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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 2012**

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 2012 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
Revenue	3	3,011,636	2,602,564
Cost of sales	4	<u>(2,185,280)</u>	<u>(1,758,970)</u>
Gross profit		826,356	843,594
Other income		36,044	34,430
Other gains – net	5	62,471	5,208
Selling and distribution expenses	4	<u>(292,737)</u>	<u>(237,471)</u>
General and administration expenses	4	<u>(325,813)</u>	<u>(285,844)</u>
Operating profit		<u>306,321</u>	<u>359,917</u>
Finance income	6	4,672	2,450
Finance costs	6	<u>(59,101)</u>	<u>(42,931)</u>
Finance costs – net	6	<u>(54,429)</u>	<u>(40,481)</u>
Share of loss of a jointly controlled entity		<u>(1,315)</u>	–
Profit before income tax		250,577	319,436
Income tax expense	7	<u>(50,447)</u>	<u>(60,298)</u>
Profit for the year		<u>200,130</u>	<u>259,138</u>
Profit attributable to:			
Owners of the parent		203,773	259,365
Non-controlling interests		<u>(3,643)</u>	<u>(227)</u>
		<u>200,130</u>	<u>259,138</u>
Earnings per share for profit attributable to owners of the parent during the year (expressed in HK cents per share)			
– Basic	9	<u>18.0</u>	<u>25.0</u>
– Diluted	9	<u>17.1</u>	<u>24.8</u>

Details of the dividends payable and proposed are disclosed in note 8 to the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*FOR THE YEAR ENDED 31 MARCH 2012*

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	200,130	259,138
Other comprehensive income for the year:		
Currency translation difference	72,339	36,430
Loss on fair value changes of available-for-sale financial assets	–	(759)
Reversal arising from the disposal of available-for-sale financial assets	–	(568)
Reversal arising from the disposal of non-current assets held-for-sale	<u>(6,171)</u>	<u>–</u>
 Total comprehensive income for the year, net of tax	 <u>266,298</u>	 <u>294,241</u>
 Attributable to:		
– Owners of the parent	269,941	294,468
– Non-controlling interests	<u>(3,643)</u>	<u>(227)</u>
	 <u>266,298</u>	 <u>294,241</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current assets			
Intangible assets		14,828	14,463
Property, plant and equipment		848,608	719,408
Investment properties		34,090	32,240
Land use rights		254,016	142,273
Deposits paid		45,459	29,652
Deferred income tax assets		33,705	20,553
Trade and bills receivables	10	26,855	4,069
Other receivables		64,160	–
Restricted bank balances		12,493	13,542
		1,334,214	976,200
Total non-current assets			
Current assets			
Inventories		1,191,188	861,932
Amount due from a jointly controlled entity		13,483	–
Trade and bills receivables	10	819,614	787,790
Other receivables, prepayments and deposits		211,150	177,094
Derivative financial instruments		–	37
Restricted bank balances		66,372	66,374
Cash and cash equivalents (excluding bank overdrafts)		439,231	444,303
		2,741,038	2,337,530
Non-current assets held-for-sale		–	73,918
		2,741,038	2,411,448
Total current assets			
Total assets			
		4,075,252	3,387,648
Equity			
Share capital		113,177	113,107
Reserves		959,644	880,931
Retained earnings			
– Proposed final dividend	8	56,588	56,553
– Others		586,282	466,406
		1,715,691	1,516,997
Equity attributable to owners of the parent			
Non-controlling interests		1,276	3,439
		1,716,967	1,520,436
Total equity			

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		7,572	4,475
Borrowings		305,225	91,765
Other payables		<u>10,313</u>	<u>9,513</u>
Total non-current liabilities		<u><u>323,110</u></u>	<u><u>105,753</u></u>
Current liabilities			
Trade and bills payable, other payables, deposits and accruals	<i>11</i>	1,017,228	957,825
Derivative financial instruments		3,909	60,347
Borrowings		973,359	713,951
Current income tax liabilities		<u>40,679</u>	<u>29,336</u>
Total current liabilities		<u><u>2,035,175</u></u>	<u><u>1,761,459</u></u>
Total liabilities		<u><u>2,358,285</u></u>	<u><u>1,867,212</u></u>
Total equity and liabilities		<u><u>4,075,252</u></u>	<u><u>3,387,648</u></u>
Net current assets		<u><u>705,863</u></u>	<u><u>649,989</u></u>
Total assets less current liabilities		<u><u>2,040,077</u></u>	<u><u>1,626,189</u></u>

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 financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

2 NEW AND AMENDED STANDARDS

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2011.

