力勁科技集團有限公司
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 558)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2014

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") presents the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2014 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Revenue	3	**2,653,436**	2,559,969
Cost of sales	4	**(1,963,867)**	(1,923,761)
Gross profit		**689,569**	636,208
Other income		**41,246**	33,240
Other gains – net	5	**53,663**	12,413
Gain on disposal of properties	6	**32,141**	–
Provision for impairment of other receivables	7	**(59,869)**	–
Selling and distribution expenses	4	**(295,240)**	(246,898)
General and administration expenses	4	**(324,476)**	(322,727)
Operating profit		**137,034**	112,236
Finance income	8	**4,457**	4,823
Finance costs	8	**(61,470)**	(67,078)
Finance costs – net	8	**(57,013)**	(62,255)
Share of profit of joint ventures		**2,030**	1,166
Share of profit of an associate		**2,915**	235
Profit before income tax		**84,966**	51,382
Income tax expense	9	**(14,964)**	(18,051)
Profit for the year		**70,002**	33,331
Profit attributable to:			
Owners of the parent		**70,624**	33,706
Non-controlling interests		**(622)**	(375)
		70,002	33,331
Earnings per share for profit attributable to owners of the parent during the year (expressed in HK cents per share)			
– Basic	11	**6.2**	3.0
– Diluted	11	**5.9**	2.8
		HK$'000	*HK$'000*
Dividends	10	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**70,002**	33,331
Other comprehensive income for the year:		
Items that may be reclassified to profit or loss		
Currency translation difference	**(27,031)**	28,388
Realisation of currency translation difference arising from de-registration of a subsidiary	**(6,540)**	–
Realisation of currency translation difference upon de-recognition of interest in a joint venture	**(2,802)**	–
Change in value of available-for-sale financial assets	**(1,215)**	–
Item that will not be reclassified subsequently to profit or loss		
Change in value of property, plant and equipment	**2,547**	–
Total comprehensive income for the year, net of tax	**34,961**	61,719
Attributable to:		
– Owners of the parent	**35,583**	62,094
– Non-controlling interests	**(622)**	(375)
	34,961	61,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Intangible assets		**25,314**	16,681
Property, plant and equipment		**1,049,055**	995,842
Investment properties		**66,360**	28,250
Land use rights		**348,173**	257,175
Interests in joint ventures		**–**	4,468
Interest in an associate		**28,367**	25,488
Deposits paid		**20,307**	57,947
Deferred income tax assets		**46,811**	37,435
Trade and bills receivables	*12*	**8,889**	46,060
Other receivables		**2,695**	35,298
Available-for-sale financial assets		**7,801**	–
Restricted bank balances		**18,279**	16,639
Total non-current assets		**1,622,051**	1,521,283
Current assets			
Inventories		**1,126,902**	918,650
Amount due from a joint venture		**–**	13,503
Trade and bills receivables	*12*	**949,775**	995,328
Other receivables, prepayments and deposits		**195,442**	199,240
Restricted bank balances		**79,902**	71,337
Cash and cash equivalents (excluding bank overdrafts)		**353,853**	390,459
		2,705,874	2,588,517
Non-current assets held-for-sale	*6*	**6,358**	–
Total current assets		**2,712,232**	2,588,517
Total assets		**4,334,283**	4,109,800
Equity			
Share capital		**113,177**	113,177
Reserves		**979,093**	1,001,313
Retained earnings		**661,610**	603,807
Equity attributable to owners of the parent		**1,753,880**	1,718,297
Non-controlling interests		**279**	901
Total equity		**1,754,159**	1,719,198

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred income tax liabilities		**5,183**	6,247
Borrowings		**202,807**	31,250
Other payables		**11,075**	11,033
Total non-current liabilities		**219,065**	48,530
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*13*	**1,126,509**	950,732
Derivative financial instruments		**–**	893
Borrowings		**1,201,485**	1,354,738
Current income tax liabilities		**33,065**	35,709
Total current liabilities		**2,361,059**	2,342,072
Total liabilities		**2,580,124**	2,390,602
Total equity and liabilities		**4,334,283**	4,109,800
Net current assets		**351,173**	246,445
Total assets less current liabilities		**1,973,224**	1,767,728

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of L.K. Technology Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

2 NEW/REVISED STANDARDS AND AMENDMENTS

(a) New/revised standards and amendments to existing standards adopted by the Group.

The following new/revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2013.

Amendments to HKAS 1, 'Presentation of Financial Statements' regarding other comprehensive income are effective for annual period beginning on or after 1 July 2012.

