal of impairment losses	**–**	(7,632)
Amounts written off as uncollectible	**–**	(1,903)
Balance at end of year	**26,156**	24,066

At the balance sheet date, the bills and accounts receivable after impairment losses were denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Renminbi	**314,830**	264,022
Hong Kong dollars	**12,238**	3,553
United States dollars	**33,864**	23,604
Other currencies	**11**	20
	360,943	291,199

21. Restricted Bank Balances

Restricted bank balances of the Group (other than the Company) represent deposits denominated mainly in Renminbi and placed in banks to secure banking facilities. The banking facilities include bank loans, bank guarantees for bills payable to suppliers, letters of credit for import and trading finance granted by the banks to the Group's customers. The restricted bank balances will be released upon the settlement of relevant bank borrowings.

Restricted bank balance of the Company represents deposit denominated in Hong Kong dollars and placed in a bank to secure the bank loans borrowed by a subsidiary.

At the balance sheet date, the restricted bank balances carry interest at market rates which range from 0.72% to 2.1% per annum (2007: 0.72% to 4.1%).

22. Inventories

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**200,109**	160,744
Work in progress	**157,346**	111,343
Finished goods	**135,699**	95,419
	493,154	367,506
Less: Allowance for inventories	**(20,703)**	(13,960)
	472,451	353,546

23. Other Receivables, Prepayments and Deposits

	Group	
	2008	2007
	HK$'000	HK$'000
Non-current		
Deposits for acquisition of land use rights	**15,440**	7,137
Deposits for acquisition for property, plant and equipment	**10,034**	2,155
	25,474	9,292
Current		
Subsidies receivable from government	**16,926**	–
Value added tax receivable	**948**	2,207
Trade deposits	**8,347**	5,329
Advances to staff for business purpose	**2,938**	2,871
Sundry, rental and utility deposits	**2,054**	859
Others	**15,613**	5,757
	46,826	17,023
	72,300	26,315
Analysis of carrying amounts by currency		
– denominated in Renminbi	**62,632**	22,223
– denominated in Hong Kong dollars	**4,184**	1,113
– denominated in United States dollars	**713**	1,753
– denominated in other currencies	**4,771**	1,226
	72,300	26,315

24. Cash and Bank Balances

Cash and bank balances comprise cash held by the Group and short-term bank deposits, with an original maturity of three months or less. At the balance sheet date, the bank balances carry interest rates ranging from 0% to 1.22% per annum (2007: 0% to 4.3%).

The cash and bank balances were denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Renminbi	**115,546**	86,866
Hong Kong dollars	**16,548**	166,184
United States dollars	**11,083**	4,282
Euro	**18,240**	635
Other currencies	**9,368**	1,662
	170,785	259,629

25. Bills and Accounts Payable

	Group	
	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:

	Group	
	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.

25. Bills and Accounts Payable *(Continued)*

The bills and accounts payable were denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
Renminbi	**229,731**	199,591
Hong Kong dollars	**6,044**	14,042
United States dollars	**1,866**	5,412
Other currencies	**11,195**	714
	248,836	219,759

26. Other Payables, Deposits and Accruals

	Group	
	2008	2007
	HK$'000	HK$'000
Trade and other deposits	**65,050**	48,911
Accrued salaries, bonuses and staff benefits	**15,435**	18,512
Accrued sales commission	**16,532**	13,969
Value added tax payable	**1,349**	987
Others	**22,843**	18,054
	121,209	100,433
Analysis of carrying amounts by currency		
– denominated in Renminbi	**95,682**	77,905
– denominated in Hong Kong dollars	**19,155**	9,913
– denominated in United States dollars	**4,188**	11,914
– denominated in other currencies	**2,184**	701
	121,209	100,433

27. Bank Borrowings

The bank borrowings comprise:

	Group	
	2008	2007
	HK$'000	HK$'000
Secured:		
Bank loans	**159,055**	74,500
Trust receipt loans	**1,942**	14,772
	160,997	89,272
Unsecured:		
Bank loans	**238,585**	218,479
	399,582	307,751
The carrying amounts are repayable as follows:		
– Within one year	**381,074**	258,349
– In the second year	**11,368**	32,715
– In the third to fifth year	**7,140**	16,687
	399,582	307,751
Less: Amount due within one year shown under current liabilities	**(381,074)**	(258,349)
Amount due after one year shown under non-current liabilities	**18,508**	49,402
Analysis of bank borrowings by currency:		
– denominated in Renminbi	**280,667**	224,090
– denominated in Hong Kong dollars	**110,658**	76,906
– denominated in other currencies	**8,257**	6,755
	399,582	307,751
Total bank borrowings		
– at fixed rate	**159,443**	138,090
– at floating rate	**240,139**	169,661
	399,582	307,751

