力勁科技集團有限公司

L.K. TECHNOLOGY HOLDINGS LIMITED

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

Annual Report 2006/07

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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
Mr. Liu Chee Ming

QUALIFIED ACCOUNTANT

Mr. Lai Hau Yin

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
Mr. Liu Chee Ming

REMUNERATION COMMITTEE

Mr. Liu Chee Ming
Dr. Hon. Lui Ming Wah, SBS, JP
Mr. Tsang Yiu Keung, Paul

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
Shanghai Pudong Development Bank
China Construction Bank
Shenzhen Development Bank Ltd
Commercial Bank of Fuxin
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

558

WEBSITE

http://www.lktechnology.com

Chairman's Statement

Ms. Chong Siw Yin
Chairperson

On behalf of the Board (the "Board") of L.K. Technology Holdings Limited (the "Company"), I am pleased to report to our shareholders the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007.

The Group's consolidated turnover for the year amounted to HK$969,375,000, representing an increase of 13.8% compared with last year. The gross profit was HK$307,380,000, representing an increase of 7% compared with last year. Profit attributable to equity holders of the Company was HK$60,275,000, dropped by 44% compared with last year. Basic earnings per share was HK7 cents.

The Group will continue to focus on developing the following products: (1) die-casting machine: to manufacture large size die-casting machine, real time controlled die-casting machine and magnesium die-casting machine; (2) plastic injection moulding machine: to manufacture highly sophisticated direct clamp plastic injection moulding machine and all electric plastic injection moulding machine, and to develop large size plastic injection moulding machine; (3) CNC machine: to concentrate on computerised numerical controlled (CNC) machine specialised in processing die-casting parts.

In line with the development of large size die-casting machine and plastic injection moulding machine, the Group acquired a parcel of land adjacent to our Shenzhen Plant with a total area of around 56,000 square meters for developing into a manufacturing plant and a logistic centre. Meanwhile, the Group will expand its existing Ningbo plant so as to strengthen its continuous development in Eastern China.

The Group's research and development centre established in Taiwan for CNC machines has commenced operation, and already developed a series of new products for market launch. At the same time, the Group has entered into a contract to acquire a parcel of land with an area of approximately 317,000 square meters in Kunshan, Jiangsu Province in the PRC to cope with the mass production of CNC machines in future.

The PRC remains the major market of the Group, and the Group also expands to overseas markets, which include developed and developing countries in North America, South America, Europe and Asia. Although the operating environment is full of challenges, the continuous industrial development in the PRC has stimulated demand for manufacturing equipment, coupled with the increasing demand for high quality manufacturing equipment, the Group's future growth will focus on such demand and will strengthen its R&D for new products, launch large size equipment and enhance its efficiency, and provide integrated one-stop services to its clients, in order to add value to the products.

Regarding vertical and horizontal integration, the Group continuously identifies partners to enhance its supply chains and to lower its costs, while also strives to expand its product series so as to raise the brand awareness.

This is the first Annual Report of the Group as the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 October 2006. I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers, business partners, bankers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the employees of the Group for their commitment and services throughout the year.

Chong Siw Yin
Chairperson

19 July 2007

Management Discussion and Analysis

FINANCIAL REVIEW

In order to further develop its business, to increase its market share in China and overseas, and to facilitate the launch of new products, the Group has established offices for sales and services in the northeastern and southwestern regions of China and overseas new markets, and a Research & Development centre in Taiwan. This resulted in increase in sales and distribution expenses, administration and R&D expenses and unfavourably affected the Group's results. Moreover, the change of policy in preferential tax treatment in China also unfavourably affected the Group's results. Despite turnover for the year recorded growth, due to the aforementioned factors, coupled with the listing expenses and costs of share options granted to employees accounted for during the year, profits after tax for the year was HK$60,275,000 (previous year was HK$107,616,000, decreased by 44%).

BUSINESS REVIEW

During the year under review, prices of steel remained high, together with the rise in labour costs, production costs were put under much pressure. At the same time, crude oil prices were at high level and the prices of zinc alloys continued to rise, thus, customers were prudent in making purchases for equipment. Nevertheless, sales of die-casting machines and plastic injection moulding machines of the Group still recorded a double-digit growth.

End user products such as motor vehicles, 3Cs (computer products, communication products and consumer electronic products) are growing at rapid rates in China. According to the information of the National Bureau of Statistics of China, the production of motor vehicles in China in 2006 reached 7.279 million units, a growth of 27.6% from the previous year, among which passenger vehicles reached 3.869 million units, representing a year-on-year increase of 39.7%. Production of mobile phones amounted to 480 million units, representing a year-on-year increase of 58.2%, while micro electronics and computers production amounted to 93.36 million units, a growth of 15.5%. The Management is of the view that given the ongoing boom of the macro economics in China, the continuous rise in the income level of urban and rural residents, and the current motor vehicle ownership per person of China still being far behind that of the world's average standard, the auto industry in China has entered into an era of scale. Die-casting machine, plastic injection moulding machine and CNC machine industries of China are presented with numerous opportunities for growth.

The Company was listed on The Stock Exchange of Hong Kong Limited on 16 October 2006

PT160 Plastic Injection Moulding Machine

During the year under review, the Group developed and conducted trial production of over 20 new models, including cold chamber die-casting machines with clamping force of 4,000 tonnes and plastic injection moulding machines with clamping force of 2,200 tonnes, so as to complement and diversify its product portfolio and cater for the customised needs of its customers, and provide more choices for the customers to satisfy the requirements of various industries and products. At the same time, direct clamp plastic injection moulding machines have also been launched to the market while trial production for all electric injection moulding machines has commenced, and is expected to launch in the year. Market demand for the Group's magnesium alloy die-casting machines increased, while its CNC machines are increasingly accepted by its customers.

In the meantime, the Group established a new research and development centre in Taiwan for the research and development of CNC machines, direct clamp and all electric injection moulding machines. The Management believes that Taiwan has an adequate supply of experienced research and development talents and that products developed by the new research and development centre will enjoy benefit in export market. It is expected that the CNC machines, direct clamp injection moulding machines and all electric injection moulding machines will generate business growth for the Group in the future.

In order to explore new markets and respond to future growth, the Group established two new companies in Tianjin and Chongqing during the year, and set up sales and service offices in southwestern, eastern and southern regions of China, increasing the number of offices and liaison points in China from 39 during listing to currently 45. In addition to group companies in the United States, Canada and Taiwan which are responsible for the sales of its products, the Group also engaged 22 sales agents in America, Europe and Asia.

The newly established sales offices and agents will enable the Group to provide better product application training, technical consulting, after-sales services and general consulting services to customers in these regions, and is beneficial to the Group in terms of its penetration in these regions. Following years of development and nurture, the Group's products are increasingly acknowledged by customers in the overseas market, and the return on investment of the Group to the overseas market will gradually materialise. The Group is also actively exploring emerging markets so as to enhance the overall performance of the Group. It is expected that the proportion of overseas sales to the Group's revenue will increase in the coming years.

DCC 3000 Cold Chamber Die-casting Machine

Management Discussion and Analysis *(Continued)*

The Manufacturing Plant in Zhongshan

PT650 Plastic Injection Moulding Machine

PROSPECTS

Looking forward, the Management acknowledges that as overseas manufacturers penetrate the domestic markets through establishing assembly plants in China, while domestic manufacturers are upgrading their technologies, competition in the die-casting machine, plastic injection moulding machine and CNC machines industries will intensify. Facing the increasing competition in the industries, the Group will accelerate its product development, expand its production capacity and exercise costs control measures.

The three main product categories of the Group, namely die-casting machines, plastic injection moulding machines and CNC machines, will gradually structure a favourable revenue stream. Since these three categories share the same production facilities, when the production capacity is fully utilised, the Group will be able to benefit from cost efficiency and economy of scale. Leveraging on the Group's promising development in new products and overseas market, as well as the further enhancement of production capacity and the improvement in cost controls, given that the machinery manufacturing industry in China continues to boom, the Management believes the Group's solid foundation in the market will enable the Group to capture the market growth potential favourably.

In the meantime, the Group will take measure to improve cost structure by means of integration of upstream and downstream businesses and enhancement of internal control.

The Group has made incessant effort in enhancing staff training and provide appropriate remuneration packages to its staff, so as to build an efficient team spirit and achieve sustained business growth with the joint efforts of its staff.

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. In October 2006, the Group received net proceeds of HK$252.5 million from the initial public offering. As at 31 March 2007, the Group's cash and bank balances amounted to approximately HK$259.6 million (2006: HK$65.4 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 41% (2006: 74%). Such decrease was mainly a result of the net proceeds received from the initial public offering during the year.

As at 31 March 2007, the total assets of the Group were HK$1,383.1 million, representing an increase of approximately 30.7% as compared with a year ago. The Group maintained a strong and healthy financial position.

For the year ended 31 March 2007, the Group's net cash generated from operating activities amounted to HK$106.5 million, compared to net cash used of HK$29.2 million in 2006. The change was mainly due to the increase in trade payables and decrease in amounts due from related parties.

As at 31 March 2007, the Group's average trade receivables turnover was 101 days (2006: 83 days). Average trade payables turnover was 100 days (2006: 96 days). Average inventory turnover was 154 days (2006: 141 days).