The main change resulting from the amendments is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

Amendments to HKFRS 7, 'Financial Instruments: Disclosures' on asset and liability offsetting are effective for annual period beginning on or after 1 January 2013.

The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 10, 'Consolidated Financial Statements' is effective for annual period beginning on or after 1 January 2013.

The objective of HKFRS 10 is to establish principles for the presentation and preparation of the consolidated financial statements when an entity controls one or more other entities to present the consolidated financial statements. HKFRS 10 defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore the investor must consolidate the investee. It also sets out the accounting requirements for the preparation of the consolidated financial statements.

HKFRS 11, ‘Joint Arrangements’ is effective for annual period beginning on or after 1 January 2013.

HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

HKFRS 12, ‘Disclosure of Interests in Other Entities’ is effective for annual period beginning on or after 1 January 2013.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Amendments to HKFRSs 10, 11 and 12, ‘Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance, are effective for annual period beginning on or after 1 January 2013.

These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

HKFRS 13, ‘Fair Value Measurements’ is effective for annual period beginning on or after 1 January 2013.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

HKAS 27 (2011), ‘Separate Financial Statements’ is effective for annual period beginning on or after 1 January 2013.

HKAS 27 (2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (2011), ‘Investments in Associates and Joint Ventures’ is effective for annual period beginning on or after 1 January 2013.

HKAS 28 (2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

Annual Improvements Project 2011 is effective for annual period beginning on or after 1 January 2013.

These annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to:

HKFRS 1, 'First-time Adoption of Hong Kong Financial Reporting Standards'
HKAS 1, 'Presentation of Financial Statements'
HKAS 16, 'Property, Plant and Equipment'
HKAS 32, 'Financial Instruments: Presentation'
HKAS 34, 'Interim Financial Reporting'

(b) The following revised and amended standards and interpretation to existing standard are effective for the financial year beginning 1 April 2013 but not relevant to the Group (although they may affect the accounting for future transactions and events).

Amendments to HKFRS 1, 'First-time Adoption of Hong Kong Financial Reporting Standards', on government loans are effective for annual period beginning on or after 1 January 2013.

These amendments address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to HKFRS. The amendments also add an exception to the retrospective application of HKFRS, which provides the same relief to first-time adopters granted to existing preparers of HKFRS financial statements when the requirement was incorporated into HKAS 20 in 2008.

HKAS 19 (2011), 'Employee Benefits' is effective for annual period beginning on or after 1 January 2013.

HKAS 19 (2011) eliminates the corridor approach and calculates finance costs on a net funding basis.

HK(IFRIC) – Int 20, 'Stripping Costs in the Production Phase of a Surface Mine' is effective for annual period beginning on or after 1 January 2013.

It sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. The interpretation may require mining entities reporting under HKFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

(c) The following new standards, interpretation and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted:

HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
Amendments to HKAS 19 (2011)	Employee Benefits – Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]
Annual Improvements Project 2012[2]	
Annual Improvements Project 2013[2]	

Notes:

(1) Effective for financial periods beginning on or after 1 January 2014

(2) Effective for financial periods beginning on or after 1 July 2014

(3) Effective for financial periods beginning on or after 1 January 2016

(4) The Group intends to adopt this new standard when the effective date is determined.

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3 SEGMENT INFORMATION

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. Segment results represent the profit/(loss) for the period in each reportable segment. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

The measure used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs and income taxes. To arrive at the profit from operations, the Group's profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

(i) Die-casting machine

(ii) Plastic injection moulding machine

(iii) Computerized numerical controlled ("CNC") machining centre

The segment results for the year ended 31 March 2014 are as follows:

	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC machining centre *HK$'000*	Total segments *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue						
External sales	**1,795,023**	**589,284**	**269,129**	**2,653,436**	**–**	**2,653,436**
Inter-segments sales	**91,217**	**–**	**–**	**91,217**	**(91,217)**	**–**
	1,886,240	**589,284**	**269,129**	**2,744,653**	**(91,217)**	**2,653,436**
Results						
Segment results	**166,528**	**77,316**	**(12,241)**	**231,603**	**–**	**231,603**
Administrative expenses						**(35,593)**
Unallocated other gain						**893**
Provision for impairment of other receivables						**(59,869)**
Finance income						**4,457**
Finance costs						**(61,470)**
Share of profit of joint ventures						**2,030**
Share of profit of an associate						**2,915**
Profit before income tax						**84,966**

The segment results for the year ended 31 March 2013 are as follows:

	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC machining centre *HK$'000*	Total segments *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue						
External sales	1,738,033	476,181	345,755	2,559,969	–	2,559,969
Inter-segments sales	133,523	–	–	133,523	(133,523)	–
	1,871,556	476,181	345,755	2,693,492	(133,523)	2,559,969
Results						
Segment results	96,168	20,317	25,417	141,902	–	141,902
Administrative expenses						(32,682)
Unallocated other gain						3,016
Finance income						4,823
Finance costs						(67,078)
Share of profit of joint ventures						1,166
Share of profit of an associate						235
Profit before income tax						51,382

Sales between segments are carried out at arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

Segment assets and liabilities

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

	As at 31 March 2014			
	Die-casting machine *HK$'000*	**Plastic injection moulding machine** *HK$'000*	**CNC machining centre** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	**2,869,259**	**882,674**	**549,504**	**4,301,437**
Unallocated assets				**32,846**
Consolidated total assets				**4,334,283**
Liabilities				
Segment liabilities	**2,108,091**	**257,400**	**192,801**	**2,558,292**
Unallocated liabilities				**21,832**
Consolidated total liabilities				**2,580,124**

	As at 31 March 2013			
	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC machining centre *HK$'000*	Total *HK$'000*
Assets				
Segment assets	2,740,304	616,456	731,051	4,087,811
Unallocated assets				21,989
Consolidated total assets				4,109,800
Liabilities				
Segment liabilities	1,836,087	183,360	343,116	2,362,563
Unallocated liabilities				28,039
Consolidated total liabilities				2,390,602

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

- all assets are allocated to reportable segments other than corporate assets.
- all liabilities are allocated to reportable segments other than corporate liabilities and derivative financial instruments.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

The following amounts are included in the measure of segment results or assets:

	For the year ended 31 March 2014				
	Die-casting machine	**Plastic injection moulding machine**	**CNC machining centre**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets[1]	**90,786**	**177,395**	**49,457**	**305**	**317,943**
Depreciation and amortisation	**100,866**	**9,356**	**11,921**	**2,745**	**124,888**
(Reversal of provision)/provision for inventories write-down	**(20,659)**	**3,272**	**2,883**	**–**	**(14,504)**
Provision for impairment of trade receivables	**11,759**	**(342)**	**763**	**–**	**12,180**

	For the year ended 31 March 2013				
	Die-casting machine	Plastic injection moulding machine	CNC machining centre	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets[1]	144,568	62,972	59,633	153	267,326
Depreciation and amortisation	98,901	13,467	7,901	2,466	122,735
Provision for inventories write-down	16,511	5,062	5,589	–	27,162
Provision for impairment of trade receivables	10,654	–	–	–	10,654

1 Non-current assets exclude interests in joint ventures, interest in an associate, deferred income tax assets, available-for-sale financial assets and deposits and receivables.

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2013 and 31 March 2014.

	2014	2013
	HK$'000	*HK$'000*
Analysis of revenue by category		
Sales of die-casting machine	**1,795,023**	1,738,033
Sales of plastic injection moulding machine	**589,284**	476,181
Sales of CNC machining centre	**269,129**	345,755
	2,653,436	2,559,969
Other income	**41,246**	33,240
	2,694,682	2,593,209

Geographical information

The Group's revenue by geographical location is determined by the final destination of delivery of the products and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers		**Non-current assets[1]**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**2,168,348**	1,811,334	**1,391,692**	1,239,837
Hong Kong	**–**	–	**20,762**	21,713
Europe	**217,830**	333,756	**17,563**	22,193
Central America and South America	**96,862**	174,215	**–**	–
North America	**95,723**	108,525	**10,881**	690
Other countries	**74,673**	132,139	**68,311**	71,462
	2,653,436	2,559,969	**1,509,209**	1,355,895

1 Non-current assets exclude interests in joint ventures, interest in an associate, available-for-sale financial assets, non-current portion of trade and other receivables, restricted bank balances and deferred income tax assets.