The annual interest rates of the Group's major bank borrowings as at balance sheet date were as follows:

	2008	2007
Fixed rate borrowings	**4.65% to 8.19%**	5% to 6.1%
Floating rate borrowings	**HIBOR plus a margin from 1% to 1.75%**	HIBOR plus a margin from 1% to 1.75%

28. Share Capital

	Note	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Authorised:			
At 1 April 2006		3,800,000	380
Increase	(i)	2,996,200,000	299,620
At 31 March 2007 and **31 March 2008**		**3,000,000,000**	**300,000**
Issued and fully paid:			
At 1 April 2006		1	–
Shares issued upon corporate reorganisation	(ii)	649,999,999	65,000
Shares issued by placing and public offer	(iii)	250,000,000	25,000
Shares issued on capitalisation issue	(iv)	100,000,000	10,000
At 31 March 2007		1,000,000,000	100,000
Shares issued upon exercise of share options	(v)	11,245,000	1,125
At 31 March 2008		**1,011,245,000**	**101,125**

Note:

(i) Pursuant to the written resolutions of the sole shareholder of the Company passed on 16 September 2006, the authorised share capital of the Company was increased from HK$380,000 to HK$300,000,000 by the creation of an additional 2,996,200,000 shares of HK$0.1 each.

(ii) Pursuant to a corporate reorganisation on 23 September 2006, the Company allotted and issued 649,999,999 new shares of HK$0.1 each in exchange for the shares of the subsidiaries acquired.

(iii) On 16 October 2006, the Company issued a total of 250,000,000 new shares of HK$0.1 each at HK$1.11 per share by means of placing and public offer. The Company's shares were then listed on the Stock Exchange.

(iv) On 16 October 2006, the Company capitalised HK$10,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 100,000,000 shares of HK$0.1 each of the Company for allotment and issue to Girgio Industries Limited, the Company's ultimate holding company.

(v) During the year, 11,245,000 shares of HK$0.1 each were issued upon exercise of share options granted under the Company's Pre-IPO Share Option Scheme as detailed in note 39(i).

29. Related Party Transactions

(a) Transactions or balances with the following parties are considered as related party transactions.

Name of party	Relationship
Girgio Industries Limited ("Girgio")	95% owned by Fullwit Profits Limited as trustee of The Liu Family Unit Trust for the ultimate benefit of Ms. Chong Siw Yin and her son and the daughter. The remaining 5% is owned by Mr. Liu Siong Song, the spouse of Ms. Chong Siw Yin
Full Power Development Limited ("Full Power")	49% owned by Ms. Chong Siw Yin and 51% owned by Fullwit Profits Limited
Shanghai Dragon Prosper Trading Limited ("Shanghai Dragon Prosper")	70% indirectly owned by Girgio and dissolved on 24 January 2008
Gaoyao Hongtai Precision Die-Casting Company Limited ("Gaoyao Hongtai")	40% indirectly owned by Girgio. Girgio disposed of the entire interest in Gaoyao Hongtai on 26 April 2007
Oriental Pan Pacific (Hong Kong) Limited ("OPP (HK)")	33.3% indirectly owned by Girgio up to 31 October 2006. Girgio disposed of the entire interest in OPP(HK) on 1 November 2006.
Ortal Pan Pacific Metalware Manufacturing (Shenzhen) Company Limited ("OPP (PRC)")	Wholly-owned by OPP (HK)

A director and beneficial shareholder of the Company, Ms. Chong Siw Yin, is in a position to exercise significant influence or control on the above companies.