As at 31 March 2007, the capital structure of the Company was constituted exclusively of 1,000,000,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$307.8 million (2006: HK$352.9 million), over 80% of which being short-term loans. Approximately 45% of the total borrowings were subject to interests payable at fixed rates. During the year, the Group did not use any derivative instruments to hedge against foreign currency exposure or risks associated with interest rates risks as the Directors considered such exposure will not be significant.

Directors and Senior Management Profiles

DIRECTORS

Ms. Chong Siw Yin, aged 51, 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 19 years of management experience. Ms. Chong has attended secondary education.

Mr. Cao Yang, aged 40, 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 15 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 39, is an executive Director of the Company. He worked as an engineer in Jingyue Chinese Characters Computer Center from 1990 to 1992, 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 10 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, a member 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 Ying.

Mr. Chung Yuk Ming, aged 59, 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 25 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 Shougang Concord Grand (Group) Limited (previously known as Kader Investment Company Ltd.), 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 a council member 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.

Dr. Low Seow Chay, aged 57, 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 25 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.

Directors and Senior Management Profiles *(Continued)*

Dr. Hon. Lui Ming Wah, SBS, JP, aged 69, 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 executive committee member 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 (CPPCC), a standing committee member of the Shandong Committee of CPPCC 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 53, 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 54, 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 20 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.

Mr. Liu Chee Ming, aged 56, was appointed as an independent non-executive Director of the Company in December 2004. He is and has been the Managing Director of Platinum Holdings Company Limited since 1996. Mr. Liu has over 29 years of experience within the financial services sector. He worked for various Jardine Fleming entities for over 17 years in senior level positions. Between 1988 to 1995, he served as a Member of the Executive Committee and the Head of Investment Banking for Jardine Fleming Holdings Limited. He holds a Bachelor of Business Administration from the former University of Singapore.

SENIOR MANAGEMENT

Mr. Chan Kwok Keung, aged 41, 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 15 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. Dong Jian Guo, aged 37, is the general manager of Fuxin L.K. Northern Machinery Co. Ltd. He joined the Group in July 1994 and is currently responsible for the production, sales, marketing and operation of Fuxin L.K. Northern Machinery Co. Ltd., before which he was once served as a production supervisor of L.K. Machinery (Shenzhen) Co. Ltd., plant manager of Shanghai Atech Machinery Co., Ltd. and Shenzhen Leadwell Technology Co. Ltd. He has over 11 years of experience in assembling, quality control, production coordination and marketing. Mr. Dong holds a diploma in accounting and computerised computation from Changchun Institute of Optometry and Machinery.

Mr. Lai Hau Yin, aged 39, is the group financial controller of the Group. He joined the Group in September 2002 as financial controller of L.K. Machinery Company Limited and is responsible for the strategic planning, the finance and accounting functions of the Group. He has over 14 years of experience in audit and accounting. Mr. Lai is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the Australian Society of Certified Practicing Accountant. He graduated from Deakin University of Australia with a bachelor degree in Business, European University of Ireland with a master degree in Business Administration, and West Coast Institute of Management & Technology of Australia with a master degree in Business Administration. Prior to joining the Group, Mr. Lai was the project controller of Carry Wealth Holdings Limited, a public listed company in Hong Kong.

Mr. Li Pin Zhang, aged 45, 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 15 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. Te Yi Ming, aged 44, 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 15 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 39, 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 11 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 39, 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 12 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.

Directors and Senior Management Profiles *(Continued)*

Ms. Wong Pui Chun, aged 48, is the general manager of L.K. Machinery International Limited. She joined the Group in April 2006 and has over 19 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 (佛山市南海太平地毯有限公司).

Mr. Yang Yi Zhong, aged 63, 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 33 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.

Corporate Governance Report

The Company is committed to maintaining good corporate governance standards which are essential for the development of the Company and the enhancement of shareholders' value. The Board of Directors has set up procedures on corporate governance that comply with the requirements of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. During the year, the Company has complied with all code provisions set out in the Code.

BOARD OF DIRECTORS

The Company is led by a board which comprises nine Directors. Four of the Directors are Executive Directors and five of the Directors are Independent Non-executive Directors. They are collectively responsible for promoting the success of the Company. 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. All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. They have brought independent judgment and provided the Company with invaluable guidance and advice on the Group's development. 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.

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. 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.

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. 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 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 *(Continued)*

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	4/4	–	–	–
Mr. Cao Yang	4/4	–	–	–
Mr. Liu Zhao Ming	4/4	–	–	–
Mr. Chung Yuk Ming	4/4	–	–	–
Independent Non-executive Directors				
Dr. Low Seow Chay	4/4	–	2/2	–
Dr. Lui Ming Wah	3/4	6/6	–	2/2
Mr. Tsang Yiu Keung, Paul	4/4	6/6	–	2/2
Mr. Chan Wah Tip, Michael	4/4	6/6	2/2	–
Mr. Liu Chee Ming	3/4	–	2/2	2/2

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Liu Chee Ming, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul. Mr. Liu Chee Ming 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. 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 reference of the committee. 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 Mr. Liu Chee Ming. 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 review the terms of reference of the committee. 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 2007, the Audit Committee held six 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 with recommendations 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 the internal control review report and findings from the external consultant.

Auditors' Remuneration

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

	Fee paid/payable
	HK$'000
Audit services	2,369
Non-audit services	603
	2,972

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.

Corporate Governance Report *(Continued)*

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 2007.

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 pages 26 and 27.

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 IAD's functions and responsibilities include, among others, formulating audit plan, reviewing monthly management accounts, preparing and performing audit field work, preparing monthly and quarterly audit summary reports. 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 quarterly works done and findings made by the department. The IAD is required to incorporate recommendations from the Audit Committee into the workflow or procedures of the IAD. Monthly reports and quarterly reports are prepared by the IAD and submitted to the Audit Committee. When the IAD identifies any irregularities, they will report them to the Audit Committee and depending on the nature of the irregularities, recommend corresponding precautionary measures.

In addition, the Company engaged an independent CPA firm Grant Thornton, to carry out a review of the Group's internal controls during the year that include the corporate governance practices and certain key business processes. The engagement of Grant Thornton has enhanced 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 chairman of other Board committees will attend the annual general meeting. 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 continues to promote investor relations. During the year, meetings were held with financial analysts, fund managers and potential investors to help them better understand the Group's operations and developments.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2007.

GROUP REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 August 2004. Pursuant to a corporate reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 23 September 2006.

Details of the corporate reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 29 September 2006 (the "Prospectus").

The shares of the Company were listed on the Stock Exchange since 16 October 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated income statement on page 28.

An interim dividend of HK1.8 cents per share was paid to the shareholders on 23 January 2007. The Directors now recommend the payment of a final dividend of HK2.0 cents per share to shareholders whose names appear on the register of members of the Company on 28 August 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the consolidated financial statements.

Directors' Report *(Continued)*

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. Such proceeds had been partially utilised during the year ended 31 March 2007 in accordance with the proposed use of proceeds allocation set out in the Prospectus as follows:

(i) approximately HK$75.2 million for repayment of loans;

(ii) approximately HK$10.5 million for general working capital for the Group;

(iii) approximately HK$6.3 million for expansion of production capacity; and

(iv) approximately HK$2.6 million for the expansion of the Group's sales network in the PRC.

As at 31 March 2007, the remaining balance of the net proceeds had been deposited with licensed banks in Hong Kong and the People's Republic of China.

DONATIONS

During the year, the Group made charitable or other donations totaling HK$323,000.

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 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2007, the Company's reserves available for distributions to shareholders of the Company were HK$253.6 million, representing share premium of HK$222.1 million, share option reserve of HK$10.3 million, dividend reserve of HK$20.1 million and retained profits of HK$1.1 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 84.

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

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

The biographical details of the Directors are set out on page 7 to page 8 of this annual report.

In accordance with Article 87 of the Company's Articles of Association, all the Directors retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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, Mr. Chan Wah Tip, Michael and Mr. Liu Chee Ming have been appointed for a term of three years commencing on 4 September 2004, 4 September 2004, 4 September 2004, 24 September 2004 and 20 December 2004 respectively. 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 Transactions" below and note 27 to the consolidated financial statements.

Directors' Report *(Continued)*

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2007, 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 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 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	75%
	the Company	Beneficial owner	3,000,000[2] Long position	0.3%
Mr. Cao Yang	the Company	Beneficial owner	3,000,000[2] Long position	0.3%
Mr. Liu Zhao Ming	the Company	Beneficial owner	3,000,000[2] Long position	0.3%
Mr. Chung Yuk Ming	the Company	Beneficial owner	3,000,000[2] Long position	0.3%

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 2007, 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	75%
Mr. Liu	See Note [2]	750,000,000[2] Long position	75%
		3,000,000[2] Long position	0.3%
Fullwit	See Note [1]	750,000,000[1] Long position	75%
HSBC International Trustee Limited	See Note [3]	750,000,000[3] Long position	75%
The Hamon Investment Group Pte Limited	Investment manager	60,692,500 Long position	6.07%

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.