4 EXPENSES BY NATURE

	2014	2013
	HK$'000	*HK$'000*
Amortisation of land use rights	**6,568**	5,582
Amortisation of trademarks	**1,259**	202
Amortisation of patents	**214**	214
Amortisation of development costs and others	**4,707**	5,081
Depreciation of property, plant and equipment	**112,140**	111,656
Provision for impairment of trade receivables	**12,180**	10,654
(Reversal of provision)/provision for inventories write-down	**(14,504)**	27,162
Reversal of provision for impairment of amount due from a joint venture	**(2,000)**	–

5 OTHER GAINS – NET

	2014	2013
	HK$'000	*HK$'000*
Net foreign exchange gain	**24,037**	173
Increase in fair values of investment properties	**7,616**	3,692
Net fair value gain on derivative financial instruments	**893**	3,016
Gain/(loss) on disposals of property, plant and equipment	**1,048**	(1,009)
Gain on disposal of an investment property	**–**	210
Gain on de-registration of a subsidiary	**6,540**	–
Remeasurement gains upon business combination	**13,443**	–
Imputed interest arising from other receivables	**86**	4,642
Others	**–**	1,689
	53,663	12,413

6 GAIN ON DISPOSAL OF PROPERTIES AND NON-CURRENT ASSETS HELD-FOR-SALE

On 25 March 2014, Zhongshan L.K., Co. Limited ("Zhongshan L.K."), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Zhongshan Huifeng Property Development Company Limited (the "Buyer") in respect of the disposal of its interests in the following properties at an aggregate consideration of RMB70,000,000 (equivalent to HK$87,500,000).

- Two plots of land situated at Zhongshan City, Guangdong Province, PRC with an aggregate site area of approximately 21,182.9m^2, and all the permanent and temporary buildings erected on those plots of land, together with utility and fire service and other ancillary facilities (collectively, the "Zhongshan Properties")

The said consideration was agreed after arm's length negotiations between Zhongshan L.K. and the Buyer with reference to the assets valuation report issued by an independent and qualified PRC valuer, Guoxin Real Estate Appraisal & Consultant Co., Limited.

As at 31 March 2014, the disposal of the first plot of land with site area of approximately 9,804.6m^2 and all the permanent and temporary buildings erected on this plot of land, together with utility and fire service and other ancillary facilities, with total net book value of HK$6,292,000, has been completed. A gain of HK$32,141,000 has been recognised in the consolidated income statement.

The disposal of the second plot of land with site area of approximately 11,378.3m^2 and all the permanent and temporary buildings erected on this plot of land, together with utility and fire service and other ancillary facilities is expected to be completed on or before 31 October 2014. The net book value of this plot of land of HK$6,358,000 has been classified as non-current assets held-for-sale in the consolidated statement of financial position as at 31 March 2014.

In order to facilitate the Group's relocation of its manufacturing facilities following the disposal, the Zhongshan Properties will be leased back to Zhongshan L.K. for an initial term of 12 months subject to extension to a maximum term of 21 months from the date of signing of the sale and purchase agreement. The leaseback transaction is accounted for as operating leases as the Group does not retain any risks and rewards incidental to the ownership of the Zhongshan Properties.

7 PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES

On 28 March 2012, the Group disposed of its 35% equity interest in 阜新力昌鋼鐵鑄造有限公司 (Fuxin Li Chang Steel & Iron Foundry Co., Ltd., the "Target Company") to 阜新金達鋼鐵鑄造有限公司 (Fuxin Jin Da Steel Casting Company Limited, the "Purchaser"), the 65% shareholder of the Target Company, at a total cash price of RMB69,000,000 (equivalent to HK$84,870,000), payable in four installments.

Two installments aggregating RMB15,000,000 (equivalent to HK$18,445,000) have been paid as agreed. The third installment of RMB27,000,000 (equivalent to HK$34,177,000) was due on 30 October 2013 and the fourth installment of RMB27,000,000 (equivalent to HK$34,177,000) will be due on 30 October 2014. As at 31 March 2014, the third installment remained unpaid.

In view of the failure of the Purchaser to settle the third installment of the sale price described above, the Directors have carried out an impairment assessment regarding the third and fourth installments and have made an impairment provision for the full amount of the receivable outstanding from the Purchaser of RMB54,000,000 (equivalent to HK$63,782,000, taking into account of interest accretion). Subsequently, on 18 March 2014, the Group settled RMB3,092,000 (equivalent to HK$3,913,000) payable balance against the consideration receivable from the Purchaser. Therefore, the final impairment provision was RMB50,908,000 (equivalent to HK$59,869,000, taking into account of interest accretion) in the consolidated income statement.

8 FINANCE COSTS – NET

	2014	2013
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(4,457)**	(4,823)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**63,837**	75,458
Charges on bills receivables discounted without recourse	**6,357**	2,287
Less: Capitalised in property, plant and equipment *(Note i)*	**(8,724)**	(10,667)
	61,470	67,078
	57,013	62,255

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.90% (2013: 4.25%) to expenditure on qualifying assets.