HKAS 24 (Revised), “Related Party Disclosures” is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- (i) The name of the government and the nature of their relationship;
- (ii) The nature and amount of any individually significant transactions; and
- (iii) The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. The standard does not have significant impact on the disclosure to the consolidated financial statements.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 April 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).

HK(IFRIC) – Int 14 (Amendment)	Prepayment of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguish financial liabilities with equity instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of the above new and revised HKFRSs does not have any significant impacts on the financial statements of the Group for the current or prior accounting periods.

- (c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted.

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

HKAS 1 (Amendment)	Presentation of financial statements on other comprehensive income (effective for annual periods beginning on or after 1 July 2012)
HKAS 12 (Amendment)	Deferred tax- recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012)
HKAS 19 (Revised 2011)	Employee benefits (effective for annual periods beginning on or after 1 January 2013)
HKAS 27 (Revised 2011)	Separate financial statements (effective for annual periods beginning on or after 1 January 2013)
HKAS 28 (Revised 2011)	Associates and joint ventures (effective for annual periods beginning on or after 1 January 2013)
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014)
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013)
HKFRS 7 (Amendment)	Financial instruments: Disclosures – transfer of financial assets (effective for annual periods beginning on or after 1 July 2011)
HKFRS 9	Financial instruments (effective for annual periods beginning on or after 1 January 2013)
HKFRS 10	Consolidated financial statements (effective on or after 1 January 2013)
HKFRS 11	Joint arrangements (effective on or after 1 January 2013)
HKFRS 12	Disclosure of interests in other entities (effective for annual periods beginning on or after 1 January 2013)
HKFRS 13	Fair value measurement (effective for annual periods beginning on or after 1 January 2013)
HKFRSs (Amendments)	Improvements to HKFRSs 2011

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 REVENUE AND SEGMENT INFORMATION

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

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

The Group is organised into two main reportable segments.

- (i) Manufacture and sales of machinery and equipment
- (ii) Steel casting

The segment results for the year ended 31 March 2012 are as follows:

	Manufacture and sales of machinery and equipment <i>HK\$’000</i>	Steel casting <i>HK\$’000</i>	Total segments <i>HK\$’000</i>	Eliminations <i>HK\$’000</i>	Total <i>HK\$’000</i>
Revenue					
External sales	2,995,836	15,800	3,011,636	–	3,011,636
Inter-segment sales	<u>4,440</u>	<u>123,208</u>	<u>127,648</u>	<u>(127,648)</u>	<u>–</u>
Total sales	3,000,276	139,008	3,139,284	(127,648)	3,011,636
Other income	<u>36,007</u>	<u>37</u>	<u>36,044</u>	<u>–</u>	<u>36,044</u>
Total revenue and other income	<u>3,036,283</u>	<u>139,045</u>	<u>3,175,328</u>	<u>(127,648)</u>	<u>3,047,680</u>
Result					
Segment results	<u>324,077</u>	<u>(17,756)</u>	<u>306,321</u>	<u>–</u>	306,321
Finance income					4,672
Finance costs					(59,101)
Share of loss of a jointly controlled entity					<u>(1,315)</u>
Profit before income tax					<u>250,577</u>

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

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

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 2012		
	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets			
Segment assets	3,736,974	291,090	4,028,064
Unallocated assets			<u>47,188</u>
Consolidated total assets			<u><u>4,075,252</u></u>
Liabilities			
Segment liabilities	2,207,029	99,096	2,306,125
Unallocated liabilities			<u>52,160</u>
Consolidated total liabilities			<u><u>2,358,285</u></u>

	As at 31 March 2011		
	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets			
Segment assets	2,996,615	296,525	3,293,140
Unallocated assets			<u>94,508</u>
Consolidated total assets			<u><u>3,387,648</u></u>
Liabilities			
Segment liabilities	1,676,727	96,327	1,773,054
Unallocated liabilities			<u>94,158</u>
Consolidated total liabilities			<u><u>1,867,212</u></u>

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

- all assets are allocated to reportable segments other than corporate assets, non-current assets held-for-sale, interest in a jointly controlled entity, amount due from a jointly controlled entity, derivative financial instruments and deferred tax assets.
- all liabilities are allocated to reportable segments other than corporate liabilities, derivative financial instruments, current income tax liabilities and deferred income tax liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

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

	For the year ended 31 March 2012		
	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets ¹	317,799	910	318,709
Depreciation and amortisation	101,743	10,189	111,932
Write down of inventories	15,474	90	15,564
Provision for impairment of trade receivables	<u>9,425</u>	<u>(1,044)</u>	<u>8,381</u>

	For the year ended 31 March 2011		
	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets ¹	194,591	10,157	204,748
Depreciation and amortisation	91,949	9,792	101,741
Write down of inventories	9,002	94	9,096
Provision for impairment of trade receivables	<u>2,844</u>	<u>722</u>	<u>3,566</u>

¹ Non-current assets exclude interest in a jointly controlled entity, deferred income tax assets, deposits and receivables and derivative financial instruments.