Directors' Report *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

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. Details of the options granted under the Pre-IPO Share Option Scheme during the period from 23 September 2006 (being the date of adoption of the Pre-IPO Share Option Scheme) to 31 March 2007 were as follows:

				Number of shares subject to options		
Name/category of participant	**Date of grant**	**Exercise price HK$**	**Exercise period**	**As at 23 September 2006**	**Lapsed/ exercised during the period**	**Outstanding as at 31 March 2007**
The Directors						
Ms. Chong	23 September 2006	0.666	16 April 2007 – 15 October 2016	3,000,000	–	3,000,000
Mr. Cao Yang	23 September 2006	0.666	16 April 2007 – 15 October 2016	3,000,000	–	3,000,000
Mr. Liu Zhao Ming	23 September 2006	0.666	16 April 2007 – 15 October 2016	3,000,000	–	3,000,000
Mr. Chung Yuk Ming	23 September 2006	0.666	16 April 2007 – 15 October 2016	3,000,000	–	3,000,000
				12,000,000		12,000,000
Others Employees	23 September 2006	0.666	16 April 2007 – 15 October 2016	24,800,000	–	24,800,000
				36,800,000		36,800,000

SHARE OPTION SCHEMES *(Continued)*

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 was registered with the Registrar of Companies in Hong Kong.

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 37 to the consolidated financial statements.

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

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.

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 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;

Directors' Report *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

A. Pre-IPO Share Option Scheme *(Continued)*

(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 following restrictions on the exercise of the options granted to him/her:

Period (as from 16 October 2006, being 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%

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 (e) 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.

SHARE OPTION SCHEMES *(Continued)*

B. The Share Option Scheme *(Continued)*

(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) *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.

(f) *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.

Directors' Report *(Continued)*

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.

CONNECTED TRANSACTION

On 29 November 2006, Shenzhen Leadwell Technology Co. Ltd., a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Gaoyao Hongtai Precision Die-Casting Company Limited ("Gaoyao Hongtai") in relation to the sale of cold chamber die-casting machines and accessories to Gaoyao Hongtai at a consideration of approximately HK$3,875,000. The details of the transaction were as disclosed in the Company's announcement dated 1 December 2006. Gaoyao Hongtai is 40% owned by Girgio.

CONTINUING CONNECTED TRANSACTION

A related party transaction as disclosed in note 27 to the consolidated financial statements and below also constituted a connected transaction under the Listing Rules which are 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 three years from 1 September 2006 to 31 August 2008 at a monthly rental of HK$93,000. Relevant disclosure had been made by the Company in the Prospectus dated 29 September 2006. During the year, the rentals paid to Wheelfit amounted to HK$1,116,000.

STAFF AND REMUNERATION POLICIES

As at 31 March 2007, the Group employed approximately 3,700 full time staff. The staff costs for current year amounted to HK$170.7 million (2006: HK$123.3 million). The remuneration policies of the Group are determined based on market trends, future plans and the performance of individuals. In addition, the Group also provides to staff other staff benefits such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual 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 2007.

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.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

Included in the Group's total banking facilities as at 31 March 2007 were banking facilities provided by a bank to a subsidiary of the Company in an aggregate amount of approximately HK$85.5 million, of which approximately HK$28.7 million was utilised. The credit facilities are subject to review at any time by the bank and require an undertaking from Mr. Liu Siong Song not to pledge 37,500,000 shares indirectly owned by him in the Company after its successful public listing in the stock market to other financial institutions without the bank's consent.

By order of the Board
Cao Yang
Chief Executive Officer

Hong Kong, 19 July 2007

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
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德豪嘉信會計師事務所有限公司
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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 28 to 83, which comprise the consolidated and Company balance sheets as at 31 March 2007, 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 consolidated 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 consolidated 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 2007 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, 19 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	**969,375**	851,519
Cost of sales		**(661,995)**	(564,407)
Gross profit		**307,380**	287,112
Other revenue	5	**15,690**	26,317
Other gains/(losses)	5	**8,616**	6,913
Selling and distribution expenses		**(108,434)**	(79,092)
Administration expenses		**(141,377)**	(109,057)
Profit from operations	6	**81,875**	132,193
Finance income	8	**4,668**	783
Finance costs	8	**(17,245)**	(15,100)
Finance costs – net	8	**(12,577)**	(14,317)
Profit before income taxes		**69,298**	117,876
Income taxes	9	**(9,023)**	(10,260)
Profit for the year attributable to equity holders of the Company		**60,275**	107,616
Dividends	10	**18,000**	–
		HK cents	HK cents
Earnings per share	11		
– basic		**7.0**	14.3
– diluted		**6.9**	N/A

Consolidated Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Intangible assets	12	**3,187**	3,220
Property, plant and equipment	13	**356,030**	335,221
Investment properties	14	**18,700**	17,219
Land use rights	15	**34,289**	31,722
Available-for-sale financial assets	16	**950**	1,216
Deferred tax assets	17	**12,096**	7,364
Bills and accounts receivable — due after one year	18	**932**	4,148
Restricted bank balances	19	**3,943**	1,969
		430,127	402,079
Current assets			
Inventories	20	**353,546**	205,964
Bills and accounts receivable	18	**290,267**	243,567
Other receivables, prepayments and deposits	21	**26,315**	26,664
Amounts due from related entities	27(c)	**–**	95,625
Restricted bank balances	19	**23,243**	18,482
Cash and bank balances	22	**259,629**	65,435
		953,000	655,737
Current liabilities			
Bills and accounts payable	23	**219,759**	142,010
Other payables, deposits and accruals	24	**100,433**	83,968
Amount due to holding company	27(d)	**–**	109
Bank borrowings — due within one year	25	**258,349**	261,282
Tax payable		**2,570**	4,916
		581,111	492,285
Net current assets		**371,889**	163,452
Total assets less current liabilities		**802,016**	565,531
Non-current liabilities			
Bank borrowings — due after one year	25	**49,402**	91,589
Net assets		**752,614**	473,942
EQUITY			
Share capital	26	**100,000**	10,000
Reserves		**652,614**	463,942
Equity attributable to the Company's equity holders		**752,614**	473,942

Approved by the Board of Directors on 19 July 2007 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive director

Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	34	**65,000**	–
Current assets			
Amounts due from subsidiaries	35	**128,549**	–
Cash and bank balances		**162,563**	–
		291,112	–
Current liabilities			
Other payables, deposits and accruals		**2,482**	585
Amount due to a subsidiary	35	**–**	1,456
		2,482	2,041
Net current assets/(liabilities)		**288,630**	(2,041)
Net assets/(liabilities)		**353,630**	(2,041)
EQUITY			
Share capital	26	**100,000**	–
Reserves	36	**253,630**	(2,041)
Equity attributable to the Company's equity holders		**353,630**	(2,041)

Approved by the Board of Directors on 19 July 2007 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 2007

	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$'000 (Note ii)	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	10,000	–	–	67,809	–	1,469	46,308	(209)	2,200	–	234,234	361,811
Exchange realignment	–	–	–	–	–	4,971	–	–	–	–	–	4,971
Loss on available-for-sale financial assets	–	–	–	–	–	–	–	(456)	–	–	–	(456)
Gain/(loss) recognised in equity	–	–	–	–	–	4,971	–	(456)	–	–	–	4,515
Profit for the year	–	–	–	–	–	–	–	–	–	–	107,616	107,616
Total recognised income/(expense) for the year	–	–	–	–	–	4,971	–	(456)	–	–	107,616	112,131
Capitalisation of statutory reserve of a subsidiary as paid up capital	–	–	–	962	–	–	(962)	–	–	–	–	–
Transfer to reserve	–	–	–	–	–	–	6,803	–	–	–	(6,803)	–
Proposed dividends of group companies to then equity holders	–	–	–	–	–	–	–	–	–	43,000	(43,000)	–
	–	–	–	962	–	4,971	5,841	(456)	–	43,000	57,813	112,131
At 31 March 2006	10,000	–	–	68,771	–	6,440	52,149	(665)	2,200	43,000	292,047	473,942

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 March 2007

	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$'000 (Note ii)	Investment revaluation reserve HK$'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 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 to then equity holders	–	–	–	–	–	–	–	–	–	(43,000)	–	(43,000)
Dividends paid (Note 10)	–	–	–	–	–	–	–	–	–	–	(18,000)	(18,000)
Proposed dividends (Note 10)	–	–	–	–	–	–	–	–	–	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**