9 INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**24,489**	15,446
– Overseas tax	**–**	1,200
– Hong Kong profits tax	**–**	–
– Under-provision in prior years	**887**	6,167
	25,376	22,813
Deferred income tax	**(10,412)**	(4,762)
Tax charge	**14,964**	18,051

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2013: 12.5% to 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo and Shanghai were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the Corporate Income Tax Law of the PRC, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. The implementation rules of the Corporate Income Tax Law of the PRC provide for the withholding income tax on such dividend to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. Provision for withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2014 as the subsidiaries in Hong Kong either have unutilised tax losses available to set off current year's estimated assessable profits or have no assessable profits for the current year.

No overseas profits tax has been provided for the year ended 31 March 2014 as the overseas subsidiaries either have unutilised tax losses available to set off current year's estimated assessable profits or have no assessable profits for the current year. For the year ended 31 March 2013, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operated.

10 DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Proposed final dividend	**–**	–

At a meeting held on 27 June 2014, the directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

11 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the parent of HK$70,624,000 (2013: HK$33,706,000) and on the weighted average number of approximately 1,131,765,000 (2013: 1,131,765,000) ordinary shares in issue during the year.

	2014	2013
Profit attributable to owners of the parent (HK$'000)	**70,624**	33,706
Weighted average number of ordinary shares in issue (thousands)	**1,131,765**	1,131,765
Basic earnings per share (HK cents)	**6.2**	3.0

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: perpetual convertible securities and share options. The perpetual convertible securities are assumed to have been converted into ordinary shares. Shares issuable under the share option schemes of the Company are the 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 the 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.

	2014	2013
Profit attributable to owners of the parent (HK$'000)	**70,624**	33,706
Weighted average number of ordinary shares in issue (thousands)	**1,131,765**	1,131,765
Assumed conversion of perpetual convertible securities (thousands)	**58,000**	58,000
Adjustment for share options (thousands)	**801**	983
Weighted average number of ordinary shares of diluted earnings per share (thousands)	**1,190,566**	1,190,748
Weighted average number of ordinary shares for diluted earnings per share (HK cents)	**5.9**	2.8

12 TRADE AND BILLS RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**887,876**	981,719
Less: Provision for impairment	**(70,914)**	(58,213)
	816,962	923,506
Bills receivables	**141,702**	117,882
	958,664	1,041,388
Less: Balance due after one year shown as non-current assets	**(8,889)**	(46,060)
Trade and bills receivables, net	**949,775**	995,328

The amount of provision for impaired trade receivables was HK$70,914,000 (2013: HK$58,213,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**459,353**	645,848
91-180 days	**142,942**	112,290
181-365 days	**96,884**	65,028
Over one year	**188,697**	158,553
	887,876	981,719

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

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

13 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**589,499**	483,921
Bills payables	**75,766**	126,495
Trade and other deposits and receipts in advance	**227,425**	105,772
Accrued salaries, bonuses and staff benefits	**66,420**	62,579
Accrued sales commission	**32,057**	36,893
Value added tax payable	**40,117**	29,884
Others	**95,225**	105,188
	1,126,509	950,732

The following is the aging analysis of the trade payables:

	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**479,373**	396,780
91-180 days	**93,331**	62,405
181-365 days	**7,610**	12,760
Over one year	**9,185**	11,976
	589,499	483,921

The maturity date of the bills payables are generally between one to six months.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 March 2014 (the "Year"), the Group recorded total revenue of HK$2,653,436,000, representing a slight increase of 4% as compared to the revenue of HK$2,559,969,000 in the same period last year.

During the Year, the overall gross profit margin of the business of the Group was 26%, better than the 25% for the same period last year, which is mainly due to the improvement arising from adjustments in the sales mix of products and in cost control.

In view of the failure of Fuxin Jin Da Steel Casting Company Limited (阜新金達鋼鐵鑄造有限公司)("Jin Da") to pay the third installment of RMB27,000,000 (equivalent to HK$34,177,000) to the Group on the agreed date as part of the consideration for the purchase of the Group's 35% shareholding interest in Fuxin Li Chang Steel & Iron Foundry Co., Ltd. (阜新力昌鋼鐵鑄造有限公司), the Group made an impairment provision for the full amount of the receivables outstanding from Jin Da of RMB54,000,000 (equivalent to HK$63,782,000, taking into account of interest accretion). Subsequently, on 18 March 2014, the Group settled RMB3,092,000 (equivalent to HK$3,913,000) payable balance against the consideration receivable from Jin Da. Therefore, the final impairment provision was HK$59,869,000. After making such impairment provision, profit attributable to the owners of the Company amounted to HK$70,624,000, representing an increase of 110% as compared to the profit of HK$33,706,000 in the same period last year.