Name of party	Relationship
Shanghai Arays Hardware Manufacturing Co. Ltd. ("Shanghai Arays")	Indirectly wholly-owned by Mr. Liu Siong Song
Country Well Limited ("Country Well")	Indirectly wholly-owned by Mr. Liu Siong Song
Baotou Arays Wheel Co., Ltd. ("Baotou Arays")	91.5% indirectly owned by Mr. Liu Siong Song
Shanghai Chaosheng Mould Co. Ltd. ("Shanghai Chaosheng")	Indirectly wholly-owned by Mr. Liu Siong Song
Shanghai L.K. Machinery Co. Ltd. ("LK Shanghai")	Indirectly wholly-owned by Mr. Liu Siong Song
Wheelfit Investment Limited ("Wheelfit")	50% owned by Mr. Liu Siong Song

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For the year ended 31 March 2008

29. Related Party Transactions *(Continued)*

(a) *(Continued)*

Mr. Liu Siong Song, the spouse of Ms. Chong Siw Yin, is in a position to exercise significant influence or control on the above companies.

Name of party	Relationship
Yin Fat Industrial Company Limited ("Yin Fat")	Wholly-owned by the brother and the sister-in-law of Mr. Liu Siong Song

(b) During the year, the Group had the following transactions with its related parties. The directors considered the transactions were made at normal commercial terms, in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those applicable to independent third parties.

	Group	
	2008 **HK$'000**	2007 HK$'000
Operating lease rentals paid to:		
Wheelfit	**1,116**	1,116
Full Power	–	315
	1,116	1,431
Operating lease rentals received from:		
OPP (PRC)	–	398
Yin Fat	–	223
Shanghai Dragon Prosper	–	29
	–	650
Sales of machines and related accessories or provision of services to:		
OPP(HK)	–	1,822
OPP (PRC)	–	325
Gaoyao Hongtai	–	3,875
Shanghai Arays	–	37
	–	6,059
Purchases of material from:		
LK Shanghai	–	2
Purchases of valves from:		
Shanghai Arays	–	746
Recharge of electricity fee to:		
Shanghai Arays	–	2,108
OPP(PRC)	–	745
	–	2,853

29. Related Party Transactions *(Continued)*

(c) The Group has no balance due from related parties as at 31 March 2007 and 2008. The maximum amounts due from related companies during the year are as follows:

	Group	
	Maximum amount outstanding during the year ended 31 March	
	2008	2007
	HK$'000	HK$'000
Name of related company		
OPP(PRC)	–	4,827
OPP (HK)	–	5,879
LK Shanghai	–	7,042
Shanghai Arays	–	31,411
Baotou Arays	–	22,862
Country Well	–	10,560
Shanghai Chaosheng	–	73
Gaoyao Hongtai	–	13,577

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

	Group	
	2008	2007
	HK$'000	HK$'000
Short term benefits (mainly include salaries and allowances and bonus)	**16,832**	14,674
Share-based payments	**4,820**	7,292
Retirement fund contributions	**236**	265
	21,888	22,231

30. Financial Instruments

The Group's major financial instruments include bank balances and cash, restricted bank balances, trade receivables, bills receivable, other receivables, trade payables, bills payable, other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

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

30. Financial Instruments *(Continued)*

(a) Market risk *(Continued)*

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate bank borrowings subject to negotiation on annual basis (see Note 27). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates.

Interest rate sensitivity

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would decrease/increase by HK$781,000 (2007: decrease/increase by HK$848,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(ii) Currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"). RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has not used any forward contracts, foreign currency borrowings or other means to hedge its foreign currency exposure. However, the management closely monitors foreign exchange exposure and will consider hedging significant exposure when necessary.

30. Financial Instruments *(Continued)*

(a) Market risk *(Continued)*

(ii) Currency risk (Continued)

Foreign currency sensitivity

The Group mainly exposes to the currency risk of RMB against Hong Kong dollars and the directors of the Company consider that the risk exposed to other currencies is insignificant.

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against Hong Kong dollars. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the balance sheet date for a 5% change in foreign currency rates. If there is a 5% increase or decrease in RMB against Hong Kong dollars, the increase/(decrease) in the profit for the year is shown as below:

	2008 HK$'000	2007 HK$'000
RMB (increases against Hong Kong dollars)		
(Decrease)/increase in profit for the year	**(1,085)**	6,975
RMB (decreases against Hong Kong dollars)		
Increase/(decrease) in profit for the year	**1,085**	(6,975)

(iii) Equity price risk

The Group's exposure to equity price risk primarily arises from its available-for-sale financial assets. As the carrying amount of the available-for-sale financial assets is insignificant, the directors consider the Group's exposure to equity price risk is minimal.