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 2007

	2007 HK$'000	2006 HK$'000
Cash flows from operating activities		
Profit before income taxes	**69,298**	117,876
Adjustments for:		
Bank interest income	**(4,668)**	(783)
Interests on bank borrowings	**17,245**	15,100
Amortisation of trademark	**49**	48
Amortisation of land use rights	**634**	612
Depreciation of property, plant and equipment	**44,832**	32,273
Reversal of write down of inventories	**(3,568)**	(2,458)
(Reversal of impairment loss)/impairment loss on accounts receivable	**(7,632)**	6,663
Reversal of impairment loss on amounts due from related companies	**(1,981)**	–
Share-based payments	**10,281**	–
Losses/(gains) on disposals of property, plant and equipment	**375**	(60)
Effect of foreign exchange rates changes	**(5,214)**	844
Increase in fair value of investment properties	**(1,292)**	(1,830)
Reversal of impairment loss on amounts due from fellow subsidiaries	**–**	(133)
Gain on disposal of subsidiaries	**–**	(915)
Impairment loss on available-for-sale financial assets	**–**	93
Operating profit before changes in working capital	**118,359**	167,330
(Increase)/decrease in inventories	**(144,014)**	25,446
Increase in bills and accounts receivable	**(35,852)**	(109,427)
Decrease/(increase) in other receivables, prepayments and deposits	**7,486**	(3,488)
Decrease/(increase) in amounts due from related companies	**87,890**	(9,901)
Increase/(decrease) in bills and accounts payable	**77,749**	(12,560)
Increase/(decrease) in other payables, deposits and accruals	**18,529**	(3,989)
Decrease/(increase) in amounts due from fellow subsidiaries	**9,716**	(3,502)
Decrease in amounts due to fellow subsidiaries	**–**	(55,677)
Cash generated from/(used in) operations	**139,863**	(5,768)
Tax paid	**(16,101)**	(8,310)
Interest paid	**(17,245)**	(15,100)
Net cash from/(used in) operating activities	**106,517**	(29,178)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(53,779)**	(46,994)
Deposit for acquisition of land use rights		**(7,137)**	–
Increase in restricted bank balances		**(6,735)**	(1,424)
Payment for land use rights		**(1,933)**	–
Proceeds from disposals of property, plant and equipment		**1,508**	2,252
Interest received		**4,668**	783
Partial settlement of the cash consideration for acquisition of a business		**(2,064)**	(5,181)
Payment for construction in progress		**–**	(66,241)
Disposal of subsidiaries	28(a)	**–**	(247)
Net cash used in investing activities		**(65,472)**	(117,052)
Financing activities			
Proceeds from issue of shares		**277,500**	–
Share issue costs		**(20,432)**	–
Inception of new bank loans		**269,209**	309,895
Repayment of bank loans		**(318,872)**	(166,555)
Net increase in trust receipt loans		**9,135**	2,172
Dividends paid to then equity holders of group companies		**(43,000)**	–
Dividends paid		**(18,000)**	–
(Decrease)/increase in amount due to holding company		**(109)**	1,270
Net cash from financing activities		**155,431**	146,782
Net increase in cash and cash equivalents		**196,476**	552
Effect of foreign exchange rates changes		**2,310**	523
Cash and cash equivalents at beginning of year		**60,843**	59,768
Cash and cash equivalents at end of year		**259,629**	60,843
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		**259,629**	65,435
Bank overdrafts		**–**	(4,592)
		259,629	60,843

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

1. GENERAL INFORMATION

L.K. Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 August 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. Pursuant to a corporate reorganisation (the "Corporate Reorganisation") in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was completed on 23 September 2006, the Company acquired all of the equity interests in Best Truth Enterprises Limited, World Force Limited and Cyberbay Pte Ltd.. Details of the Corporate Reorganisation are set out in section 4 headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 29 September 2006 (the "Prospectus").

The ultimate holding company of the Company is Girgio Industries Ltd., a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section to the annual report.

The Company's shares have been listed on the Stock Exchange since 16 October 2006.

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

These consolidated financial statements have been prepared on consolidated basis as prescribed by the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year ended 31 March 2007 include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 March 2007, or since their respective dates of incorporation/establishment, where this is a shorter period. The consolidated balance sheet as at 31 March 2007 has been prepared to present the assets and liabilities of the companies now comprising the Group as the current group structure resulting from the Corporate Reorganisation was completed on 23 September 2006.

The comparative amounts in the consolidated financial statements are presented on the same basis.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new standards, amendments or interpretations had no material effect on how the results and financial positions for the current or prior accounting periods are prepared and presented. Accordingly no prior year adjustment has been made.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which includes all applicable Hong Kong Accounting Standards ("HKAS") and Interpretations ("INT")) and have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair values.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of the financial statements in accordance with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ from those 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 4.

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

(a) Basis of Consolidation

The consolidated financial statements include 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.

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date of cessation.

All significant intra-group transactions and balances between the group companies are eliminated.

(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.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of Consolidation *(Continued)*

(ii) Business combinations other than common control combinations

Except for the merger accounting for the Corporate Reorganisation, the purchase method of accounting is used to account for the acquisition of subsidiaries 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.

(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 net assets of an entity or business acquired, the difference (i.e. negative goodwill) is recognised directly in the income statement.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business.

Revenue from goods sold 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) Employee benefits

(i) Pension schemes

The Group operates two retirement benefit schemes in Hong Kong, namely a Mandatory Provident Fund Scheme (the "MPF Scheme") and a defined contribution retirement benefit scheme (the "ORSO Scheme") as defined in the Occupational Retirement Schemes Ordinance, for all of its eligible employees in Hong Kong.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Employee benefits *(Continued)*

(i) Pension schemes (Continued)

Under the MPF Scheme, contributions of 5% of the employees' relevant income are made by each of the employer and the employees subject to a cap of HK$1,000. The employer's contributions are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The employer's contributions vest fully with the employees when they are contributed into the MPF Scheme. Employees joining the Group after 1 December 2000 are only eligible for participating in the MPF Scheme.

Under the ORSO Scheme, contributions of 5% of the employees' basic salaries are made by each of the employer and the employees. The employer's contributions are charged to the income statement as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the employer's contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

The employees of the Group's subsidiaries established in the PRC are required to participate in a government-regulated defined contribution pension scheme. These subsidiaries are required to contribute a certain percentage of the payroll costs to the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the pension scheme.

The employer's contributions to relevant retirement schemes for the employees of the Group's subsidiaries in other countries are charged to the income statement as they become payable in accordance with the local requirements.

(ii) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employees fulfill certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that employees have earned in return for their service in the current and prior periods. A provision is made for the estimated liability of long service payments calculated net of expected reduction from benefits available from pension schemes.

(iii) Other employee entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and other non-accumulating compensated absences are not recognised until the time of leave.

(e) Research and development costs

Research and development costs comprise all costs of materials, direct labour and an appropriate proportion of overheads that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Research and development costs *(Continued)*

All research costs are charged to income statement as incurred.

Expenditure on development activities is capitalised only if the product or process is clearly defined, technically and commercially feasible, the attributable expenditure is separately identifiable and the Group has sufficient resources and intention to complete the development. Development costs that do not meet the above criteria are recognised as expenses as incurred. During the year, no development costs have been capitalised.

(f) 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.

(g) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants 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. Grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the asset. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

Investment properties are land and/or buildings which are held to earn rentals and/or for capital appreciation. These include land and buildings held for a currently undetermined future use. Investment properties are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement for the year in which they arise.

(i) Property, plant and equipment

Land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the 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 stated as finance lease and included in 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:

Buildings situated on leasehold land	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 and useful lives 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment *(Continued)*

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.

(j) Trademark

Trademark is measured initially at purchase cost and is subsequently amortised on a straight line basis over its estimated useful life of ten years less impairment loss, if any.

(k) 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.

(l) 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.

(m) 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.

(n) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. The accounting policies adopted for specific financial assets and financial liabilities are set out below:

Bills and accounts receivable, other receivables and amounts due from related entities

Bills and accounts receivable, other receivables and amounts due from related entities are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate impairment loss on an account receivable is recognised in income statement when there is objective evidence that the asset is impaired. The impairment loss recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

These investments are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement. Impairment losses recognised in income statement for these investments are not subsequently reversed through income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bills and accounts payable, other payables and amounts due to related entities

Bills and accounts payable, other payables and amounts due to related entities are initially measured at fair values and are subsequently measured at amortised cost, using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

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 carrying amount of the financial asset and the sum of the consideration received and cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Foreign currencies

The individual financial statements of each group companies are presented in the currency of the primary economic environment in which the 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.

(p) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of tangible and intangible assets excluding goodwill *(Continued)*

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Borrowing costs

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

(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 released to retained profits.

(t) Financial guarantees

A financial guarantee (a type of insurance contract) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial guarantees *(Continued)*

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

(u) 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.

Potential impact of amendments, new accounting standards and interpretations issued but not yet effective

The Group has not yet applied the following new or amended HKFRS, HKAS and INT that have been issued but are not yet effective for the year ended 31 March 2007. The directors of the Company are in the process of making assessment of what the impact of these amendments, new standards and new interpretations are expected to be in the period of initial application. So far the directors have concluded that the adoption of them is not expected to have a significant impact on the Group's results of operations and financial position.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – INT 8	Scope of HKFRS2	1 May 2006
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – INT 12	Service Concession and Arrangements	1 January 2008

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Inventories

Note 3(m) 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 review 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 need to be made in respect of any obsolete and defective inventories identified.

Bills and Accounts Receivable

Note 3(n) 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. Appropriate 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 a low level. The level of 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 the aging of the debts and the likelihood of collection.