During the Year, the Group disposed of its old factory in Dongsheng Town, Zhongshan City, Guangdong Province, of which one of the plots of land (with an area of 9,804.6 square meters) was assigned to the purchaser by 31 March 2014, resulting in a gain of HK$32,141,000.

Sales and distribution expenses amounted to HK$295,240,000, representing an increase of 20% compared with HK$246,898,000 for the same period last year, which is mainly due to the increase in the overall human resource expenses (including sales and customer service employees) and sales commission as a result of the increase in revenue during the Year. Meanwhile, transportation, installation and commissioning expenses for customers also increased.

Administrative expenses amounted to HK$324,476,000, remained basically unchanged as compared with HK$322,727,000 for the same period last year, of which research and development expenses for new products increased as compared to that recorded in the same period last year.

Business Review

With the deceleration in the economic growth of China during the Year and the tightening of bank credits, labour costs continued to rise and the business environment remained challenging. During the Year, the Group recorded revenue of HK$2,168,348,000 in the China market, representing an increase of 20% compared with HK$1,811,334,000 for the same period last year.

In overseas markets, improvement in the US economy was sluggish and the economy of the Eurozone remained stagnate. In addition, the Renminbi appreciated and emerging economies such as India and Brazil remained on the sidelines in investing in fixed assets due to political and economic factors. During the Year, the Group recorded revenue of HK$485,088,000 in overseas markets, representing a sharp decrease of 35% compared with HK$748,635,000 for the same period last year; of which IDRA, a wholly owned subsidiary in Italy with Europe and the US as its major markets, recorded revenue of HK$400,371,000 during the Year, representing a decrease of 24% compared with HK$523,957,000 for the same period last year. However, as both costs and expenses showed improvements, IDRA was able to make a profit contribution to the Group.

Die-casting Machines

During the Year, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK$1,795,023,000, representing a slight increase of 3% compared with HK$1,738,033,000 for the same period last year, of which the revenue generated in the PRC market amounted to HK$1,387,450,000, representing an increase of 33% compared with HK$1,046,703,000 for the same period last year, which is mainly due to the demand in equipment investment in industries such as communications and automobiles in China. However, revenue from overseas markets (including IDRA) only amounted to HK$407,573,000, representing a significant decrease of 41% compared with HK$691,330,000 for the same period last year, detracting from the overall performance of the die-casting machines business of the Group.

Plastic Injection Moulding Machines

During the Year, the Group's revenue from the plastic injection moulding machine business amounted to HK$589,284,000, representing an increase of 24% compared with HK$476,181,000 for the same period last year. The growth in the plastic injection moulding machine business is mainly attributable to the Group's major breakthrough in the development of medium to large tonnage models.

Phase 1 plant of the Group's Eastern China production headquarters of plastic injection moulding machines in Ningbo City, Zhejiang Province has commenced operation in March 2014.

The Group acquired 3 plots of land with a total area of 88,000 square meters in Dongsheng Town, Zhongshan City, Guangdong Province in 2013. The Group's old factory in Dongsheng Town, Zhongshan City with a site area of 21,182.9 square meters has been re-zoned by the local government from industrial use to commercial and residential use. In March 2014, the Group entered into an agreement with Zhongshan Huifeng Property Development Company Limited (中山市慧峰房地產開發有限公司) in respect of the sale of the old factory to this property developer for an aggregate consideration of RMB70,000,000. The property developer has made a payment of RMB12,000,000 to the Group as at 31 March 2014. The assignment procedures of one of the plots with a site area of 9,804.6 square meters has been completed by 31 March 2014, and RMB23,000,000 in relation to the assignment was received by the Group subsequent to 31 March 2014 but before the date of this announcement, Pursuant to the agreement, the assignment procedures of another plot of land with an area of 11,378.3 square meters will be completed by 31 October 2014. It is expected that the Group will be relocated to the new factory within 21 months upon the final completion of the property assignment. This new manufacturing base will become the Group's Southern China production headquarters of plastic injection moulding machines. By exercising a sale and leaseback arrangement, the Group will continue to manufacture plastic injection moulding machines in the old factory.

Computerised Numerical Controlled (CNC) Machining Centres

During the Year, the Group's revenue from CNC machining centre business amounted to HK$269,129,000, representing a decline of approximately 22% compared with HK$345,755,000 for the same period last year, which is mainly due to a decrease in orders of relevant CNC machining centres arising from customers' change to production procedures for 3C products in China.

Research and Development ("R&D")

R&D of Die-Casting Machines

During the Year, the Group had been making progress in perfecting three types of new die-casting machines, namely the 1,000-tonne and above large-tonnage servo control die-casting machines series, the third-generation high-end mid-tonnage die-casting machines series "IMPRESS III PLUS+" and the two-platen servo control energy saving die-casting machines series.

During the Year, the Group earned multiple social recognitions in the area of die-casting machines. The 3,000-tonne large-tonnage computerised horizontal die-casting machine developed by the Group won the first prize of Guangdong Mechanical Engineering Science and Technology Awards and the third prize of China Machinery Industry Science and Technology Awards. The national standards of cold chamber die-casting machine (GBT21269-2007) drafted by the Group was granted the third prize of Guangdong Mechanical Engineering Science and Technology Awards by Guangdong Mechanical Engineering Society. The die-casting machines of the Group were also awarded Shenzhen Top Brand by the Federation of Shenzhen Industries.

Meanwhile, automated production process will be one of the key elements for manufacturers to enhance their competitiveness in the future. While putting more effort in developing automated peripheral equipment, the Group also acquired the remaining interest in its then joint venture, Shanghai Prex, contributing to a more comprehensive product series of automated peripheral equipment of the Group, which will be one of the highlights of the Group's business growth.

R&D of Plastic Injection Moulding Machines

During the Year, the Group continued its effort in polishing the second-generation of two-platen plastic injection moulding machines and servo control energy saving plastic injection moulding machines, and has produced 3,500-tonne large-tonnage plastic injection moulding machines. In the meantime, "EFFECTA PT 1,300V", the 3-colour plastic injection moulding machine developed by the Group that specialises in automobile lighting lenses, was awarded the "Machinery and Machine Tools Design Award" under the "2013 Hong Kong Awards for Industries". Featuring high precision for optical performance, high clarity and shortest production cycle time, the invention represents a breakthrough in various aspects of technology and is mainly applied in the production of plastic parts for polycarbonate (PC) automobile headlight covers and polymethylmethacrylate (PMMA) taillight covers. The award represents market recognition of the Group's multi-color plastic injection moulding machine products and facilitates the Group's penetration into the automobile component market. The Group has been selected by HC360.com as the Top 10 Plastic Injection Moulding Machine Enterprises, and its subsidiaries Shenzhen Leadwell and Zhongshan L.K. were selected as Shenzhen Top 10 Polymer Enterprises and China Top 500 Machinery Enterprises respectively. Ningbo L.K. Machinery Co. Ltd. (寧波力勁機械有限公司), the subsidiary of the Group in Eastern China region that focuses on the manufacturing of plastic injection moulding machines, has been certified as a National High and New Technology Enterprise.

R&D of CNC Machining Centres

During the Year, the Group's "TC" and "MV" CNC machining centre series adopted a complete upgraded systematic tool changing system that dramatically increased work efficiency. Meanwhile, the Group speeded up its pace in developing CNC machining centres and extended the product line to the high potential mid-to-large CNC machining centres market. The Group has launched new product series including the high-speed vertical bridge type CNC machining centre, specialised machining centre for dies and 5-axis machining centre. Not only widely used for processing

3C products and automobile components, the Group's CNC machining centre series have also successfully penetrated into various industries, including die manufacturing, aircraft component processing and military component processing.

Prospects

Looking into the prospects of the international market in the coming year, the mild recovery of the economy of the US, coupled with stabilising economy in the Eurozone and decline of bond yields to historical lows, will contribute to the improvement of the business performance of IDRA, the Group's subsidiary in Europe, and will increase the volume of the export business of the Group at the same time, and will allow the Group to take advantage of the increase in orders received by its domestic customers in the export industry. In the domestic market, given the downward pressure on China's economic growth, the government has implemented multiple in-depth reform policies, including monetary policies, after the Third Plenary Session of the 18th CPC Central Committee to maintain a steady economic growth and boost employment, focusing on differentiated minor adjustments which have achieved preliminary results in the stabilisation of economic growth. Meanwhile, the capital invested in the small enterprises arising from Targeted RRR Cuts will create a certain stimulus for the development of small and medium enterprises, and reduction in financing cost can also improve corporate profitability. The government will further carry out full-scale in-depth reform measures, which will improve the growth potential and the economic sustainability of the PRC, and new opportunities on business conditions are expected to follow.

In terms of the end-user markets of the Group, the PRC government has officially issued 4G licenses to a number of operators, and the investments in 4G equipment will boost demands for the die-casting machines and peripheral equipment. The steady growth of global smartphone shipments, coupled with the expanding global market share of Chinese smartphone manufacturers, will be conducive for the sales of the Group's die-casting machines and CNC machining centres. According to the statistics revealed by China Association of Automobile Manufacturers, China auto production and sales volumes for the first quarter of 2014 were 5,891,700 units and 5,922,300 units respectively, representing a year-on-year increase of 9.2% for both. A higher growth in the demand for automobiles is expected to continue as a result of urbanisation proceeds, which will enhance the sales of the Group's die-casting machines. The raise in labour costs nationwide accelerates the adoption of automated peripheral equipment by manufacturers, which will benefit the sales of the Group's peripheral equipment. Meanwhile, benefitting from the growing use of plastic resin, the expanding application of new plastic materials, the expedited urbanisation process and the rising personal income in China, we expect that the demand for plastic injection molding machines in China will continue to grow. The increase in sales of the Group's plastic injection molding machine products, especially the successful breakthrough in the medium to large tonnage plastic injection molding machines, will bring about stable performance of the Group's plastic injection molding machine business.

However, the global macro-economy still faces many uncertainties. Firstly, US manufacturing activities are weak and consumer confidence is still lacking, with the US Federal Reserve accelerating QE tapering. With the debt purchase programme expected to be terminated by the end of this year, the impact on global finance and economy remains to be seen.

In Europe, as economic growth remains stagnant, the problems of heavy debts and deficits have yet to be resolved and unemployment rate remains high. The Eurozone is also exposed to deflation risk.

China is implementing its reforms to promote economic restructuring, but may face a possible drag on economic growth arising from the real estate bubble and excessive credit expansion, which may also increase the downward pressure on its economy.

The World Bank has lowered the global economic forecast for this year from 3.2% to 2.8%, which is mainly due to factors including the inclement weather in the US in the first quarter, the Ukrainian crisis, political turmoil in some of the middle-income economies, as well as the speculation that the US central bank will raise interest rates. The World Bank has also urged all nations to get prepared for a new round of crisis.

In all, the management remains cautious towards next year. In order to cope with the possible challenges ahead, the Group will continue to strengthen its R&D and innovation, enhance its customer services, broaden its product series and optimise its operation efficiency. Taking into account the Group has earned itself a household name for its three major product lines, has established a broad customer base, enjoys competitive advantages in the industry and its capability to satisfy ever-changing requirements of customers, the management is confident in the long-term growth of the Group.

Long-term development strategy

The goal of the Group's development strategy is to provide customers with quality products and services, become an equipment manufacturing group that is highly renowned in the international machinery and equipment industry and greatly respected by clients and peers, and to be committed in promoting long-term sustainable development of its business so as to provide shareholders with stable returns and create increasing value for shareholders.

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 31 March 2014, the Group's cash and bank balances amounted to approximately HK$353,853,000 (2013: HK$390,459,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 60% (2013: 58%).

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

As at 31 March 2014, the capital structure of the Company was constituted exclusively of 1,131,765,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$1,404,292,000 (2013: HK$1,385,988,000), approximately 86% of which being short-term loans. Approximately 10% of the total borrowing was subject to interest payable at fixed rates.

Financial Guarantees

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2014, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$342,103,000 (2013: HK$255,104,000).

Pledge of Assets

The Group's banking facilities and financial guarantees were secured by certain assets of the Group, including restricted bank balances, available-for-sale financial assets, land use rights, investment properties, plant and machinery and trade and bills receivables, with aggregate carrying amounts of HK$771,042,000 (2013: HK$345,249,000).

Capital commitments

As at 31 March 2014, the Group had made capital expenditure commitments of approximately HK$25,728,000 (2013: HK$168,545,000) in respect of acquisition of land use rights, property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2014, the Group employed approximately 4,000 full time staff. The staff costs for current year amounted to HK$489,073,000 (2013: HK$425,325,000). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2014.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 28 August 2014, the register of members of the Company will be closed from Tuesday, 26 August 2014 to Thursday, 28 August 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 August 2014.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2014.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 March 2014.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of two independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul and Dr. Lui Ming Wah, and one non-executive Director, Mr. Hu Yongmin.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2014.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.lktechnology.com. The annual report of the Company for the year ended 31 March 2014 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 27 June 2014

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang, Mr. Liu Zhuo Ming, Mr. Tse Siu Sze and Mr. Wang Xinliang; the non-executive Director is Mr. Hu Yongmin and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, and Mr. Tsang Yiu Keung, Paul.