(b) Credit risk

The Group has no significant concentration of credit risk with exposure spreading over a large number of counterparties and customers. The carrying amounts of bank balances, fixed deposits, bills and accounts receivable, and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group also has credit risk in connection with guarantees given by it for its customers as mentioned in note 31. The Group has a credit policy in place as described in notes 5(b) and 20 to minimise credit risk which is monitored on an ongoing basis. Bank balances and fixed deposits are placed with reputable banks which management believes are of high credit quality with insignificant credit risk.

(c) Liquidity risk

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

30. Financial Instruments *(Continued)*

(c) Liquidity risk *(Continued)*

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

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
At 31 March 2008					
Fixed rates bank borrowings	**–**	**163,582**	**–**	**–**	**163,582**
Floating rates bank borrowings	**–**	**229,224**	**12,341**	**7,788**	**249,353**
Trade payables	**147,024**	**71,489**	**–**	**–**	**218,513**
Bills payables	**–**	**30,323**	**–**	**–**	**30,323**
Other payables	**–**	**54,810**	**–**	**–**	**54,810**
	147,024	**549,428**	**12,341**	**7,788**	**716,581**
At 31 March 2007					
Fixed rates bank borrowings	–	141,005	–	–	141,005
Floating rates bank borrowings	–	123,952	35,320	19,664	178,936
Trade payables	124,737	77,696	–	–	202,433
Bills payables	–	17,326	–	–	17,326
Other payables	–	50,535	–	–	50,535
	124,737	410,514	35,320	19,664	590,235

The Company's contractual undiscounted cash flows of its financial liabilities approximate the carrying amount of other payables and accruals included in current liabilities, which are payable within one year, as the effect of discounting is insignificant.

(d) Capital risk management

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in note 27, and equity attributable to equity holders of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt. No changes were made in the objectives, policies or processes during the year.

(e) Fair value

The fair value of the financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

31. Financial Guarantees

	Group	
	2008	2007
	HK$'000	HK$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	**77,446**	21,233

The Group provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$233,333,000 (2007: HK$55,000,000) granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks as mentioned in note 32(ii). Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products. The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$375,171,000 (2007: HK$322,241,000). These facilities guaranteed by the Company and utilised by the subsidiaries as at 31 March 2008 amounted to HK$139,081,000 (2007: HK$89,757,000).

32. Pledge of Assets

(i) The carrying amounts of the assets of the Group pledged to secure its borrowings are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Restricted bank balances	**37,702**	10,067
Leasehold land and buildings	**74,215**	29,323
Land use rights	**19,265**	16,893
Investment properties	**7,290**	6,350
Plant and machinery	**57,510**	30,576
Furniture, fixtures and office equipment	**–**	500
	195,982	93,709

(ii) 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 as mentioned in note 31.

(iii) The Company'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 its subsidiaries.

33. Commitments

	Group	
	2008	2007
	HK$'000	HK$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
– Contracted but not provided for	**105,266**	2,271
Capital commitments in respect of acquisition of land use rights:		
– Contracted but not provided for	**44,937**	40,443
Other commitments:		
– Contracted but not provided for	**6,918**	4,560

34. Operating Leases

The Group as lessee

	Group	
	2008	2007
	HK$'000	HK$'000
Minimum lease payments paid under operating leases for buildings	**4,649**	4,713

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

	Group	
	2008	2007
	HK$'000	HK$'000
Leases payable:		
Within one year	**2,365**	3,221
In the second to fifth year inclusive	**952**	2,161
	3,317	5,382

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

34. Operating Leases *(Continued)*

The Group as lessor

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

At the balance sheet date, the Group had contracted with tenants under non-cancellable operating leases for the following future minimum lease payments:

	Group	
	2008	2007
	HK$'000	HK$'000
Leases receivable:		
Within one year	**743**	2,381
In the second to fifth year inclusive	**833**	1,379
	1,576	3,760

The Company has no lease arrangements at the balance sheet date.