5. TURNOVER, OTHER REVENUE, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION

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

	2007 HK$'000	2006 HK$'000
Turnover		
Sales of machines and related accessories, net of returns and discounts	**969,375**	851,519
Other revenue		
Rental income	**1,692**	1,601
Other subsidies from government	**3,209**	4,245
Value added tax refunded	**8,411**	18,063
Sundry income	**2,378**	2,408
	15,690	26,317
Other gains/(losses)		
Exchange gains, net	**7,699**	1,328
(Losses)/gains on disposals of property, plant and equipment	**(375)**	60
Increase in fair value of investment properties	**1,292**	1,830
Gain on disposal of subsidiaries	**–**	915
Gain on resale of plant and equipment to related companies	**–**	2,780
	8,616	6,913
	993,681	884,749

Primary reporting format – Business segments

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

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

Secondary reporting format – Geographical segments

The Group primarily operates in Hong Kong and the PRC. Sales are 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 turnover and other revenue, assets and capital expenditure information for the Group's geographical segments.

	2007 HK$'000	2006 HK$'000
Turnover and other revenue		
The PRC	**881,173**	793,431
Other countries	**103,892**	84,405
	985,065	877,836

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

5. TURNOVER, OTHER REVENUE, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – Geographical segments *(Continued)*

	2007 HK$'000	2006 HK$'000
Location of assets		
The PRC	**1,138,385**	973,051
Hong Kong	**199,186**	48,111
Other countries	**33,460**	29,290
Total segment assets	**1,371,031**	1,050,452
Deferred tax assets	**12,096**	7,364
Total assets	**1,383,127**	1,057,816

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

	2007 HK$'000	2006 HK$'000
Capital expenditure		
The PRC	**50,781**	112,736
Hong Kong	**4,101**	401
Other countries	**830**	98
	55,712	113,235

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

6. PROFIT FROM OPERATIONS

	2007 HK$'000	2006 HK$'000
Profit from operations has been arrived at after charging/(crediting):		
Share-based payments	**10,281**	–
Other staff costs	**153,334**	119,298
Contributions to defined contribution plans	**7,117**	3,980
Total staff costs	**170,732**	123,278
Amortisation of:		
– Trademark	**49**	48
– Land use rights	**634**	612
Depreciation of property, plant and equipment	**44,832**	32,273
Total amortisation and depreciation	**45,515**	32,933
Research and development costs	**19,568**	13,445
Less: Government grants	**(400)**	(961)
Net research and development costs	**19,168**	12,484
Auditors' remuneration		
Audit fees	**1,680**	1,110
Underprovision of audit fees in prior year	**689**	–
Others	**603**	–
	2,972	1,110
Cost of sales	**661,995**	564,407
(Reversal of impairment loss) /impairment loss on accounts receivable	**(7,632)**	6,663
Reversal of impairment loss on amounts due from related companies	**(1,981)**	–
Reversal of write down of inventories	**(3,568)**	(2,458)
Gross rental income from investment properties*	**(1,692)**	(1,088)
Less: Direct operating expenses from investment properties that generated income during the year	**90**	69
	(1,602)	(1,019)
Gross rental income from other properties	**–**	(513)
Increase in fair value of investment properties	**(1,292)**	(1,830)
Gain on disposal of subsidiaries	**–**	(915)
Losses/(gains) on disposals of property, plant and equipment	**375**	(60)

* All investment properties were rented out for rental income during the years ended 31 March 2006 and 2007.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of individual director 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 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
Year ended 31 March 2006						
Executive directors						
Chong Siw Yin	–	2,521	–	12	–	2,533
Cao Yang	–	758	404	21	–	1,183
Liu Zhao Ming	–	406	173	14	–	593
Chung Yuk Ming	–	1,134	300	12	–	1,446
	–	4,819	877	59	–	5,755
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	4,819	877	59	–	6,865

No directors of the Company waived any emoluments for the year ended 31 March 2007 (2006:Nil).

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Number of individuals	
	2007	2006
Directors	**4**	3
Non-directors	**1**	2
	5	5

The emoluments payable to the non-director individuals were as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other allowances	**361**	1,088
Discretionary bonuses	**550**	1,191
Retirement scheme contributions	**49**	45
Share-based payments	**559**	–
	1,519	2,324

The emoluments of the non-director individuals fell within the following bands:

	Number of individuals	
	2007	2006
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	–

8. FINANCE COSTS – NET

	2007	2006
	HK$'000	HK$'000
Finance income:		
Interest income on short-term bank deposits	**(4,668)**	(783)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**17,245**	15,100
	12,577	14,317

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

9. INCOME TAXES

	2007 HK$'000	2006 HK$'000
Current income tax		
– PRC current income tax	**14,534**	12,392
– Hong Kong Profits Tax	**–**	–
– Overprovision in prior years	**(996)**	(1,168)
	13,538	11,224
Deferred taxation (Note 17)	**(4,515)**	(964)
	9,023	10,260

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 currently subject to income tax at rates ranging from 7.5% to 27% for the year (2006: 7.5% to 13.5%).

No Hong Kong Profits Tax has been provided for the years ended 31 March 2007 and 2006 as there were no assessable profits arose for both years.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for the year ended 31 March 2007 (2006:Nil).

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:

	2007 HK$'000	2006 HK$'000
Profit before income taxes	**69,298**	117,876
Applicable Hong Kong Profits Tax rate	**17.5%**	17.5%
Tax charge at Hong Kong Profits Tax rate	**12,127**	20,628
Effect of different or preferential tax rates applicable to other jurisdictions	**(8,080)**	(8,277)
Effect of non-taxable income	**(2,215)**	(2,640)
Effect of non-deductible expenses	**4,589**	124
Effect of changes in tax rates	**(2,741)**	–
Effect of unrecognised tax losses	**3,768**	869
Effect of other temporary differences not recognised	**139**	(758)
Write-down of unrecoverable deferred tax assets	**2,432**	–
Overprovision of Profits Tax in prior years	**(996)**	(1,168)
Others	**–**	1,482
Tax charge for the year	**9,023**	10,260

10. DIVIDENDS

Dividends recognised as distribution during the year:

	2007 HK$'000	2006 HK$'000
Interim dividends paid – HK1.8 cents per ordinary share (2006: Nil)	**18,000**	–

The Directors proposed a final dividend of HK2.0 cents per share (2006: Nil). The proposed final dividends totaling HK$20,110,000, calculated based on ordinary shares in issue at the date of approval of the financial statements by the Directors, is subject to the approval of shareholders at the forthcoming annual general meeting.

During the year ended 31 March 2007, dividends of HK$43,000,000 were paid by a subsidiary out of its retained profits to its then equity holders prior to the Corporate Reorganisation.

11. 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$60,275,000 (2006: HK$107,616,000) and on the weighted average number of approximately 864,384,000 (2006: 750,000,000) ordinary shares in issue during the year. In determining the number of ordinary shares in issue, a total of 650,000,000 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 as mentioned in note 26 were deemed to have been issued since 1 April 2005.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**60,275**	107,616
Weighted average number of ordinary shares in issue (shares in thousands)	**864,384**	750,000
Basic earnings per share (HK cents)	**7.0**	14.3

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

11. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share for the year ended 31 March 2007 is calculated 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.

	2007
Profit attributable to equity holders of the Company (HK$'000)	**60,275**
Weighted average number of ordinary shares in issue at 31 March (shares in thousands)	**864,384**
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (shares in thousands)	**3,355**
Weighted average number of ordinary shares (diluted) at 31 March (shares in thousands)	**867,739**
Diluted earnings per share (HK cents)	**6.9**

No diluted earnings per share for the year ended 31 March 2006 is presented as there was no potential dilutive shares in issue for that year.

12. INTANGIBLE ASSETS

	Group		
	Goodwill HK$'000	Trademark HK$'000	Total HK$'000
Cost			
At 1 April 2005	2,799	472	3,271
Exchange realignment	–	9	9
At 31 March 2006	2,799	481	3,280
Exchange realignment	–	19	19
At 31 March 2007	**2,799**	**500**	**3,299**
Amortisation			
At 1 April 2005	–	12	12
Amortisation during the year	–	48	48
At 31 March 2006	–	60	60
Exchange realignment	–	3	3
Amortisation during the year	–	49	49
At 31 March 2007	**–**	**112**	**112**
Net book value			
At 31 March 2006	2,799	421	3,220
At 31 March 2007	**2,799**	**388**	**3,187**

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

13. PROPERTY, PLANT AND EQUIPMENT

	Group						
	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 2005	115,163	24,567	11,952	161,430	16,338	22,048	351,498
Exchange realignment	2,165	472	226	2,888	240	357	6,348
Additions	2,417	66,241	871	30,642	6,937	6,127	113,235
Disposals	–	–	(2,210)	(3,360)	(1,762)	(1,775)	(9,107)
Disposal of subsidaries	–	–	–	(29)	(77)	(257)	(363)
Reclassification	65,365	(90,079)	3,153	20,099	1,462	–	–
At 31 March 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**
Accumulated depreciation							
At 1 April 2005	13,523	–	4,934	61,166	8,466	11,582	99,671
Exchange realignment	230	–	42	844	105	150	1,371
Charge for the year	5,146	–	2,183	17,720	3,316	3,908	32,273
Written back on disposals	–	–	(2,203)	(1,820)	(1,682)	(1,210)	(6,915)
Disposal of subsidaries	–	–	–	(1)	(2)	(7)	(10)
At 31 March 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**
Net book value							
At 31 March 2006	166,211	1,201	9,036	133,761	12,935	12,077	335,221
At 31 March 2007	**163,684**	**5,880**	**12,524**	**141,991**	**16,691**	**15,260**	**356,030**

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in note 31(i).