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2012 and 2011.

	2012	2011
	HK\$'000	HK\$'000
Analysis of revenue by category		
Sales of machinery and equipment	2,995,836	2,582,058
Steel casting	15,800	20,506
	3,011,636	2,602,564
Other revenue	36,044	34,430
	3,047,680	2,636,994

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		Non-current assets¹	
	external customers			
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	2,443,725	2,065,388	1,075,231	864,092
Hong Kong	-	-	31,396	30,146
Europe	283,284	231,006	25,849	30,876
Central America and South America	106,658	75,724	-	-
North America	55,273	137,211	226	303
Other countries	122,696	93,235	64,299	12,619
	3,011,636	2,602,564	1,197,001	938,036

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

4 EXPENSES BY NATURE

	2012 HK\$'000	2011 HK\$'000
Amortisation of land use rights	3,681	3,106
Amortisation of trademarks	219	701
Amortisation of patents	214	214
Amortisation of development costs and others	4,972	4,409
Depreciation of property, plant and equipment	102,846	93,311
Provision for impairment of trade receivables	8,381	3,566
Write down of inventories	15,564	9,096

5 OTHER GAINS, NET

	2012 HK\$'000	2011 HK\$'000
Net foreign exchange gain	794	2,875
Increase in fair value of investment properties	1,074	5,821
Net fair value gain/(loss) on derivative financial instruments	55,690	(4,007)
Loss on disposals of property, plant and equipment	(1,940)	(253)
Gain on disposal of non-current assets held-for-sale	5,172	–
Gain on disposal of available-for-sale financial assets	–	889
Others	1,681	(117)

6 FINANCE COSTS – NET

	2012 HK\$'000	2011 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(4,672)	(2,450)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	62,827	46,325
Less: Capitalised in property, plant and equipment (<i>Note i</i>)	(3,726)	(3,394)

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 5.1% (2011: 4.0%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	42,615	64,571
– Overseas tax	9,445	–
– Hong Kong profits tax	–	–
– Under-provision in prior years	7,415	8,995
	<u>59,475</u>	<u>73,566</u>
Deferred taxation	<u>(9,028)</u>	<u>(13,268)</u>
Tax charge	<u><u>50,447</u></u>	<u><u>60,298</u></u>

In accordance with the applicable Corporate Income Tax Law of the PRC, certain of the Company's subsidiaries registered in the PRC are exempted from corporate income tax ("CIT") 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 CIT in the following three years. These subsidiaries are subject to CIT at rates ranging from 12.5% to 25% (2011: 12.5% to 25%) during the year.

For those subsidiaries of the Company which are still entitled to the 50% relief on income tax, the tax rate for the year is 12.5%. For those subsidiaries with expired tax holidays (other than those approved to be High and New Technology Enterprises as discussed in the next paragraph), the tax rates for the year are 25% (2011: 24%).

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% (2011: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2012 as the subsidiaries in Hong Kong either have unutilised tax losses available to set off current year's estimated assessable profits or have no assessable profits for the current year. No Hong Kong profits tax has been provided for the year ended 31 March 2011 as there were no assessable profits for that year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdiction in which the Group operates.

8 DIVIDENDS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Proposed final dividend of HK5 cents per share (2011: HK5 cents)	<u>56,588</u>	<u>56,553</u>

At a meeting held on 29 June 2012, the directors recommended the payment of a final dividend of HK5 cents per ordinary share, totaling HK\$56,588,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting of the Company on 28 August 2012. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2013.

9 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the profit attributable to owners of the parent of HK\$203,773,000 (2011: HK\$259,365,000) and on the weighted average number of approximately 1,131,539,000 (2011: 1,036,168,000) ordinary shares in issue during the year.

	2012	2011
Profit attributable to owners of the parent (HK\$'000)	<u>203,773</u>	<u>259,365</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,131,539</u>	<u>1,036,168</u>
Basic earnings per share (HK cents)	<u>18.0</u>	<u>25.0</u>

(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.