35. Retirement Benefit Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries established in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

36. Investments in Subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Investments in unlisted shares, at cost	**65,000**	65,000

36. Investments in Subsidiaries *(Continued)*

Details of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Subsidiaries directly held by the Company				
Best Truth Enterprises Limited	British Virgin Islands	2 ordinary shares of US$1 each	100%	Investment holding
Cyberbay Pte Ltd.	Singapore	2 ordinary shares of S$1 each	100%	Investment holding
Subsidiaries indirectly held by the Company				
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd.*	PRC	US$2,000,000	100%	Sale of die-casting machines
阜新力勁北方機械有限公司 Fuxin L.K. Northern Machinery Co. Ltd.*	PRC	HK$30,000,000	100%	Manufacture and sale of die-casting machines
Gold Millennium Ltd.	British Virgin Islands	1 ordinary share of US$1	100%	Investment holding
Gold Progress Limited	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
L.K. Machinery Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100%	Investment holding
L.K. Machinery International Limited	Hong Kong	1 ordinary share of HK$1	100%	Sale of die-casting machines and plastic injection moulding machines
力勁機械股份有限公司 L.K. Machinery Corp.	Taiwan	11,100,000 ordinary shares of NT$10 each	100%	Sale of die-casting machines and plastic injection moulding machines
L.K. Machinery, Inc.	USA	1,000 shares with US$10 paid up	100%	Sale of die-casting machines and plastic injection moulding machines
力勁機械（深圳）有限公司 L.K. Machinery (Shenzhen) Co. Ltd.*	PRC	HK$69,500,000	100%	Manufacture and sale of die-casting machines
Lucky Prosper Limited	Hong Kong	1 ordinary share of HK$1	100%	Investment holding

36. Investments in Subsidiaries *(Continued)*

Details of the Company's principal subsidiaries as at 31 March 2008 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd.*	PRC	US$1,660,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd.*	PRC	US$13,600,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines
Power Excel International Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd.*	PRC	US$4,900,000	100%	Manufacture and sale of die-casting machines
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd.*	PRC	RMB127,000,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd.*	PRC	US$5,580,000	100%	Manufacture and sale of plastic injection moulding machines

* *The English name is made for identification purpose only.*

All subsidiaries established in the PRC are incorporated as wholly-owned foreign enterprises.

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

37. Amounts Due from Subsidiaries

The amounts are interest free, unsecured and repayable on demand.

38. Reserves

	Company				
	Share premium HK$'000	Share option reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	–	–	–	(2,041)	(2,041)
Issue of shares	252,500	–	–	–	252,500
Capitalisation of share premium	(10,000)	–	–	–	(10,000)
Share issue costs	(20,432)	–	–	–	(20,432)
Share-based payments	–	10,281	–	–	10,281
Profit for the year	–	–	–	41,322	41,322
2007 interim dividend paid (Note 11)	–	–	–	(18,000)	(18,000)
2007 proposed final dividend (Note 11)	–	–	20,110	(20,110)	–
At 31 March 2007	222,068	10,281	20,110	1,171	253,630
Issue of shares upon exercise of share options	6,365	–	–	–	6,365
Share-based payments	–	7,964	–	–	7,964
Transfer to share premium upon exercise of share options	5,575	(5,575)	–	–	–
Transfer to retained profits upon lapse of share options	–	(388)	–	388	–
Profit for the year	–	–	–	51,675	51,675
2007 final dividend declared and paid	–	–	(20,110)	(44)	(20,154)
2008 interim dividend paid (Note 11)	–	–	–	(27,301)	(27,301)
2008 proposed final dividend (Note 11)	–	–	23,285	(23,285)	–
At 31 March 2008	**234,008**	**12,282**	**23,285**	**2,604**	**272,179**

39. Share Option Schemes

(i) Pre-IPO Share Option Scheme

A Pre-IPO Share Option Scheme (further details of which are set out in the Company's directors' report) was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Details of the options granted on 23 September 2006 (which were conditional on the commencement of trading of the Company's shares on the Stock Exchange), under the Pre-IPO Share Option Scheme from the date of options granted to 31 March 2008 were summarised as follows:

			Number of shares subject to options			
Category of grantee	Exercise price HK$	Exercise period	At the date of options granted and outstanding as at 1 April 2007	Lapsed during the year	Exercised during the year	Outstanding as at 31 March 2008
Directors	0.666	16 April 2007 – 15 October 2016	12,000,000	–	(2,000,000)	10,000,000
Employees	0.666	16 April 2007 – 15 October 2016	24,800,000	(867,500)	(9,245,000)	14,687,500
			36,800,000	(867,500)	(11,245,000)	24,687,500

No options were exercised and lapsed during the year ended 31 March 2007.

During the year, 11,245,000 share options were exercised by employees and directors. The weighted average closing price on the dates on which the options were exercised was HK$1.02.

Each of the grantees to whom options were granted under the Pre-IPO Share Option Scheme would be subject to the following restrictions on the exercise of the options granted to him/her:

Period (as from 16 October 2006, the date on which the shares of the Company commenced trading on the Stock Exchange, the "Listing Date")	Maximum cumulative percentage of the shares under option exercisable by the grantee
First six months	0%
Second six months	33%
Third six months	66%
For the remaining option period	100%

39. Share Option Schemes *(Continued)*

(i) Pre-IPO Share Option Scheme *(Continued)*

The fair value of the options granted under the Pre-IPO Share Option Scheme amounting to HK$18,480,000 was determined at the Listing Date under the Binominal Option Pricing Model. The following assumptions were used to calculate the fair value of the options :

Share price at date of grant :	HK$1.11 (being the IPO share price of the Company)
Exercise price :	HK$0.666
Expected volatility (Note) :	47%
Suboptimal exercise factor :	1.5
Risk-free rate :	4.046%
Expected dividend yield :	4%

Note: Expected volatility was determined by using the volatility of share price for comparable companies with shares listed on the Stock Exchange and engaged in the similar business as the Company.

The Group recognised the total expense of approximately HK$7,964,000 for the year ended 31 March 2008 (2007: HK$10,281,000) in relation to share options granted by the Company.

Save as disclosed above, no further options were granted under the Pre-IPO Share Option Scheme as the right to do so had ended on the day on which the prospectus of the Company dated 29 September 2006 was registered with the Registrar of Companies in Hong Kong.

(ii) Share Option Scheme

Another share option scheme (further details of which are set out in the Company's directors' report) is also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options were granted under the share option scheme since its date of adoption and up to 31 March 2008.

40. Events After Balance Sheet Date

Acquisition of subsidiaries

On 2 April 2008, the Group completed the acquisition of 70% of the issued share capital of Idra S.r.l for a consideration of €0.70 (HK$ equivalent 8.53), further details of which are set out in the Company's circular dated 20 March 2008. Idra S.r.l is principally engaged in the design, manufacture and sale of die-casting machines and equipment.

The estimated fair values of the identifiable assets and liabilities of Idra S.r.l acquired as at the date of acquisition, which have no significant differences from their respective carrying amounts, are as follows:

	HK$'000
Net assets acquired:	
Intangible assets	6,903
Property, plant and equipment	67,154
Inventories	132,467
Bills and accounts receivable	124,136
Other receivables, prepayments and deposits	19,917
Cash and bank balances	26,161
Bills and accounts payable	(95,851)
Other payables, deposits and accruals	(117,528)
Bank borrowings	(143,559)
Minority interest	(5,940)
Attributable net assets acquired by the Group	13,860
Excess of estimated fair value of net assets acquired over cost of acquisition	(13,860)
Total consideration satisfied by cash	–
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Cash and bank balances acquired	26,161
	26,161

The excess of the estimated fair value of net assets acquired over cost of acquisition of approximately HK$13,860,000 will be recognised as a gain in the income statement for the year ending 31 March 2009.

The Company is still in the process of identification of the relevant identifiable assets and liabilities acquired and ascertaining their fair values. Accordingly, the amounts disclosed above may be different from the amounts eventually recognised in the financial statements.

Subsequent to the acquisition, the Group also subscribed for 70% of the new issued share capital of Idra S.r.l for a cash consideration of €3,500,000 (HK$ equivalent 42,629,000).

41. 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.

FINANCIAL SUMMARY

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,261,972**	969,375	851,519	667,588	601,974
Profit before income taxes	**131,810**	69,298	117,876	106,445	120,126
Income taxes	**(16,389)**	(9,023)	(10,260)	(3,630)	(6,518)
Profit for the year	**115,421**	60,275	107,616	102,815	113,608
Profit attributable to:					
Equity holders of the Company	**115,421**	60,275	107,616	102,816	113,608
Minority interests	**–**	–	–	(1)	–
	115,421	60,275	107,616	102,815	113,608

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,685,602**	1,383,127	1,057,816	869,559	599,310
Total liabilities	**(771,304)**	(630,513)	(583,874)	(507,748)	(302,338)
Equity attributable to the Company's equity holders	**914,298**	752,614	473,942	361,811	296,972

The results and summary of assets and liabilities for each of the three years ended 31 March 2006, which were extracted from the Company's prospectus dated 29 September 2006, have been prepared on a combined basis to present the results of the Group as if the group structure had been in existence throughout those years.