The cost of buildings of HK$3,337,000 as at 31 March 2006 and 2007 includes the cost of leasehold land situated in Hong Kong under a medium term lease which cannot practically be separated from the cost of buildings thereon.

14. INVESTMENT PROPERTIES

	Group
	Leasehold land and buildings HK$'000
At fair value	
At 1 April 2005	15,300
Exchange realignment	89
Increase in fair value during the year	1,830
At 31 March 2006	17,219
Exchange realignment	189
Increase in fair value during the year	1,292
At 31 March 2007	**18,700**

The investment properties comprise:

	Group	
	2007 HK$'000	2006 HK$'000
At fair value		
Leasehold land and buildings in Hong Kong under medium term leases	**8,850**	8,460
Leasehold land and buildings in the PRC under medium term leases	**9,850**	8,759
	18,700	17,219

One of the investment properties is pledged to secure bank borrowings of the Group as detailed in note 31(i).

The fair value of the investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out at that date by Messrs Sallmanns (Far East) Limited, independent professional surveyors and valuers not connected with the Group. The address of the valuers is 22nd Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

15. LAND USE RIGHTS

	Group
	HK$'000
Cost	
At 1 April 2005	33,889
Exchange realignment	651
At 31 March 2006	34,540
Exchange realignment	1,381
Additions	1,933
At 31 March 2007	**37,854**
Amortisation	
At 1 April 2005	2,165
Exchange realignment	41
Amortisation during the year	612
At 31 March 2006	2,818
Exchange realignment	113
Amortisation during the year	634
At 31 March 2007	**3,565**
Net book value	
At 31 March 2006	31,722
At 31 March 2007	**34,289**

The land use rights are held in the PRC under medium term leases of no longer than 50 years from the date of acquisition.

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in note 31(i).

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Investment in securities listed in Hong Kong, at fair value	**950**	1,216
Market value of listed securities in Hong Kong	**950**	1,216

17. DEFERRED TAX ASSETS

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and movements are as follows:

	Group					
	Unutilised tax losses HK$'000	Impairment losses and allowances HK$'000	Depreciation allowances HK$'000	Revaluation of investment properties HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 April 2005	320	4,551	1,437	(255)	347	6,400
Credit/(charge) to income statement	(315)	1,572	(317)	(300)	324	964
At 31 March 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**

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 27%) to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been adjusted during the year ended 31 March 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will re-assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

The Group has the following unutilised tax losses available for offsetting against future taxable profits which have not been recognised as deferred tax assets in the financial statements.

	Group	
	2007 HK$'000	2006 HK$'000
Tax losses expire		
Within 5 years	**20,742**	12,017
Over 5 years but within 10 years	**3,325**	10,836
Over 10 years but within 15 years	**–**	–
Over 15 years but within 20 years	**4,221**	–
Without expiry date	**9,560**	101
	37,848	22,954

The above tax losses have not been recognised as deferred tax assets as they are not probable to be utilised by the Group in the foreseeable future.

At the balance sheet date, the Company has no material unrecognised deferred taxation.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

18. BILLS AND ACCOUNTS RECEIVABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Gross accounts receivable	**286,721**	250,506
Less: Impairment losses	**(24,066)**	(32,475)
Accounts receivable, net	**262,655**	218,031
Bills receivable	**28,544**	29,684
Less: Balance due within one year included in current assets	**(290,267)**	(243,567)
Balance due after one year shown as non-current assets	**932**	4,148

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

The aging analysis of the gross accounts receivable based on invoice date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0-90 days	**133,794**	161,066
91-180 days	**68,531**	42,310
181-365 days	**41,614**	21,819
Over one year	**42,782**	25,311
	286,721	250,506

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Renminbi	**282,826**	228,175
Hong Kong dollars	**5,730**	23,112
United States dollars	**26,689**	28,817
Other currencies	**20**	86
	315,265	280,190

19. RESTRICTED BANK BALANCES

	Group	
	2007	2006
	HK$'000	HK$'000
Deposits placed in certain banks as collaterals against certain banking facilities	**27,186**	20,451
Less: Balance due within one year included in current assets	**(23,243)**	(18,482)
Balance due after one year shown as non-current assets	**3,943**	1,969

The banking facilities mainly represent 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 carry interest rates ranging from 0.72% to 4.1% per annum (2006: 0.72% to 3.78%).

20. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**160,744**	114,684
Work in progress	**111,343**	38,237
Finished goods	**95,419**	70,091
	367,506	223,012
Less: Write down of inventories	**(13,960)**	(17,048)
	353,546	205,964

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2007	2006
	HK$'000	HK$'000
Trade deposits	**5,329**	5,931
Sundry, rental and utility deposits	**859**	664
Deposits for acquisition of land use rights	**7,137**	–
Advances to staff for business purpose	**2,871**	3,181
Value added tax receivable	**2,207**	2,646
Prepayments for listing of the Company's shares	**–**	5,600
Other prepayments	**7,912**	8,642
	26,315	26,664

The carrying amounts of other receivables, prepayments and deposits were denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Renminbi	**22,223**	15,505
Hong Kong dollars	**1,113**	8,386
United States dollars	**1,753**	488
Other currencies	**1,226**	2,285
	26,315	26,664

22. 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. The bank balances carry interest rates ranging from 0% to 4.3% per annum (2006: 0% to 3.7%).

23. BILLS AND ACCOUNTS PAYABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Accounts payable	**202,433**	132,921
Bills payable	**17,326**	9,089
	219,759	142,010

The aging analysis of the accounts payable based on invoice date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0-90 days	**178,681**	112,923
91-180 days	**19,328**	13,102
181-365 days	**1,440**	4,526
Over one year	**2,984**	2,370
	202,433	132,921

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Renminbi	**199,591**	110,188
Hong Kong dollars	**14,042**	20,457
United States dollars	**5,412**	3,695
Other currencies	**714**	7,670
	219,759	142,010

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

24. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group	
	2007	2006
	HK$'000	HK$'000
Trade and other deposits	**48,911**	26,869
Accrued salaries, bonuses and staff benefits	**18,512**	18,288
Accrued sales commission	**13,969**	11,708
Value added tax payable	**987**	9,030
Outstanding consideration for acquisition of a business	**–**	2,064
Others	**18,054**	16,009
	100,433	83,968

The carrying amounts of other payables, deposits and accruals were denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Renminbi	**77,905**	67,095
Hong Kong dollars	**9,913**	7,852
United States dollars	**11,914**	8,585
Other currencies	**701**	436
	100,433	83,968

25. BANK BORROWINGS

The bank borrowings comprise:

	Group	
	2007	2006
	HK$'000	HK$'000
Secured:		
Bank loans	**74,500**	169,240
Trust receipt loans	**14,772**	5,637
Bank overdrafts	**–**	4,592
	89,272	179,469
Unsecured:		
Bank loans	**218,479**	173,402
	307,751	352,871

25. BANK BORROWINGS *(Continued)*

The maturity of the bank borrowings is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Repayable:		
Within one year	**258,349**	261,282
In the second year	**32,715**	40,083
In the third to fifth years inclusive	**16,687**	51,506
	307,751	352,871
Less: Amount due within one year included in current liabilities	**(258,349)**	(261,282)
Amount due after one year shown as non-current liabilities	**49,402**	91,589

The carrying amounts of the bank borrowings are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
Renminbi	**224,090**	185,385
Hong Kong dollars	**76,906**	157,395
Other currencies	**6,755**	10,091
	307,751	352,871

The bank borrowings comprise:

	Group	
	2007	2006
	HK$'000	HK$'000
Fixed rate borrowings	**138,090**	165,192
Floating rate borrowings	**169,661**	187,679
	307,751	352,871

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

	2007	2006
Fixed rate borrowings	**5.3% to 6.1%**	5% to 7.5%
Floating rate borrowings	**HIBOR plus a margin from 1% to 1.75%**	HIBOR plus a margin from 1% to 2.25%

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

26. SHARE CAPITAL

	Note	Number of ordinary shares of HK$0.1 each	Amount HK$'000
Authorised:			
Incorporation of the Company on 18 August 2004 and at 1 April 2005 and 2006	(i)	3,800,000	380
Increase on 16 September 2006	(iii)	2,996,200,000	299,620
At 31 March 2007		3,000,000,000	300,000
Issued and fully paid:			
Issued upon incorporation on 24 August 2004 and at 1 April 2005 and 2006	(ii)	1	–
Shares issued upon Corporate Reorganisation on 23 September 2006	(iv)	649,999,999	65,000
Shares issued by placing and public offer on 16 October 2006	(v)	250,000,000	25,000
Shares issued on capitalisation issue on 16 October 2006	(vi)	100,000,000	10,000
At 31 March 2007		**1,000,000,000**	**100,000**

The following changes in the Company's authorised and issued share capital took place during the period from 18 August 2004 (date of incorporation of the Company) to 31 March 2007.

Note:

(i) On 18 August 2004, the Company was incorporated with an initial authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each.

(ii) Pursuant to the first meeting of the sole director of the Company held on 24 August 2004, 1 share of HK$0.1 was allotted and issued nil paid ("Nil Paid Share") to a subscriber and the Nil Paid Share was transferred to Ms. Chong Siw Yin ("Ms. Chong"), a director and beneficial shareholder of the Company, on the same day. Following a call on the Nil Paid Share on 23 September 2006 by the Company, Ms. Chong fully paid up the Nil Paid Share which was credited as fully paid for cash at par on the same day.

(iii) 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.

(iv) Pursuant to the 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.

(v) 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.

26. SHARE CAPITAL *(Continued)*

Note: *(Continued)*

(vi) 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 holders of the shares whose names appeared on the register of members of the Company at the close of business on 29 September 2006, in proportion to their then existing shareholders of the Company.

For the purpose of these financial statements, the share capital of HK$10,000,000 as at 31 March 2006 represent the aggregate of the nominal value of the share capitals of the subsidiaries (Best Truth Enterprises Limited, World Force Limited and Cyberbay Pte Ltd.) to be acquired and directly held by the Company, and the share capital of L.K. Machinery Company Limited to be acquired by Best Truth Enterprises Limited pursuant to the Corporate Reorganisation.

27. 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
L.K. Industries Limited ("LKIL")	Indirectly wholly-owned by Girgio
Fairview Technology Limited ("Fairview Technology")	Indirectly wholly-owned by Girgio
Asia Automation Limited ("Asia Automation")	50% indirectly owned by Girgio up to 7 July 2005 80% indirectly owned by Girgio from 8 July 2005 to 17 November 2005 Asia Automation was disposed of on 18 November 2005 by Girgio
Shanghai Dragon Prosper Limited ("Shanghai Dragon Prosper")	70% indirectly owned by Girgio since 30 March 2006
Gaoyao Hongtai Precision Die-Casting Company Limited ("Gaoyao Hongtai")	40% indirectly owned by Girgio
Oriental Pan Pacific (Hong Kong) Limited ("OPP (HK)")	33.3% indirectly owned by Girgio up to 31 October 2006. Girgio disposed the entire interest in OPP (HK) on 1 November 2006

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

27. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Name of party	Relationship
Ortal Pan Pacific Metalware Manufacturing (Shenzhen) Company Limited ("OPP (PRC)")	Wholly-owned by OPP (HK)
Solari Automation (Shenzhen) Ltd. ("Solari Automation")	Wholly-owned by Asia Automation which was disposed of on 18 November 2005

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
Advance Tech Industries Limited ("Advance Tech") (Formerly known as L.K. Machinery (China) Limited)	Wholly-owned by Mr. Liu Siong Song
Key Point Limited ("Key Point")	Wholly-owned by Advance Tech
Shanghai Arays Hardware Manufacturing Co. Ltd. ("Shanghai Arays")	Wholly-owned by Advance Tech
Techno Star Limited ("Techno Star")	Wholly-owned by Advance Tech
Country Well Limited ("Country Well")	Wholly-owned by Advance Tech
Baotou Arays Wheel Co., Ltd. ("Baotou Arays")	80% owned by Key Point
Shanghai Chaosheng Mould Co. Ltd. ("Shanghai Chaosheng")	Wholly-owned by Techno Star
Goodlink Development Limited ("Goodlink")	Wholly-owned by Mr. Liu Siong Song
Shanghai L.K. Machinery Co. Ltd. ("LK Shanghai")	100% beneficially owned by Goodlink
Arays Auto USA, Inc. ("Arays Auto")	40% owned by Mr. Liu Siong Song 30% owned by the brother-in-law of Mr. Liu Siong Song
Wheelfit Investment Limited ("Wheelfit")	50% owned by Mr. Liu Siong Song

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

27. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group had the following transactions with its related parties, which are considered by the directors carried out in the ordinary and usual course of the Group's business:

		Group	
	Note	**2007 HK$'000**	2006 HK$'000
Sales of machines and related accessories or provision of services to:	(i)		
OPP (HK)		**1,822**	2,519
OPP (PRC)		**325**	681
Gaoyao Hongtai		**3,875**	15,914
Shanghai Arays		**37**	1,184
Baotou Arays		**–**	12,595
		6,059	32,893
Purchases of materials from:	(i)		
LK Shanghai		**2**	211
Purchases of valves from:	(i)		
Shanghai Arays		**746**	1,368
Resales of equipment which were purchased on behalf of:	(ii)		
Baotou Arays		**–**	15,095
Shanghai Arays		**–**	1,446
Key Point		**–**	10,282
		–	26,823
Operating lease rentals received from:	(i)		
OPP (PRC)		**398**	513
Yin Fat		**223**	425
Shanghai Dragon Prosper		**29**	10
		650	948
Operating lease rentals paid to:	(i)		
Wheelfit		**1,116**	1,116
Full Power		**315**	741
Arays Auto		**–**	120
		1,431	1,977

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

27. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group had the following transactions with its related parties, which are considered by the directors carried out in the ordinary and usual course of the Group's business: *(Continued)*

	Note	Group 2007 HK$'000	Group 2006 HK$'000
Recharge of electricity fee to:	(i)		
Shanghai Arays		**2,108**	2,750
OPP(PRC)		**745**	–
		2,853	2,750
Guarantees given by the Group for credit facilities granted to:	(iii)		
Shanghai Arays		**–**	39,000
Gaoyao Hongtai		**–**	11,538
		–	50,538
Amount of banking facilities of the Group guaranteed by:	(iv)		
LKIL		**–**	10,000
Mr. Liu Siong Song and LKIL		**–**	243,015
Mr. Liu Siong Song		**–**	119,708
		–	372,723
Disposal of subsidiaries at a nominal consideration to:	28(a)		
Fairview Technology		**N/A**	–

Other than the rentals paid to Wheelfit, the Group ceased transactions with other related entities during the year.

Note:

(i) The directors consider 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.

(ii) The equipment were resold to Baotau Arrays and Shanghai Arays at a total profit of HK$2,780,000 and to Key Point at cost during the year ended 31 March 2006.

(iii) The guarantees given by the Group for the credit facilities utilised by Shanghai Arays and Gaoyao Hongtai were released on 30 June 2006 and 21 September 2006 respectively.

27. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group had the following transactions with its related parties, which are considered by the directors carried out in the ordinary and usual course of the Group's business: *(Continued)*

Note: *(Continued)*

(iii) *(Continued)*

The particulars of the amounts of credit facilities utilised by Shanghai Arays and Gaoyas Hongtai as at 31 March 2006 were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Credit facilities utilised by		
Shanghai Arays	**N/A**	29,729
Gaoyao Hongtai	**N/A**	–

Maximum amount of facilities utilised prior to release of the guarantees during the year was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Shanghai Arays	**30,769**	33,351
Gaoyao Hongtai	**11,538**	–

The Group has not incurred any liability for the purpose of fulfilling the guarantees given by the Group.

(iv) During the year, the guarantees and undertakings given by Mr. Liu Siong Song and/or LKIL were released and replaced by corporate guarantees and undertakings provided by the Company and/or other members of the Group.

(c) Details of the amounts due from related entities, which arose from transactions with and/or advances made to these entities, are set out as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Amount due from a fellow subsidiary		
LKIL	**–**	9,716
Amounts due from related companies		
OPP (PRC)	**–**	4,561
OPP (HK)	**–**	2,328
LK Shanghai	**–**	5,695
Shanghai Arays	**–**	28,365
Baotou Arays	**–**	22,858
Country Well	**–**	9,000
Shanghai Chaosheng	**–**	73
Gaoyao Hongtai	**–**	13,029
	–	85,909
	–	95,625

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

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

27. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Details of the amounts due from related entities, which arose from transactions with and/or advances made to these entities, are set out as follows: *(Continued)*

The maximum amounts due from related companies during the year are as follows:

	Group Maximum amount outstanding during the year ended 31 March	
	2007 **HK$'000**	2006 HK$'000
Name of related company		
OPP (PRC)	**4,827**	4,966
OPP (HK)	**5,879**	5,089
LK Shanghai	**7,042**	7,299
Shanghai Arays	**31,411**	28,500
Baotou Arays	**22,862**	23,469
Country Well	**10,560**	9,000
Shanghai Chaosheng	**73**	92
Gaoyao Hongtai	**13,577**	13,029
Asia Automation	**–**	413
Solari Automation	**–**	1,346
Key Point	**–**	36,984
Advance Tech	**–**	11,709
Techno Star	**–**	3,900
Goodlink	**–**	10

(d) The amount due to holding company, Girgio, is unsecured, interest free and repayable on demand.