	2012	2011
Profit attributable to owners of the parent (HK\$'000)	<u>203,773</u>	<u>259,365</u>
Weighted average number of ordinary shares in issue (thousands)	1,131,539	1,036,168
Assumed conversion of perpetual convertible securities (thousand)	58,000	5,403
Adjustment for share options (thousands)	<u>1,358</u>	<u>3,409</u>
Weighted average number of ordinary shares of diluted earnings per share (thousands)	<u>1,190,897</u>	<u>1,044,980</u>
Weighted average number of ordinary shares for diluted earnings per share (HK cents)	<u>17.1</u>	<u>24.8</u>

The assumed conversion of potential ordinary shares arising from the warrants during the year would be anti-dilutive (2011: Same).

10 TRADE AND BILLS RECEIVABLES

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	826,504	722,434
Less: Provision for impairment	<u>(47,144)</u>	<u>(39,604)</u>
	779,360	682,830
Bills receivables	<u>67,109</u>	<u>109,029</u>
	846,469	791,859
Less: Balance due after one year shown as non-current assets	<u>(26,855)</u>	<u>(4,069)</u>
Trade and bills receivables, net	<u>819,614</u>	<u>787,790</u>

The amount of provision for impaired trade receivables was HK\$47,144,000 (2011: HK\$39,604,000). 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 90 days	459,618	459,409
91-180 days	132,237	103,039
181-365 days	123,919	80,312
Over one year	110,730	79,674
	<u>826,504</u>	<u>722,434</u>

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

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

11 TRADE AND BILLS PAYABLE, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade payables	531,183	548,857
Bills payable	34,716	43,158
Others	451,329	365,810
	<u>1,017,228</u>	<u>957,825</u>

The following is the aging analysis of the trade payables:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 90 days	422,064	479,121
91-180 days	90,906	54,643
181-365 days	7,389	6,366
Over one year	10,824	8,727
	<u>531,183</u>	<u>548,857</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 March 2012 (the “Year”), despite the turbulent world economy and the continuous macroeconomic austerity in China, the revenue of the Group reached a new high. During the Year, the Group recorded an encouraging increase of 16% to HK\$3,011,636,000 in revenue as compared to last year, bursting the cap of HK\$3,000,000,000 for the first time. However, the increase of resources investing in R&D, market expansion, sales and service network, and production facilities for the Year led to the increase of costs and expenses. Profit attributable to the owners of the Company for the Year amounted to HK\$203,773,000, representing a decrease of 21% as compared to the profit of HK\$259,365,000 of the corresponding period last year.

Business Review

During the Year, the world economy remained turbulent, while the sovereign debt crisis in the European countries got deteriorated, leading to an overall slowdown in the real economy in Europe. Meanwhile, the austerity policies adopted in Europe intensified the downward pressure on the Eurozone and the global economy. Furthermore, the economic recovery in US remained sluggish. The serious problems in major developed economies significantly affected the China economy with continuous slowdown in export growth, especially the shrinkage in export to Europe was noticeable. On the other hand, the China government adopted stricter monetary tightening policies in order to address the fallout arising from the massive stimulus measures implemented during the global financial crisis. Given the deteriorating European debt crisis, the prolonging weakness in the U.S. economy and the austerity policies adopted by the PRC, many small and medium-sized enterprises in China were confronted with a situation of dramatic decline in the number of orders received and lack of liquidity in the domestic market to invest in equipment due to credit tightening by the banks, which in turn affected the equipment manufacturers including the Group. The negative impact of these adverse conditions were much more obvious in the second half of the Year.

Despite the volatile external environment and the austerity macro-economic measures imposed by China, the Group implemented timely adjustment to its strategies and captured opportunities arising from the blooming development of the consumer goods like smart phones and tablet personal computers. Besides, keeping abreast of the market trend of using automation equipment by the manufacturers, the Group placed large effort in promoting its computerised numerical controlled (CNC) machines, plastic injection moulding machines and large tonnage automatic die-casting machine cells, resulting in an increase in the revenue of these three business sectors, namely die-casting machines, plastic injection moulding machines and CNC machines, and achieved record revenue.

The revenue of the Group for the Year realized the first-ever breakthrough of HK\$3,000,000,000, representing an increase of 16% as compared to last year. During the Year, China remained the main market of business growth for the Group with the revenue from China amounting to HK\$2,443,725,000, representing an increase of 18% as compared to last year.