(e) The remuneration of directors and other members of key management was as follows:

	Group	
	2007 **HK$'000**	2006 HK$'000
Short term benefits (mainly include salaries and allowances and bonuses)	**14,674**	12,396
Share-based payments	**7,292**	–
Retirement fund contributions	**265**	187
	22,231	12,583

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

On 30 March 2006, the Company disposed of its subsidiaries, Sky Treasure Trading Limited, Dragon Prosper Limited and Shanghai Dragon Prosper (collectively "Sky Treasure Group") to a fellow subsidiary, Fairview Technology, as the business of Sky Treasure Group does not fit into the core business of the Group. Since Sky Treasure Group has sustained net liabilities, the Group disposed of Sky Treasure Group at a nominal consideration of HK$8, being the nominal value of the issued share capital of Sky Treasure, to Fairview Technology. Sky Treasure Group contributed revenue of HK$12,000 and sustained loss before taxation of HK$680,000 for the period from 1 April 2005 to 30 March 2006. The principal activities of Sky Treasure Group are trading and wholesale of energy saving equipment, water purifier, alloy wheels, health equipment, seal of containers, lottery balls and exercise equipment. Details of the assets and liabilities disposed of are set out below:

	2007 **HK$'000**	2006 HK$'000
Property, plant and equipment	–	353
Inventories	–	57
Bills and accounts receivable	–	6
Other receivables, prepayments and deposits	–	195
Cash and bank balances	–	247
Bills and accounts payable	–	(37)
Other payables, deposits and accruals	–	(429)
Amount due to holding company	–	(1,307)
Net liabilities	–	(915)
Gain on disposal	–	915
Total cash consideration	–	–

Analysis of the net outflow of cash and cash equivalents in respect of the disposal:

Total cash consideration receivable	–	–
Cash and bank balances disposed of	–	(247)
	–	(247)

The cash flows of the subsidiaries up to their date of disposal on 30 March 2006 were insignificant to the Group.

(b) Major non-cash transactions

During the year ended 31 March 2006, construction in progress of HK$90,079,000 were transferred to buildings, leasehold improvements, plant and machinery and furniture and fixtures upon completion of the construction or installation.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

29. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's major financial instruments include bills and accounts receivable, other receivables, deposits and prepayments, bank balances, restricted bank balances, bills and accounts payable, other payables, deposits and accruals, and bank borrowings. Details of these financial instruments are disclosed in respective notes. 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.

(i) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and bank borrowings. The bank deposits are interest bearing financial assets subject to interest rate risk, which are mainly short terms in nature. The bank borrowings are interest bearing financial liabilities subject to the interest rate risk. The interest rates of the Group's bank borrowings are set out in note 25.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. However, management closely monitors the interest rate changes and will consider hedging significant exposure when necessary.

(ii) Credit risk

The Group has no significant concentrations 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, amounts due from related entities 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 30. The Group has a credit policy in place as described in notes 4 and 18 to minimise credit risk which is monitored on an ongoing basis. Bank balances and fixed deposits are placed with reputable banks.

(iii) 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 major 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.

(iv) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi. Foreign currencies, mainly United States dollars, are required to settle some of the Group's purchases of raw materials. Renminbi is not freely convertible into other foreign currencies and conversion of Renminbi 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 monitor foreign exchange exposure and will consider hedging significant exposure when necessary.

29. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation

The directors of the Company consider the carrying amounts of the Group's significant financial assets and liabilities approximate their respective fair values as at balance sheet date due to their short maturities and/or bearing interest rate not materially different from that of the market.

30. FINANCIAL GUARANTEES

	Note	Group 2007 HK$'000	Group 2006 HK$'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	(i)	**21,233**	11,808
The amount of banking facilities utilised by a related company for which guarantee had been given by the Group to a bank	(ii)	**–**	29,729
The amount of credit facility utilised by a related company for which guarantee of HK$11,538,000 has been given by the Group	(iii)	**–**	–
		21,233	41,537

Note:

(i) The Group provided guarantees to banks in respect of banking facilities up to the maximum amount of HK$55,000,000 (2006: HK$43,269,000) 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 customers with the banks as mentioned in note 31(ii). Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interests 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.

(ii) It represents guarantee provided by the Group to a bank for banking facilities granted to Shanghai Arays which was released on 30 June 2006.

(iii) It represents guarantee provided by the Group to a financial institution granted to Gaoyao Hongtai which was released on 21 September 2006.

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$322,241,000 (2006: Nil). These facilities guaranteed by the Company and utilised by the subsidiaries as at 31 March 2007 amounted to HK$89,757,000 (2006: Nil).

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

31. PLEDGE OF ASSETS

(i) The Group's banking facilities were secured by guarantees given by related parties as mentioned in note 27(b) and the following carrying amounts of the Group's assets:

	Group	
	2007	2006
	HK$'000	HK$'000
Restricted bank balances	**10,067**	9,529
Buildings and construction in progress	**29,323**	77,814
Land use rights	**16,893**	9,391
Investment properties	**6,350**	6,100
Plant and machinery	**30,576**	20,836
Furniture, fixtures and office equipment	**500**	–
	93,709	123,670

(ii) The Group also has restricted bank balances to the extent of HK$17,119,000 (2006: HK$10,922,000) pledged to banks for credit facilities granted to customers to purchase the Group's products as mentioned in note 30(i).

(iii) The Company's investments in certain subsidiaries with aggregate net asset value of HK$85,386,000 (2006: HK$74,236,000) are pledged to a bank for banking facilities granted to its subsidiaries.

32. COMMITMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
– Authorised but not contracted for	**–**	1,335
– Contracted but not provided for	**2,271**	12,190
	2,271	13,525
Captial commitments in respect of acquisition of land use rights:		
– Contracted but not provided for	**40,443**	–
Other commitments:		
– Authorised but not contracted for	**–**	9,615
– Contracted but not provided for	**4,560**	5,289
	4,560	14,904

33. LEASE ARRANGEMENTS

The Group as lessee

The Group had paid operating lease rentals in respect of land and buildings as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Minimum lease payments	**4,713**	4,258

The Group had commitments under non-cancellable operating leases in respect of land and buildings which are due for payment as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Leases payable:		
Within one year	**3,221**	2,258
In the second to fifth year inclusive	**2,161**	932
	5,382	3,190

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.

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

33. LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

The Group had received operating lease rentals in respect of investment properties as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Minimum lease payments	**1,692**	1,601

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.

As at the balance sheet dates, the Group had contracted with tenants under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Leases receivable:		
Within one year	**2,381**	749
In the second to fifth year inclusive	**1,379**	729
	3,760	1,478

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

34. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Investments in unlisted shares, at cost	**65,000**	–

34. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries as at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration 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				
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
L.K. Machinery Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100%	Sale of die-casting machines and plastic injection moulding machines, and investment holding
L.K. Machinery Corp.	Taiwan	1,100,000 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$19,500,000	100%	Manufacture and sale of die-casting machines
Lucky Prosper Limited	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd.*	PRC	US$380,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

34. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries as at 31 March 2007 are disclosed as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd. *	PRC	US$380,000	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	RMB46,500,000	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$4,300,000	100%	Manufacture and sale of plastic injection moulding machines

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* The English name is made for identification purpose only.

35. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

36. RESERVES

	Company				
	Share premium HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 April 2005	–	–	(805)	–	(805)
Loss for the year	–	–	(1,236)	–	(1,236)
At 31 March 2006	–	–	(2,041)	–	(2,041)
Issue of shares	252,500	–	–	–	252,500
Captialisation 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
Dividends paid (Note 10)	–	–	(18,000)	–	(18,000)
Proposed dividends (Note 10)	–	–	(20,110)	20,110	–
At 31 March 2007	**222,068**	**10,281**	**1,171**	**20,110**	**253,630**

37. SHARE OPTION SCHEMES

(i) Pre-IPO Share Option Scheme

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. 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 its date of adoption to 31 March 2007 were as follows:

Category of grantee	Exercise price HK$	Exercise period	Number of shares subject to options outstanding as at 31 March 2007
Directors	0.666	16 April 2007 – 15 October 2016	12,000,000
Employees	0.666	16 April 2007 – 15 October 2016	24,800,000
			36,800,000

Notes to the Consolidated Financial Statements *(Continued)*

For the year ended 31 March 2007

37. SHARE OPTION SCHEMES *(Continued)*

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

Each of the grantees to whom options were granted under the Pre-IPO 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%

No options granted were exercised or lapsed during the year.

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$10,281,000 for the year ended 31 March 2007 (2006: nil) 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.

37. SHARE OPTION SCHEMES *(Continued)*

(ii) Share Option Scheme

Another 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 were granted under the share option scheme during the year ended 31 March 2007.

38. EVENTS AFTER BALANCE SHEET DATE

(a) The Group acquired and fully paid for a land use right located in Shenzhen at a consideration of approximately HK$27 million in May 2007. The land use right will be used for expansion of factories in Shenzhen.

(b) Up to the date of approval of these financial statements, the Company allotted 5,502,500 new shares of HK$0.1 each at an exercise price of HK$0.666 for an aggregate consideration of HK$3,664,665 upon exercise of options by the grantees pursuant to the Pre-IPO Share Option Scheme.

39. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

Financial Summary

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

	As at 31 March			
	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities				
Total assets	**1,383,127**	1,057,816	869,559	599,310
Total liabilities	**(630,513)**	(583,874)	(507,748)	(302,338)
Equity attributable to the Company's equity holders	**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 indicate the results of the Group as if the group structure had been in existence throughout those years. No financial information of the Group for the year ended 31 March 2003 was published.