Although the Europe economy was trapped in European debt crisis, leveraging on the growth opportunities in China and other emerging markets, Idra, an Italy based wholly-owned subsidiary of the Group engaged in the die-casting machines business, achieved dramatic increase in its revenue and became one of the major attributors to the revenue growth of the Group.

Die-casting Machines

During the Year, the growth of China's automobile industry slowed down generally, the property sector became the main target for a new round of macroeconomic control measures, and the traditional cell phone components manufacturers were severely hit by the new generation electronic consumer goods like smart phones and tablet personal computers, the demand for die-casting machines was under continuous suppression. Nevertheless, leveraging on its leading position in the global die-casting machine industry, the Group seized the market opportunities from the expansion of large automobile manufacturers and of large tonnage automatic die-casting machine cells, resulting in an increase in the revenue of die-casting machines and the peripheral equipment business of the Group amounting to approximately HK\$1,710,000,000.

Plastic injection moulding machines

The Group has achieved satisfactory performance in sales of large tonnage plastic injection moulding machines, servo control energy saving plastic injection moulding machines and sophisticated direct-clamp plastic injection moulding machines. Furthermore, driven by the electrical appliances and toy business sectors in China, the revenue of plastic injection moulding machine business of the Group for the Year exceeded HK\$500,000,000, representing an increase as compared to last year.

Computerised numerical controlled (CNC) machines

The CNC machines is one of the business focuses of the Group. With the flourishing business of the processing enterprises for smart phones and tablets personal computers, various models of the CNC machines of the Group continued to be well-received in the market due to its good value and outstanding performance, and had successfully secured bulk orders from a number of renowned enterprises, such as Foxconn, Pegatron and BYD Electronic. The revenue of the Group's CNC machines amounted to approximately HK\$550,000,000 for the Year, representing a significant increase of 134% as compared to the previous year.

Research and Development (“R&D”)

R&D of die-casting machines

During the Year, the Group completed the design and R&D of the third generation die-casting machines and successfully delivered to the customers. The third generation die-casting machines integrate the state-of-the-art technology, enabling customers to reduce cost and enhance competitive strength with features such as more energy-saving and room saving, highly integrated with automatic peripheral accessories, easier to operate and more comprehensive and more powerful.

R&D of plastic injection moulding machines

The Group has continued to invest in the R&D of plastic injection moulding machines and has achieved major breakthrough in large-tonnage plastic injection moulding machines series. During the Year, large tonnage plastic injection moulding machines with clamping force of over 1,000-tonnes had successfully been delivered to the customers. Large tonnage plastic injection moulding machines can be used in the production of large plastic accessories such as automobile instrument panels, large home appliances and large logistic containers, enabling the Group to offer a more complete range of plastic injection moulding machines.

R&D of CNC machines

During the Year, the R&D center of the Group in Taiwan has been focusing on the continuous enhancement on the functions and efficiency of the existing models in addition to the R&D of new models. The “TC” series, including “TC510” and “TC710” small size vertical drilling CNC machines specialised for post die-casting processing has already gained high recognition among our customers in the market, while the “MV” Series for fine processing of automobile components namely “MV650”, “MV850”, “MV1050” and “MV-1680” has been improved. Meanwhile, the Group has extended the application of the “HT” series horizontal CNC machines, including “HT400”, “HT500”, “HT630” and “HT800”. The diversification of CNC machines products will strengthen the development of the business.

Launch of New Production Facilities

During the Year, the new phase factory in Shenzhen City, Guangdong Province and phase one of the new factory in Kunshan City, Jiangsu Province had commenced operations, and the Group’s new factory in Taiwan had commenced production in the first quarter of 2012, which further increased the production capacity as well as efficiency of the three businesses of the Group, strengthened the promotion of automation equipment and enable the Group to grasp the market opportunities of rising demand for automation due to the increase in labour cost and labour shortage in China.

Disposal of 35% Interests in Fuxin Li Chang Steel & Iron Foundry Co., Ltd. (“Li Chang”)

Li Chang is located in Liaoning Province, China, which is engaged in iron ore mining, casting and smelting of iron ore and steel, and owns the mining rights for a mine. The Group held 35% shareholding interest in Li Chang with an aim to secure a stable short-distance source of raw material supply for the Group’s cast components manufacturing, so as to achieve cost effective synergy. However, this company had been loss making due to the financial crisis and downturn of the iron and steel market, moreover, the supply of iron and steel by this company did not fit in with the requirements for the Group’s cast components manufacturing. Therefore, the Directors considered that it would be an appropriate strategy to dispose of this non-core and loss-making business. The Group disposed of its 35% interests in Li Chang for a consideration of RMB69 million in March 2012.

Prospects

Looking forward to the year ahead, the world economy is still full of volatilities and uncertainties. In particular, the European sovereign debt crisis may be further deteriorated, and the orders from the export-oriented customers may further slow down. The China economy is undergoing structural adjustment, and the market consensus expects that the China economy might have been slackened from rapid growth to moderate growth. These factors that have negative impact on equipment manufacturers may also deliver new challenges to the short-term growth of the Group.

On the other hand, there are favourable factors for the equipment manufacturers which include the reduced inflation pressure in China and the small and gradual adjustments to the tight monetary policies in China, such as several reductions of deposit-reserve ratio and interest rate cuts. These are helpful for the customers of the Group to obtain the credit facilities to invest in equipment, therefore increasing their willingness to invest, though we believe this will be a slow process.

Regarding the specific businesses, for the business of die-casting machines, although automobile manufacturing industry in China shows signs of recovery, electronic consumer products such as traditional cell phones are being impacted by smart electronic consumer products, it is expected that the die-casting machines industry in China will remain under pressure in the year ahead. However, the third generation die-casting machines of the Group integrate multiple state-of-the-art technologies with more powerful functions and stronger competitiveness and are expected to be well-received in the market.

For the business of plastic injection moulding machines, due to the sheer size of the market, the Group will provide a better and even more comprehensive range of plastic injection moulding machines to maintain stable growth.

For the business of CNC machines, the emerging smart electronic consumer products such as smart phones and tablet personal computers have been one of the major growth drivers for the last two years. Looking forward to the year ahead, since the first round of investment boom to the emerging smart electronic consumer products might be subsiding, it is expected that the CNC machine business of the Group may gradually slow down after continuous fast growth over past several years.

Notwithstanding the above concerns, the management still believes that the three product lines of the Group are widely used in the manufacture industry in China. Moreover, given the leading position of the Group in the die-casting machine industry, the wide variety of product series of the plastic injection moulding machines and CNC machines, coupled with the extensive customer base, the comprehensive sales and service network, strong R&D capability and good brand influence, the management remains confident in the long term growth of the Group. However, in the meanwhile, the management will closely monitor the macro-economy and market condition, and will adopt cautious measures in a timely manner, so as to cope with the challenges ahead.

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 2012, the Group's cash and bank balances amounted to approximately HK\$439.2 million (2011: HK\$444.3 million).

The gearing ratio (a ratio of net debt to total equity) was approximately 49% (2011: 24%).

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

As at 31 March 2012, 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\$1,278.5 million (2011: 805.7 million), approximately 76% of which being short-term loans. Approximately 11% 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 2012, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK\$279.0 million (2011: HK\$193.6 million).

Pledge of Assets

The Group's banking facilities and financial guarantees were secured by the assets of the Group, including restricted bank balances, land use rights, investment properties, plant and machinery, with aggregate carrying amount of HK\$497.3 million (2011: HK\$372.1 million).

Capital commitments

As at 31 March 2012, the Group had capital expenditure commitments of approximately HK\$144.2 million (2011: HK\$85.6 million) in respect of acquisition of land use rights, property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2012, the Group employed approximately 4,000 full time staff. The staff costs for current year amounted to HK\$463.5 million (2011: HK\$383.5 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2012.

FINAL DIVIDEND

The Board recommended a payment of final dividend of HK5 cents per share for the year ended 31 March 2012, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Tuesday, 28 August 2012, payable to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 September 2012. The dividend will be paid on or about Thursday, 20 September 2012.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 28 August 2012, the register of members of the Company will be closed from Friday, 24 August 2012 to Tuesday, 28 August 2012 (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 Thursday, 23 August 2012.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 5 September 2012 to Thursday, 6 September 2012, (both days inclusive) during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, 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 Tuesday, 4 September 2012.

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 2012.

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 2012.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Mr. Chan Wah Tip, Michael, 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 2012.

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 2012 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 28 August 2012. The notice of the annual general meeting, which constitutes part of the circular to the Shareholders, will be published on the aforesaid websites and despatched to the Shareholders together with the Company's annual report 2011-12 in due course.

By order of the Board

Chong Siw Yin

Chairperson

Hong Kong, 29 June 2012

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang and Mr. Chung Yuk Ming; the non-executive Director is Mr. Hu Yongmin; and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael.