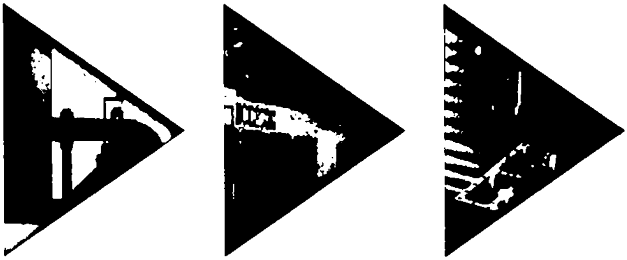
L.K. TECHNOLOGY HOLDINGS LIMITED
力勁科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 558



Continuing 持續發展 邁步向前 Forward

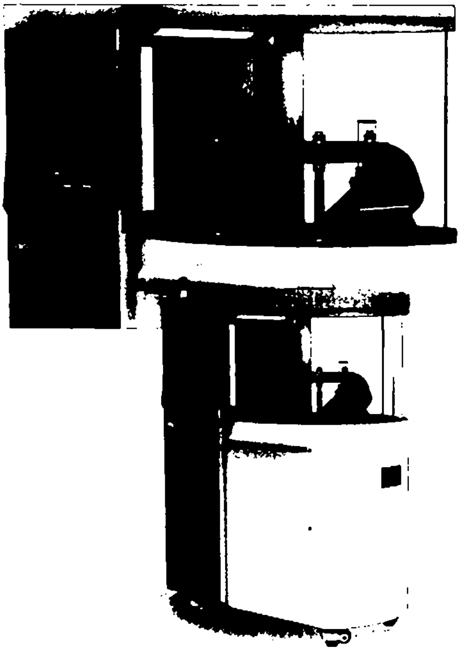
Annual Report 年報
2009/10

公司簡介

力勁科技集團有限公司是全球最大的壓鑄機製造商。本集團從事設計、製造及銷售三大產品系列，即熱室和冷室壓鑄機、注塑機及電腦數控(CNC)加工中心。本集團於中國設有生產基地分別位於深圳、中山、寧波、上海、阜新和昆山，以及於台灣設有研發中心。為了進軍海外市場，本集團於二零零八年收購全球頂級壓鑄機生產商之一Idra Srl。本集團亦於阜新經營一所鑄件廠，生產鋼鐵鑄件。

Corporate Profile

L.K. Technology Holdings Limited is the world's largest die-casting machines manufacturer. The Group engages in the design, manufacture and sale of three product lines, i.e. hot chamber and cold chamber die-casting machines, plastic injection moulding machines and computerised numerical controlled (CNC) machining centres. The Group has manufacturing bases in Shenzhen, Zhongshan, Ningbo, Shanghai, Fuxin and Kunshan in the PRC and a R&D centre in Taiwan. To capture overseas markets, the Group acquired Idra Srl, one of the world's top die-casting machine manufacturers, in 2008. The Group also operates a casting factory in Fuxin for the production of cast iron/steel components.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Chung Yuk Ming
Ms. Wong Pui Chun

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Kin Ming

AUTHORISED REPRESENTATIVES

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

BDO Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
Shenzhen Development Bank Ltd
Intesa Sanpaolo Spa

STOCK CODE

558

WEBSITE

http://www.lktechnology.com

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors of L.K. Technology Holdings Limited, I hereby present to you the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010.

The macro economic environment has been undergoing rapid and significant changes during the year. In face of the global financial crisis in the first half of the year, many equipment manufacturers, including the Group, have experienced sharp drop in orders or postponement in deliveries, led to slump in sales. However, as the market began to see the effects brought about by the vigorous economic stimulus measures from the governments of different countries, many countries started to show different levels of rebound in the second half of the year. As the leader of China's die-casting machines industry, the Group has aggressively captured the opportunity of revival China's economy, and our orders have recorded month-on-month increase. Our turnover increased significantly in the second half of the year, up 66% when compared with that of the first half of the year. Meanwhile, our results have also seen improvement and recorded a profit on whole year basis.

Turnover for the year amounted to HK$1,408,364,000, representing an increase of approximately 18% as compared to HK$1,192,487,000 last year. Profit attributable to the equity holders of the Company was HK$20,323,000, a significant improvement when compared with a loss of HK$43,671,000 of last year, achieving turnaround from loss-making to profit-making.

During the financial crisis, the Group has taken strategic measures with an aim to be benefited from the growth potentials expected to arise after the economic revival. We have achieved breakthroughs on the R&D of our three main products, namely die-casting machines, plastic injection moulding machines and computerised numerical controlled (CNC) machines.

In respect of die-casting machines, we have undergone new model upgrade and optimisation of design, including the areas of operating efficiency, level of automation, maneuverability, energy saving and environmental protection. Such optimisation was to enhance the performance of our die-casting machines, so as to help our customers to reduce their overall production cost. In addition, we have also developed four major computerised control systems, namely "LK-ADVANCE", "LK-CAST", "LK-NET" and "LK-MONITOR". These systems can help our customers to achieve automation, intelligentisation, integration and remote control of their production management under large-scale production and increase the competitiveness of products.

For plastic injection moulding machines, our servo-driven energy saving plastic injection moulding machine has passed the examination by the Chinese national competent authorities, achieved the "National Grade 1 Energy Saving" standard and has gained a leading position in the industry. In addition to our first-in-the-world nano-standard upward injection high precision plastic micro-injection moulding machine which has been awarded the "Creation Prize" at the China International Industry Fair and the "Gold Medal Award" at the International Exhibition of Inventions held at Geneva, Switzerland, we have also introduced a large tonnage two-platen plastic injection moulding machine and a second generation direct-clamp plastic injection moulding machine to the market.

Chairman's Statement

For computerised numerical controlled (CNC) machines, our "TC510" and "TC710" models continued to be well received by the market. We have also introduced other new models, such as "TC1200" and "MV-1680".

R&D and introduction of new products has fostered the rapid growth of our plastic injection moulding machines and CNC machines, which are the two main growth areas of our business.

In addition to our three major subsidiaries Shenzhen Leadwell, Shanghai Atech and Zhongshan L.K which have been recognised by the State as "Advanced Technology Enterprises", another subsidiary company Ningbo L.K. Tech. has also been recognised as "Advanced Technology Enterprises".

Look forward to the year ahead, the macro economic environment will still be turbulent and challenging. The economic revival brought by the monetary relaxation policies may cause inflation, which may lead to depression of macro economy inevitably. All these will serve as a test to the enterprises' ability to adapt to the environment. However, I believe that our Group enjoys its significant advantage in brandname and comprehensive product portfolio, our Group will be able to encounter those challenges ahead.

On behalf of the Board and our management team, I would like to take this opportunity to express my appreciation to our customers, suppliers, bankers, business partners and shareholders for their great support and encouragement to the Group during the current vibrant operating environment. My heartfelt gratitude also goes to our dedicated Board members and committed staff, for their diligence in the past year. I believe, with your support, encouragement and assistance, the Group will be able to grasp every opportunity and march forward in strides.

Chong Siw Yin
Chairperson

21 July 2010

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 March 2010, the Group recorded a turnover of HK$1,408,364,000, representing an increase of 18% as compared to HK$1,192,487,000 last year. Profit attributable to owners of the Company for the year was HK$20,323,000, which demonstrated a remarkable improvement as compared to a loss of HK$43,671,000 last year. Since the second half of the year, the business of the Group has recovered and as a result turned from loss to profit.

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 2010, the Group's cash and bank balances amounted to approximately HK$398.1 million (2009: HK$330.3 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 99% (2009: 97%).

As at 31 March 2010, the capital structure of the Company was constituted of 1,021,455,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$882.1 million (2009: HK$844.1 million), approximately 90% of which being short-term loans. Approximately 20% of the total borrowing was subject to interest payable at fixed rates. During the year, the Group used interest rate swap to manage risks associated with interest rate risks and used foreign exchange forward contracts to hedge against foreign currency exposure.

Financial Guarantees

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2010, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$106.7 million (2009: HK$71.3 million).

Pledge of Assets

(i) The Group's banking facilities were secured by the assets of the Group, including restricted bank balances, leasehold land and building, land use rights, investment properties, plant and machinery, with aggregate carrying amounts of HK$319.7 million (2009: HK$100.7 million).

(ii) As at 31 March 2010, the Group also has restricted bank balances to the extent of HK$33.8 million (2009: HK$21.6 million) pledged to banks for credit facilities granted to customers to purchase the Group's products.

(iii) The Company's investments in certain subsidiaries with aggregate net asset value of HK$176.7 million (2009: HK$167.4 million) are pledged to a bank for banking facilities granted to its subsidiaries.

Management Discussion and Analysis

Capital Commitments

As at 31 March 2010, the Group had made capital expenditure commitments of approximately HK$50.5 million (2009: HK$57.7 million) in respect of acquisition of property, plant and equipment.

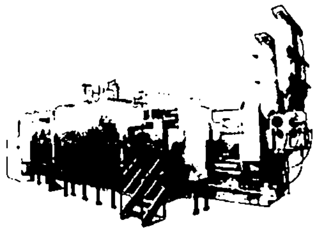
BUSINESS REVIEW

The Group recorded a turnover of HK$1,408,364,000 for the year, of which turnover from October 2009 to March 2010 (the second half of the year) was HK$878,390,000, representing an increase of approximately 66% as compared to HK$529,974,000 of the first half of the year, which indicated a strong turnaround in business.

The large-scaled economic stimulus measures taken by the PRC government subsequent to the global financial crisis had not only inhibited the downturn risk of the PRC economy, but also produced a positive impact on global economic recovery. The recovery momentum of the PRC economy was particularly notable during the second half of the year, which brought with it the rapid recovery of the business of the Group.

The Group's turnover from the PRC market for the year amounted to HK$1,167,966,000, representing a significant increase of more than 60% over last year. However, as the recovery of other economic entities in the world, particularly the European economy, remained slow, the Group's turnover from overseas markets for the year was only HK$240,398,000, representing a decline of 48% as compared to last year.

Die-casting machines



The Group's 3000-tonne large tonnage cold chamber die-casting machine supplied to a renowned customer in the USA

As a result of the financial crisis, new orders for large die-casting machines were sluggish, and the delivery of existing orders were postponed, only small die-casting machines gained a growth in the unfavourable environment during the first half of the year. However, during the second half of the year, delivery of the postponed orders resumed gradually, and new orders also increased rapidly. The growth momentum in the die-casting machine market in the PRC, in particular, was encouraging. The turnover of the Group's die-casting machines products from the PRC market for the year increased by more than 65% over last year.

Overseas markets including Europe were, however, still suffering and recovering slowly, and were basically stagnant during the first half of the year, which limited the growth of the overall turnover of the Group's die-casting machines products. Nevertheless, the turnover of die-casting machines from overseas markets in the second half of the year showed notable sign of improvements, which increased by more than 450% over the first half of the year.

Management Discussion and Analysis

Plastic injection moulding machines

The development of the Group's plastic injection moulding machine business during the year was satisfactory, which managed to sustain growth during the first half of the year despite the adverse environment, and even achieved rapid growth during the second half of the year. The turnover of plastic injection moulding machines of the Group for the year increased by 57% as compared to last year.

Computerised numerical controlled (CNC) machines

CNC machine business is a growing business of the Group and also one of the major focuses for the Group's future development. New products including TC510, TC710 and TC1200 launched by the Group were well received in the market. The turnover of CNC machine of the Group grew by more than 140% as compared to last year.

Cast components

During the first half of the year, the Group's large-scaled modernised casting factory located in Fuxin City, Liaoning Province, started trial production for supply to the Group and external customers. During the second half of the year, the output volume of cast components increased steadily each month. The commencement of production of the cast components had not only stabilised the supply chain of the Group, but also enhanced the comprehensive benefit with the three major products, namely die-casting machines, plastic injection moulding machines and CNC machines, and offered the Group with a new source of income.

Research and development ("R&D")

R&D of die-casting machines

Professional control systems developed by the Group

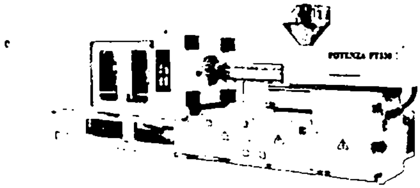
During the year, the Group conducted research and development on all series of die-casting machines and enhanced overall performance including operating efficiency and level of automation. Being more energy saving, more environmental protection, much simplier control helped customers to reduce their overall production cost and to enhance product competitiveness. Apart from completed projects such as the new large tonnage cold chamber die-casting machine series and the brand new quick die change system, the 4000-tonne super large cold chamber die-casting machines developed by the Group have also been ordered by customers. In the area of professional control system for die casting machines, a number of new breakthroughs were also made. For example, the Group developed four major computerised control systems, including the "LK-ADVANCE", "LK-CAST", "LK-NET" and "LK-MONITOR", which facilitate customers to achieve automated, intelligence-driven, integrated and remote-controlled production management, to enhance significantly management efficiency and to improve management

Management Discussion and Analysis

cost. The "LK-ADVANCE" control system helps customers to achieve intelligence-driven production, and is capable of monitoring and controlling production data and production status automatically, which helps customers to enhance management efficiency and save management cost; the "LK-CAST" control system helps customers to monitor the process data and the process motion of the die-casting machines, thus controlling product quality; the "LK-NET" production control system allows connection of multiple die-casting machines with real-time control, which enables integrated and intelligence-driven workshop management; and the "LK-MONITOR" remote control system allows remote diagnosis for providing customers with timely solutions to problems so as to reduce production interruption, and enhance product quality.

R&D of plastic injection moulding machines

During the year, the Group made good achievement in the R&D of plastic injection moulding machines. In respect of servo-driven energy-saving plastic injection moulding machines, after authoritative inspection and testing by the Chinese National Plastic Machinery Products Quality Supervision and Inspection Centre, the servo-driven energy-saving high precision plastic injection moulding machines developed by the Group attained Grade 1 in the energy efficiency standard set out by the State, and gained a leading position among counterparts in the industry. On the basis of the "EFFORT" series of direct-clamp plastic injection moulding machines which were successfully launched, the Group has already developed the advance-performance second generation direct-clamp plastic injection moulding machines and is launching them in the market. In respect of large-scaled plastic injection moulding machines, the Group successfully developed the "FORZA" new series of large tonnage two-platen plastic injection moulding machines, and have also developed large tonnage plastic injection moulding machines with a clamping force of 3000 tonnes. This was not only an important breakthrough in the R&D of the Group, but also played a key role in expanding the scope of plastic injection moulding machines product profile, in meeting customer demands and in accelerating the development of the Group's plastic injection moulding machine business.



The Group's 320-tonne servo-driven energy-saving plastic injection moulding machine

Management Discussion and Analysis

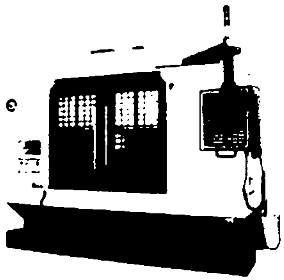
In addition, the micro-injection moulding machines developed in the joint efforts of the Group with The Hong Kong Polytechnic University represents the first-in-the-world nano-standard upward injection high precision plastic micro-injection moulding machine for producing nano-standard components and miniaturised precision parts, which are suitable for use in medical and optic instruments. This new injection moulding machine has captured widespread market attention and has received the "Creation Prize" at the China International Industry Fair as well as the "Gold Medal Award" at the International Exhibition of Inventions held at Geneva, Switzerland.

R&D of CNC machines

In addition to the new and competitive "TC510" and "TC710" series of CNC machines, the Group's R&D centre in Taiwan has also successfully developed a number of new series namely "TC1200", "HT400", "HT500" and "MV-1680" to meet various market demands.

R&D of cast components

The Group's die-casting machines, plastic injection moulding machines and CNC machines all required a large volume of high-quality cast components. The Group's large-scaled modernised casting factory located in Fuxin City, Liaoning Province, has successfully developed a few hundred kinds of high-quality cast components, to be supplied to both the Group and the external customers.


The Group's TC1200CNC machine

Prospects

It is generally believed in the industry that in the coming year, the momentum in global economic recovery will basically be secured. The recovered economic environment, the steadily improving customer demands and the less stringent bank credit and money supply in the PRC will facilitate another round of equipment investment by customers. All of these will be beneficial to the business recovery and business development of equipment manufacturers including the Group.

Currently, the Group's order book is satisfactory and the turnover of the Group for the next financial year is expected to increase further.

Management Discussion and Analysis

To meet customer demands for the Group's large-tonnage die-casting machines and plastic injection moulding machines, the Group has started construction of the new phase of factory in Shenzhen City, Guangdong Province, which is expected to complete in the second half of 2010. Meanwhile, to cope with the rapid development of the Group's CNC machine business, the Group has started construction of a factory in Kunshan City, Jiangsu Province, which is also expected to complete in the second half of 2010.

Although the overall business environment is improving, certain concerns still exist among equipment manufacturers. Firstly, the over-relaxed bank credit may result in partial bubbles where the macro economy of the PRC may gradually move from "recovery" to "overheat", leading to the possible recurrence of inflation. Under such situation, macro economic policies might be tightened steadily, which would bring negative effects to customers of the Group. Secondly, as the pace of recovery of the European economy and the Japanese economy remained slow, the speed of recovery of orders from overseas markets of the Group is restricted. The Group will adjust its strategies in a timely manner according to the change in environment and utilise its resources in an effective way so as to allow the Group flexibility in tackling any challenges ahead.

Meanwhile, the Group will strengthen R&D, nurture talents and seek new business growth potentials which have synergy effects with the Group's businesses so as to ensure the sustainable development of the Group.

Directors and Senior Management Profiles

DIRECTORS

Ms. Chong Siw Yin, aged 54, is the chairperson of the Board and an executive Director of the Company. Ms. Chong joined the Group in March 1988, and was appointed as an executive Director in August 2004. She is also a director of certain subsidiaries of the Company. Ms. Chong is responsible for the strategic planning, administration and human resources management of the Group and has over 22 years of management experience. Ms. Chong has attended secondary education.

Mr. Cao Yang, aged 43, is an executive Director and chief executive officer of the Company. Prior to joining the Group, he worked for the Ganzhou education bureau in Jiangxi Province. He joined the Group in December 1991 as supervisor of human resources and administration department and plant manager of L.K. Machinery (Shenzhen) Co. Ltd. and became the general manager of both L.K. Machinery (Shenzhen) Co. Ltd. in 2000 and Shenzhen Leadwell Technology Co. Ltd. since its establishment. He was appointed as an executive Director in September 2004. Mr. Cao is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning as well as the overall manufacturing planning and sales activities of all manufacturing subsidiaries of the Group in the PRC. He has more than 18 years of experience in the manufacturing business. Mr. Cao graduated from the Mathematics faculty of Gannan Institute of Education and obtained an Executive MBA Degree from Huazhong University of Science and Technology. He currently serves as Vice President of Shenzhen Youth Federation, President of Shenzhen Hi-Tech Talents Association, Vice Director General of Guangdong Die-Casting Association, Vice President of Shenzhen Machinery Association. In addition, Mr. Cao is also the Vice President of Shenzhen Hi-Tech Industry Association and the Youth Entrepreneur Association.

Mr. Chung Yuk Ming, aged 62, is an executive Director of the Company. Mr. Chung joined the Group in February 2001 as a director of L.K. Machinery Company Limited. He was appointed as an executive Director in September 2004. Mr. Chung is also a director of certain subsidiaries of the Company. He is responsible for the strategic planning, the finance and investment of the Group. Mr Chung has over 28 years of working experience in various sectors, including automobile, toys, electronics and telecommunication. Before joining the Group, he was an executive director of Kader Holdings Company Limited and Kader Investment Company Ltd. (now known as Shougang Concord Grand (Group) Limited), both of which are publicly listed companies in Hong Kong. Mr. Chung holds a master degree in Business Administration from the University of East Asia of Macau. He is a fellow member of the Hong Kong Institute of Directors and currently serves as vice president of The Hong Kong Association for the Advancement of Science and Technology Ltd. and a director of The Hong Kong Electronic Industries Association Limited.

Ms. Wong Pui Chun, aged 51, was appointed as an executive Director in November 2008. She joined the Group in April 2006 and is currently the general manager of L.K. Machinery International Limited and a director of certain subsidiaries of the Company. She has over 22 years of experience in management, finance and accounting. Ms. Wong is a Certified Public Accountant and she is also a member of American Institute of Certified Public Accountants. She graduated from University of Hawaii at Manoa with a bachelor degree in Business Administration. Prior to joining the Group, she was the administrative director of Foshan Nanhai Tai Ping Carpets Company Limited.

Directors and Senior Management Profiles

Dr. Low Seow Chay, aged 60, was appointed as an independent non-executive Director of the Company in September 2004. He is the associate professor of the Nanyang Technological University of Singapore and has more than 28 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is the board member of three publicly listed companies in Singapore, namely CASA Holdings Limited, Hor Kew Corporation Limited and Hai Leck Holdings Limited. Dr. Low received a Doctor of Philosophy Degree from The Victoria University of Manchester, U.K.

Dr. Lui Ming Wah, *SBS, JP*, aged 72, was appointed as an independent non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association Ltd. and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association and a member of The Hong Kong International Arbitration Center Advisory Council. In the PRC, he is a member of the National Committee of The Chinese People's Political Consultative Conference and a member of China Overseas Friendship Association. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. He is the managing director of Keystone Electronics Co., Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited, S.A.S Dragon Holdings Limited (all being listed companies on the Stock Exchange in Hong Kong) and Asian Citrus Holdings Limited (also listed on the London Stock Exchange). Dr. Lui obtained a master degree in Applied Science from the University of New South Wales in Australia and a PhD from the University of Saskatchewan in Canada.

Mr. Tsang Yiu Keung, Paul, aged 56, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is a professional accountant and a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tsang was with KPMG for more than 27 years, where he was a senior banking partner until he retired from the firm on 31 March 2003. Mr. Tsang is currently an independent non-executive director of Guotai Junan International Holdings Limited, a listed company on the Stock Exchange in Hong Kong, and CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited), a licensed bank in Hong Kong and CITIC International Financial Holdings Limited.

Mr. Chan Wah Tip, Michael, aged 57, was appointed as an independent non-executive Director of the Company in September 2004. He has practiced as a solicitor in Hong Kong for over 32 years. Mr. Chan graduated with Bachelor of Laws (LL.B) from the University of Hong Kong in 1975 and received a Postgraduate Certificate of Laws (P.C.LL) from the University of Hong Kong in 1976. Mr. Chan is a partner of Wilkinson & Grist. Mr. Chan is currently a non-executive director of Shougang Concord Technology Holdings Limited and High Fashion International Limited, both of which are listed on the Stock Exchange in Hong Kong.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

Mr. Chan Kwok Keung, aged 44, is the engineering manager of the Group. He joined the Group in December 1998 and is responsible for the technical support, customer services and product development. He has 21 years of experience in mechanical engineering and customer service. He is an associate member of the Hong Kong Institution of Engineers. Prior to joining the Group, he was the customer service executive of Fong's National Engineering Co. Ltd. Mr. Chan graduated from Newcastle Upon Tyne Polytechnic with a bachelor degree in Mechanical Engineering and obtained a degree of master of Science in Management from The Hong Kong Polytechnic University.

Mr. Chan Yin Sau, Dennis, aged 43, is the corporate development director of the Group. He joined the Group in June 2010 and is responsible for the strategic planning and corporate development of the Group. He has extensive experience in financial management and corporate development. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA of Australia. He graduated from James Cook University in Australia with a bachelor degree of Commerce in Accounting and Deakin University in Australia with master degree in Business Administration.

Mr. Fung Chi Yuen, aged 44, joined the Group in 2007 as general manager and chief engineer of Injection Molding Machine Business Unit. Mr. Fung holds a master degree and a bachelor degree of science in Engineering from the University of Hong Kong. He has 21 years' solid experience in product design, production and research and development of plastic injection molding machines both locally and overseas. Before joining the Group, Mr. Fung was the acting operation manager and engineering manager of Husky Injection Molding Systems Ltd., Machine Business Unit, Shanghai, Asia Pacific, a Canadian base company.

Mr. Li Pin Zhang, aged 48, is the general manager of Shanghai Atech Machinery Co., Ltd. and is responsible for the production and sales, marketing and operation of the company. He has over 18 years of experience in production, quality control, engineering, customer service and sales. He joined the Group in February 1991 and served various positions, including customer services officer of L.K. Machinery (Shenzhen) Co. Ltd., manager of Fujian sales office, plant manager of Zhongshan L.K. Machinery Co. Ltd. and deputy general manager of Shanghai Atech Machinery Co., Ltd. Prior to joining the Group, he worked as an engineer at Fujian Nam Ping Electric Machinery Factory, a state-owned enterprise in the PRC. Mr. Li received a Diploma in Industrial Electrical Automation from Fujian Mechanical & Electrical Institute. Mr. Li was appointed the president of the 9th Executive Committee of the Shanghai Die-Casting Association, a member of the Sixth Executive Committee of China Foundry Association and the deputy officer of the 4th Executive Committee of the Die-Casting Technical Committee, Foundry Institution of the Chinese Mechanical Engineering Society. Mr. Li was awarded the title of Excellent Entrepreneur in the Fifth National Association of Casting Industry.

Mr. Te Yi Ming, aged 47, is the sales controller of L.K. Machinery International Limited and is responsible for the sales and marketing in South China. After graduation from the Liuzhou Heavy Industrial Technical School, he worked in Liuzhou Compressor Factory in Guangxi Province until he joined the Group in March 1989 where he once served as customer services supervisor, sales officer and sales manager. He has 21 years of experience in customer services, sales and marketing. Mr. Te is a fellow of The Professional Validation Council of Hong Kong Industries and currently serves as vice president of Hong Kong (SME) Economic and Trade Promotional Association, vice president of Hong Kong Diecasting and Foundry Association and vice president of Shenzhen Plastics & Rubber Association. He is a member of the Chinese People's Political Consultative Conference, Liuzhou City.

Directors and Senior Management Profiles

Mr. Tse Siu Sze, aged 42, is the general manager of Zhongshan L.K Machinery Co. Ltd. and is responsible for the production and sales, marketing and operation of this company. He joined the Group in July 1990 and served several positions in L.K. Machinery Company Limited, including maintenance supervisor, customer services manager, marketing manager and sales manager. He has over 15 years experience in sales and marketing. Mr. Tse currently services as vice president of the Fifth Executive Committee of the Hong Kong Plastic Machinery Association, member of the Executive Committee of the Foreign Invested Enterprises Association of Zhongshan, vice president of the Executive Committee of the Association of Commerce of Dongshen County, Zhongshan. He is also a fellow of The Professional Validation Council of Hong Kong Industries. Mr. Tse was awarded fellow of Business Administration by Asian Knowledge Management Association in 2005 and received his MBA Degree from the Lincoln University, U.S..

Mr. Wang Xin Liang, aged 42, is the general manager of both Ningbo L.K. Machinery Co Ltd. and Ningbo L.K. Technology Co. Ltd. and is responsible for the production and sales, marketing and operation of these companies. He joined the Group in July 1993 and served a number of positions in L.K. Machinery (Shenzhen) Co Ltd., including customer services supervisor, customer services manager and marketing manager. He has over 15 years of experience in customer support services and sales. Prior to joining the Group, he was an assistant engineer of Tao Jiang Machinery Factory. He graduated from Changsha Ferrous Metal Technical School.

Mr. Yang Yi Zhong, aged 67, is the Group's chief internal auditor and is responsible for the internal audit of the subsidiaries in the PRC. Prior to joining the Group, he was a senior accountant of Jiaozuo Electrochemistry Group. He joined the Group as the financial controller of all the PRC subsidiaries of the Group in November 1999. Mr Yang graduated from Henan Radio & Television University with a diploma in Accounting and has over 41 years of experience in finance and accounting. Mr. Yang is a member of The Chinese Institute of Certified Public Accountants.

Mr. Yuen Chee Wing, aged 44, is the group financial controller of the Group. He joined the Group in February 2008 and is responsible for the strategic planning, the finance and accounting functions of the Group. He has over 15 years of experience in audit and accounting. Mr. Yuen is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He graduated from City University of Hong Kong with a bachelor degree in Business, Chinese University of Hong Kong with a master degree in Business Administration, and Manchester Metropolitan University with a bachelor degree in Laws. Prior to joining the Group, Mr. Yuen was the finance director of a footwear manufacturer in Hong Kong.

Corporate Governance Report

The Company is committed to maintaining good corporate governance practices and procedures The Company has applied the principles and complied with code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2010.

BOARD OF DIRECTORS

The Board currently comprises four Executive Directors and four Independent Non-executive Directors. The Independent Non-executive Directors are appointed for a fixed term of three years and are subject to retirement by rotation in accordance with the Company's Articles of Association. There is a strong independent element on the Board as the number of Independent Non-executive Directors represents more than one-third of the Board. They bring independent judgment and provide the Company with invaluable guidance and advice on the Group's development. They also review the financial information and operational performance of the Company on a regular basis. The present structure of the Board ensures the independence and objectivity of the Board and provides a system of checks and balances to safeguard the interests of the shareholders as a whole.

All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has received from each of the Independent Non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. Biographical details of each board member are set out in pages 11 to 12 of this report. There is no relationship (including financial, business, family or other material relationship) among members of the Board.

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

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

Corporate Governance Report

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

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the insurance coverage from time to time to ensure adequate coverage. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses in order to assist them to discharge their duties to the Company.

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

Attendance at meetings

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

	Number of meetings attended/held			
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting
Executive Directors				
Ms. Chong Siw Yin	4/4	N/A	N/A	N/A
Mr. Cao Yang	4/4	N/A	N/A	N/A
Mr. Chung Yuk Ming	4/4	N/A	N/A	N/A
Ms. Wong Pui Chun	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Dr. Low Seow Chay	4/4	N/A	2/2	N/A
Dr. Lui Ming Wah, *SBS, JP*	4/4	4/4	2/2	2/2
Mr. Tsang Yiu Keung, Paul	3/4	4/4	N/A	2/2
Mr. Chan Wah Tip, Michael	4/4	4/4	2/2	2/2

Corporate Governance Report

BOARD COMMITTEES

Remuneration Committee

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

The Remuneration Committee held two meetings during the year. The members of the Remuneration Committee considered and determined the remuneration package of three executive directors on renewal of their service contracts. They also discussed and reviewed the salary, bonus and benefit of all the Executive Directors.

Nomination Committee

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

During the year, the Nomination Committee held two meetings. They discussed and reviewed the terms of the service contracts of three Executive Directors. They also assessed the independence of the Independent Non-executive Directors and reviewed the structure, size and composition of the Board.

Audit Committee

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

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

Corporate Governance Report

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

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

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

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

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

(v) review of the system of internal control and working procedures of the Group.

Auditor's Remuneration

During the year, the remuneration paid to the Group's external auditor, BDO Limited and its member firms, is set out as follows:

	Fee paid/payable *HK$'000*
Audit services	2,416
Non-audit services	602
	3,018

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Corporate Governance Report

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2010.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 33 and 34.

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

INTERNAL CONTROL

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

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

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The Company maintains various communication channels with its shareholders. The Company's annual general meeting provides a good opportunity for shareholders to exchange views with the Board. The chairperson of the Board and the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee will attend the annual general meeting and ready to answer shareholders' questions.

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

The Company regards communications with its investors as being vital. The Company continues to enhance investor relations. Designated members of the Board and senior management of the Company are given the specific responsibilities to maintain regular contact with institutional investors, potential investors, financial analysts and fund managers. During the year, plant visits and meetings were held to keep them better understand the Group's operations and developments. Press releases were issued to provide with the most updated business development of the Group to the public.

Directors' Report

The Directors submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines and related accessories. The Group is also engaged in steel casting. The activities of the Company's principal subsidiaries, an associate and a jointly controlled entity are set out in notes 40, 18 and 19 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated income statement on page 35.

The Directors do not recommend the payment of a final dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 32 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable or other donations totalling HK$57,000.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 42 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2010, the Company's reserves available for distribution to shareholders of the Company were HK$244.5 million, representing share premium of HK$244.9 million and share option reserve of HK$5.1 million after deduction of accumulated losses of HK$5.5 million.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 118.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors:

Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Chung Yuk Ming
Ms. Wong Pui Chun

Independent Non-executive Directors:

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

The biographical details of the Directors are set out on page 11 to page 12 of this annual report.

Directors' Report

DIRECTORS (Continued)

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

Three of the Executive Directors, namely Ms. Chong Siw Yin, Mr. Cao Yang and Mr. Chung Yuk Ming, whose service contracts with the Company for a term of three years expired and were renewed for a term of three years with effect from 16 October 2009. The other Executive Director, Ms. Wong Pui Chun has a service contract with the Company for a term of three years commencing on 7 November 2008. The service contracts can be terminated by not less than six months' notice in writing served by either party.

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

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

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

DIRECTORS' INTEREST IN CONTRACTS

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

Directors' Report

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

As at 31 March 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	650,000,000[1] Long position	63.63%
	the Company	Beneficial owner	500,000	0.05%
	the Company	Beneficial owner	2,500,000[2] Long position	0.24%
Mr. Cao Yang	the Company	Beneficial owner	1,000,000 Long position	0.10%
			2,000,000[2] Long position	0.20%
Mr. Chung Yuk Ming	the Company	Beneficial owner	1,500,000 Long position	0.15%
			1,500,000[2] Long position	0.15%
Ms Wong Pui Chun	the Company	Beneficial owner	600,000 Long position	0.06%

Notes:

1. These 650,000,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr Liu Siong Song ("Mr. Liu"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms Chong is deemed to be interested in the shares held by Girgio through Fullwit and Mr. Liu.

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

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

Directors' Report

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

As at 31 March 2010, the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	650,000,000[1] Long position	63.63%
Mr. Liu	See Note (2)	650,000,000[2] Long position	63.63%
		500,000[2] Long position	0.05%
		2,500,000[2] Long position	0.24%
Fullwit	See Note (1)	650,000,000[1] Long position	63.63%
HSBC International Trustee Limited	See Note (3)	650,000,000[3] Long position	63.63%
The Hamon Investment Group Pte Limited	Investment manager	70,607,500 Long position	6.91%
The Dreyfus Corporation	Investment manager	61,742,500 Long position	6.04%

Notes:

1. These 650,000,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr Liu. Fullwit is wholly-owned by Ms Chong.

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

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

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

Directors' Report

SHARE OPTION SCHEMES

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2010 were as follows:

				Number of shares subject to options		
Name/category of participant	**Date of grant**	**Exercise price** *HK$*	**Exercise period**	**Outstanding as at 01/04/09**	**Exercised during the year**	**Outstanding as at 31/03/10**
The Directors						
Ms Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	(500,000)	2,500,000
Mr Cao Yang	23/09/2006	0.666	16/04/2007 – 15/10/2016	2,000,000	–	2,000,000
Mr. Chung Yuk Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	2,000,000	(500,000)	1,500,000
Ms. Wong Pui Chun	23/09/2006	0.666	16/04/2007 – 15/10/2016	600,000	(600,000)	–
				7,600,000	(1,600,000)	6,000,000
Other Employees	23/09/2006	0.666	16/04/2007 – 15/10/2016	11,030,000	(7,020,000)	4,010,000
				18,630,000	(8,620,000)	10,010,000

Directors' Report

SHARE OPTION SCHEMES (Continued)

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

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

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

The fair value of the options granted under the Pre-IPO Share Option Scheme amounting to HK$18,480,000 was determined at the Listing Date under the Binominal Option Pricing Model by an independent valuer.

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

The weighted average closing price immediately before the dates on which the options were exercised during the year was HK$1.66.

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption and up to 31 March 2010.

Directors' Report

SHARE OPTION SCHEMES (Continued)

A. Pre-IPO Share Option Scheme

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

(a) the subscription price for the shares is HK$0 666,

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

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

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

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

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

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

B. The Share Option Scheme

(a) *Purpose of the Share Option Scheme*

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

(b) *Participants of The Share Option Scheme*

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

Directors' Report

SHARE OPTION SCHEMES (Continued)

B. The Share Option Scheme (Continued)

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

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

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

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

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

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

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of grant and to be notified by the Directors to each grantee which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the date of grant, subject to the provisions for early termination thereof. An option may not be exercised after the expiry of ten years from the date of grant. The Board may in the letter containing the offer of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to), if appropriate, the minimum period for which an option must be held or may be exercised. All of the options must be held for a period of six months (the "Six-Months period") from the date of grant and no option may be exercised within the Six-Months Period.

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

Directors' Report

SHARE OPTION SCHEMES (Continued)

B. The Share Option Scheme (Continued)

(g) *Basis of determining the exercise price*

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

(h) *Period of the Share Option Scheme*

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

COMPETING BUSINESS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Directors' Report

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr Chung Yuk Ming ceased to be a director of Hong Kong & Kowloon Plastic Products Merchants United Association Limited with effect from 1 January 2010.

Dr. Lui Ming Wah retired as a council member of The Hong Kong Polytechnic University.

Mr. Tsang Yiu Keung, Paul was appointed as an Independent Non-executive Director of Guotai Junan International Limited on 19 June 2010.

CONTINUING CONNECTED TRANSACTION

A related party transaction as detailed below and disclosed in note 33(a) to the consolidated financial statements constituted a connected transaction under the Listing Rules which is required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules.

On 29 August 2008, L.K. Machinery International Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Wheelfit Investment Limited ("Wheelfit") to renew the tenancy of Unit A, Ground floor (with a gross floor area of approximately 12,104 sq.ft.), Mai Wah Industrial Building, Nos. 1-7 Wah Sing Street, Kwai Chung, New Territories (the "Premises") for a term of two years from 1 September 2008 to 31 August 2010 at a monthly rental of HK$100,000 (the "Tenancy Agreement"). Since Wheelfit is a company directly owned as to 50% by Mr. Liu, a substantial shareholder of the Company and 50% by an independent third party, the Tenancy Agreement constitutes a continuing connected transaction of the Company ("Continuing Connected Transaction"). During the year, the rentals paid by the Group to Wheelfit amounted to HK$1,200,000.

The Independent Non-executive Directors have reviewed and confirmed that the Continuing Connected Transaction disclosed above was entered in the ordinary and usual course of business of the Group and on normal commercial terms and in accordance with the relevant agreement governing the transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report from the auditor on the Continuing Connected Transaction

Pursuant to Rule 14A.38 of the Listing Rules in relation to the Continuing Connected Transaction, the Board of Directors of the Company engaged the auditor of the Company to perform certain agreed-upon procedures on the Continuing Connected Transaction for the year ended 31 March 2010 in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and the auditor reported that the Continuing Connected Transaction for the year ended 31 March 2010:

(1) it has been approved by the Board;

(2) it has been entered into in accordance with the relevant agreement governing the transaction; and

(3) the aggregate amount of the Continuing Connected Transaction has not exceeded the annual cap that has been previous announced.

Directors' Report

STAFF AND REMUNERATION POLICIES

As at 31 March 2010, the Group employed approximately 3,300 full time staff. The staff costs for current year amounted to HK$265.0 million (2009 HK$273.9 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.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries, fellow subsidiaries and holding company has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2010.

CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

In accordance with the requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of the facility agreement with a covenant relating to specific performance of the controlling shareholder of the Company at 31 March 2010.

On 18 July 2008, L.K. Machinery Company Limited as borrower, and the Company as a guarantor, entered into a facility agreement with, inter alia, The Hongkong and Shanghai Banking Corporation Limited as the mandated coordinating arranger and the agent and other financial institutions as lenders for a three-year term loan/revolving credit facility of up to HK$500 million (the "Facility Agreement"), the Facility Agreement imposes a covenant relating to specific performance of the controlling shareholder of the Company.

The Facility Agreement provides that it would constitute an event of default under the Facility Agreement if Ms. Chong Siw Yin (a controlling shareholder of the Company held as to approximately 74% of equity interests in the Company as at the date of the Facility Agreement) does not or ceases to hold (directly or indirectly) beneficially and legally, more than 50% of the shares and equity interests in the Company.

The aforesaid obligation continued to exist at 31 March 2010.

Directors' Report

AUDITOR

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

By order of the Board
Cao Yang
Chief Executive Officer

Hong Kong, 21 July 2010

Independent Auditor's Report

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

We have audited the consolidated financial statements of L.K. Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 35 to 117, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 21 July 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7	**1,408,364**	1,192,487
Cost of sales		**(1,025,452)**	(887,564)
Gross profit		**382,912**	304,923
Other revenue	7	**21,683**	25,934
Other gains/(losses)	7	**3,873**	10,251
Selling and distribution expenses		**(123,999)**	(131,164)
Administration expenses		**(218,172)**	(218,506)
Profit/(loss) from operations	8	**66,297**	(8,562)
Finance income	10	**1,678**	3,921
Finance costs	10	**(35,790)**	(42,022)
Finance costs – net	10	**(34,112)**	(38,101)
Share of loss of an associate	18	**(4,079)**	(1,227)
Share of loss of a jointly controlled entity	19	**(964)**	(8)
Profit/(loss) before income taxes		**27,142**	(47,898)
Income taxes	11	**(23,907)**	(4,315)
Profit/(loss) for the year		**3,235**	(52,213)
Attributable to:			
Owners of the Company		**20,323**	(43,671)
Minority interests		**(17,088)**	(8,542)
		3,235	(52,213)
		HK cents	*HK cents*
Earnings/(loss) per share	13		
– basic		**2.0**	(4.3)
– diluted		**2.0**	(4.3)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year	**3,235**	(52,213)
Other comprehensive income for the year:		
Exchange differences arising on translation of foreign operations	**6,149**	5,531
Gain on fair value changes of available-for-sale financial assets	**1,327**	206
Transfer to income statement upon disposal of available-for-sale financial assets	**–**	(392)
Total comprehensive income for the year, net of tax	**10,711**	(46,868)
Attributable to:		
Owners of the Company	**26,357**	(34,948)
Minority interests	**(15,646)**	(11,920)
	10,711	(46,868)

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Non-current assets			
Intangible assets	14	**16,191**	14,999
Property, plant and equipment	15	**594,210**	632,280
Investment properties	16	**25,910**	22,140
Land use rights	17	**140,313**	83,353
Deposits paid	26	**28,568**	21,935
Interest in an associate	18	**71,397**	75,476
Interest in a jointly controlled entity	19	**–**	3,078
Deferred tax assets	20	**11,073**	16,951
Bills and accounts receivable – due after one year	21	**6,156**	–
Derivative financial instruments	22	**2,771**	4,744
Restricted bank balances	23	**6,873**	6,092
		903,462	881,048
Current assets			
Inventories	24	**534,861**	454,410
Available-for-sale financial assets	25	**10,418**	9,091
Bills and accounts receivable	21	**487,352**	351,737
Other receivables, prepayments and deposits	26	**155,944**	55,064
Amount due from an associate	33(c)	**340**	–
Derivative financial instruments	22	**2,670**	34
Restricted bank balances	23	**27,137**	21,632
Cash and bank balances	27	**398,074**	330,265
		1,616,796	1,222,233
Current liabilities			
Bills and accounts payable	28	**366,962**	161,427
Other payables, deposits and accruals	29	**315,777**	169,007
Amount due to holding company	33(c)	**40,000**	–
Amount due to an associate	33(c)	**–**	40,909
Derivative financial instruments	22	**2,322**	3,307
Bank borrowings – due within one year	30	**796,990**	841,153
Tax payable		**3,863**	481
		1,525,914	1,216,284
Net current assets		**90,882**	5,949
Total assets less current liabilities		**994,344**	886,997

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Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Non-current liabilities			
Deferred tax liabilities	20	**8,595**	3,708
Derivative financial instruments	22	**1,168**	2,236
Bank borrowings – due after one year	30	**85,155**	2,923
Provision for post-employment benefits	31	**10,654**	10,503
		105,572	19,370
Net assets		**888,772**	867,627
EQUITY			
Share capital	32	**102,146**	101,284
Reserves	42	**783,183**	751,947
Equity attributable to owners of the Company		**885,329**	853,231
Minority interests		**3,443**	14,396
Total equity		**888,772**	867,627

Approved by the Board of Directors on 21 July 2010 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive Director

Statement of Financial Position

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	40	**65,000**	65,000
Current assets			
Other receivables, prepayments and deposits		**194**	204
Amounts due from subsidiaries	41	**282,794**	287,645
Cash and bank balances		**1,444**	901
		284,432	288,750
Current liabilities			
Other payables, deposits and accruals		**2,803**	2,542
Net current assets		**281,629**	286,208
Net assets		**346,629**	351,208
EQUITY			
Share capital	32	**102,146**	101,284
Reserves	42	**244,483**	249,924
Equity attributable to owners of the Company		**346,629**	351,208

Approved by the Board of Directors on 21 July 2010 and signed on behalf of the Board by:

Cao Yang
Chief Executive Officer

Chung Yuk Ming
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Special reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Available-for-sale investment reserve HK$'000	Property revaluation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2008	101,125	234,008	12,782	13,771	95,901	83,294	186	2,200	23,285	348,246	914,298	-	914,298
Total comprehensive income for the year	-	-	-	-	8,909	-	(156)	-	-	(43,671)	(34,918)	(11,920)	(46,838)
Issue of shares upon exercise of share options	159	900	-	-	-	-	-	-	-	-	1,059	-	1,059
Transfer to share premium upon exercise of share options	-	847	(847)	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	168	-	-	-	-	-	-	-	168	-	168
Transfer to retained profits upon lapse of share options	-	-	(2,243)	-	-	-	-	-	-	2,243	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	8,616	8,616
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	17,700	17,700
2008 final dividend declared and paid	-	-	-	-	-	-	-	-	(23,285)	(10)	(23,295)	-	(23,295)
2009 interim dividend paid (Note 12)	-	-	-	-	-	-	-	-	-	(4,051)	(4,051)	-	(4,051)
At 31 March 2009	101,284	235,755	9,360	13,771	104,810	83,294	-	2,200	-	302,757	853,231	14,396	867,627
At 1 April 2009	101,284	235,755	9,360	13,771	104,810	83,294	-	2,200	-	302,757	853,231	14,396	867,627
Total comprehensive income for the year	-	-	-	-	4,707	-	1,327	-	-	20,323	26,357	(15,646)	10,711
Issue of shares upon exercise of share options	862	4,879	-	-	-	-	-	-	-	-	5,741	-	5,741
Transfer to share premium upon exercise of share options	-	4,313	(4,313)	-	-	-	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	-	171	-	-	-	(171)	-	-	-
Capital contribution from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	4,693	4,693
At 31 March 2010	102,146	244,947	5,047	13,771	109,517	83,465	1,327	2,200	-	322,909	885,329	3,443	888,772

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
Profit/(loss) before income taxes	**27,142**	(47,898)
Adjustments for:		
Depreciation and amortisation	**85,304**	80,372
(Increase)/decrease in fair value of investment properties	**(3,770)**	3,840
Bank interest income	**(1,678)**	(3,921)
Interests on bank borrowings	**35,790**	42,022
Share of loss of an associate	**4,079**	1,227
Share of loss of a jointly controlled entity	**964**	8
Impairment losses on intangible assets	**1,499**	327
Impairment losses on property, plant and equipment	**3,501**	5,168
Impairment losses on accounts receivable	**5,949**	4,760
Write down of inventories	**3,940**	9,158
Net fair value (gain)/loss on derivative financial instruments	**(1,330)**	3,290
Losses/(gains) on disposals of property, plant and equipment	**248**	(387)
Gain on disposal of a jointly controlled entity	**(659)**	–
Excess of fair value of net assets acquired over cost of acquisition	**–**	(17,452)
Share-based payments	**–**	168
Gain on disposal of available-for-sale financial assets	**–**	(392)
Operating profit before changes in working capital	**160,979**	80,290
(Increase)/decrease in inventories	**(84,213)**	141,352
(Increase)/decrease in bills and accounts receivable	**(147,758)**	128,635
(Increase)/decrease in other receivables, prepayments and deposits	**(103,359)**	31,956
Increase in amount due from an associate	**(340)**	–
Increase/(decrease) in bills and accounts payable	**205,535**	(183,625)
Increase/(decrease) in other payables, deposits and accruals	**146,770**	(47,691)
(Decrease)/increase in amount due to an associate	**(40,909)**	40,909
Net settlement of derivative financial instruments	**(1,386)**	–
Increase/(decrease) in provision for post-employment benefits	**151**	(7,238)
Effect of foreign exchange rates changes	**(932)**	2,806
Cash generated from operations	**134,538**	187,394
Tax paid	**(9,760)**	(8,243)
Interest paid	**(36,077)**	(42,022)
Net cash from operating activities	**88,701**	137,129

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Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Investing activities			
Payments for intangible assets		**(4,363)**	(6,065)
Purchases of property, plant and equipment		**(74,435)**	(224,356)
Deposits for acquisition of property, plant and equipment		**(7,853)**	(4,602)
Payment for land use rights		**(40,102)**	(8,566)
Deposits for acquisition of land use rights		**(19,049)**	-
(Increase)/decrease in restricted bank balances		**(6,286)**	34,449
Government subsidy received for acquisition of property, plant and equipment		**39,236**	-
Proceeds from disposals of property, plant and equipment		**651**	2,165
Proceeds from disposal of a jointly controlled entity		**2,773**	-
Interest received		**1,678**	3,921
Interest in an associate		**-**	(55,261)
Interest in a jointly controlled entity		**-**	(3,086)
Acquisition of a subsidiary	44	**-**	5,607
Purchase of available-for-sale financial assets		**-**	(9,091)
Proceeds from disposal of available-for-sale financial assets		**-**	952
Net cash used in investing activities		**(107,750)**	(263,933)
Financing activities			
Proceeds from issue of shares		**5,741**	1,059
Inception of new bank loans		**250,005**	773,458
Repayment of bank loans		**(258,000)**	(423,797)
Net increase/(decrease) in trust receipt and other loans		**46,064**	(56,951)
Increase in amount due to holding company		**40,000**	-
Capital contribution from minority shareholders of subsidiaries		**1,273**	17,700
Dividends paid		**-**	(27,346)
Net cash from financing activities		**85,083**	284,123
Net increase in cash and cash equivalents		**66,034**	157,319
Effect of foreign exchange rates changes		**1,775**	2,161
Cash and cash equivalents at beginning of year		**330,265**	170,785
Cash and cash equivalents at end of year		**398,074**	330,265

Note:

During the year, patents of HK$3,420,000 included in intangible assets were contributed by a minority shareholder of a subsidiary as capital contribution.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

1. GENERAL INFORMATION

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) The Group has adopted the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) (Continued)

HKFRSs (Amendments) "Improvements to HKFRSs"

The improvements remove the inconsistent guidance regarding the current or non-current classification of derivatives under HKAS 1 "Presentation of Financial Statements" and HKAS 39 "Financial Instruments: Recognition and Measurement". A derivative which is not held for trading purpose should be presented as current or non-current on the basis of its settlement date. Certain derivatives of the Group previously classified as current are therefore reclassified as non-current as detailed below.

	Group As at 31 March 2009		
	As previously stated *HK$'000*	Reclassification *HK$'000*	As restated *HK$'000*
Derivative financial instruments classified as non-current assets			
Call options	–	4,744	4,744
Derivative financial instruments classified as current assets			
Call options	4,744	(4,744)	–
Interest rate swap contract	34	–	34
	4,778	(4,744)	34
Derivative financial instruments classified as non-current liabilities			
Put options	–	2,236	2,236
Derivative financial instruments classified as current liabilities			
Put options	2,236	(2,236)	–
Interest rate swap contract	2,909	–	2,909
Foreign exchange forward contract	398	–	398
	5,543	(2,236)	3,307

The Group has no derivative financial instruments as at 31 March 2008. The above reclassifications have only affected the statement of financial position (previously known as balance sheet) as at 31 March 2009. Therefore, an additional statement of financial position as at 1 April 2008, as required by the revised HKAS 1, has not been presented.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) (Continued)

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard has introduced a number of terminology changes (including revised titles for financial statements) and has resulted in a number of changes in presentation and disclosure but have no effect on the reported results and financial position of the Group. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively.

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with other items of recognised income or expenses recognised in other comprehensive income, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKAS 23 (Revised) "Borrowing Costs"

HKAS 23 (Revised) "Borrowing Costs" requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset and removes the option of immediately expensing those borrowing costs. The adoption of this revised standard has resulted in capitalisation of borrowing costs incurred for the Group's qualifying assets. The Group has elected to prospectively apply the revised standard to qualifying assets for which the commencement date for capitalisation is on or after the effective date of 1 April 2009.

HKFRS 7 (Amendment) "Improving Disclosures about Financial Instruments"

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. In particular, a three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

HKFRS 8 "Operating Segments"

HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. In the past, the Group's reporting format was business and geographical segments. The application of HKFRS 8 has resulted in a re-designation of the Group's segment reporting from one reportable segment of manufacture and sales of machinery and equipment into two reportable segments, namely, manufacture and sales of machinery and equipment, and steel casting.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Continued

Except for the adoption of the amendments to HKFRS 7, comparative information has been restated or presented for the first time in order to achieve a consistent presentation. The adoption of other new or revised HKFRSs had no material effect on the reported results and financial position of the Group for both the current and prior reporting periods and no prior period adjustment has been recognised.

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions[4]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 January 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. It also requires the Group to attribute the share of profit or loss to non-controlling interest (previously known as minority interest) even if it results in the non-controlling interest having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) Potential impact arising on HKFRSs not yet effective (Continued)

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment, effective from 1 April 2010, removes the requirement for leasee to classify leasehold land as operating leases and present as prepaid lease payments in the statement of financial position. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Group is in the process of making an assessment of the potential impact of other new or revised HKFRSs and the directors so far concluded that the application of these new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, available-for-sale financial assets and derivative financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

3. BASIS OF PREPARATION (Continued)

(c) Use of estimates and judgements (Continued)

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 5.

(d) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries, associate, or jointly controlled entity by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. In respect of associate and jointly controlled entity, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the jointly controlled entity, and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 4(o)).

(b) Goodwill

Goodwill is test annually for impairment and carried at cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. If the cost of acquisition is less than the fair value of the identifiable assets, liabilities and contingent liabilities of an entity acquired, the difference (i.e. negative goodwill) is recognised in the income statement after reassessment.

(c) Revenue recognition

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

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

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

Interest income is recognised as it accrues using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government subsidies and value added tax refunded

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

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

(e) Property, plant and equipment

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

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

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

Leasehold land and buildings	Over the shorter of the unexpired lease term of lease and their estimated useful lives of no more than 50 years
Leasehold improvements	5% – 20%
Plant and machinery	10% – 20%
Furniture, fixtures and office equipment	5% – 20%
Motor vehicles	20% – 25%

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

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

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

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition, and borrowing costs capitalised (note 4(k)). No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

(f) Investment properties

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

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

(g) Associate

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Jointly controlled entity

Joint venture arrangement that involves the establishment of a separate entity in which venturers have joint control over the economic activity of the entity is referred to as jointly controlled entity.

The Group recognises its interest in jointly controlled entity using equity method of accounting and is initially recognised at cost. The Group's investment in a jointly controlled entity includes any goodwill identified on acquisition, net of any accumulated impairment losses.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement.

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

(i) Operating leases

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

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

(j) Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in income statement, except for exchange differences arising on monetary items that forms part of the Company's investment in a foreign operation, in which case, such exchange differences are reclassified to other comprehensive income in preparing the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using historical cost prevailing at the date of acquisition.

(k) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in income statement in the period in which they are incurred.

(l) Retirement benefit costs

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

(m) Income taxes

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income taxes (Continued)

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of reporting period. Deferred tax is charged or credited to income statement, except when it relates to items that are recognised in other comprehensive income, in which case, the deferred tax is also recognised in other comprehensive income.

(n) Intangible assets (other than goodwill)

(i) Trademarks

Trademarks are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives of not more than ten years.

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

(ii) Patents

Patents are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their remaining useful lives of sixteen years.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Intangible assets (other than goodwill) (Continued)

(iii) Research and development expenditures

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life of not more than five years, and carried at cost less subsequent accumulated amortisation and accumulated impairment losses.

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

(o) Impairment of assets excluding goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Intangible assets other than goodwill
- Property, plant and equipment
- Land use rights
- Interests in subsidiaries
- Interest in an associate
- Interest in a jointly controlled entity

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets excluding goodwill and financial assets (Continued)

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

(p) Land use rights

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

(q) Inventories

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

(r) Financial instruments

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

(i) Financial assets

The Group's financial assets are classified into one of the three categories, comprising financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading if:

- they have been acquired principally for the purpose of selling in the near future; or
- they are part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- they are derivatives that are not designated as effective hedging instruments

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as financial assets at fair value through profit or loss or, loans and receivables. The Group designated its unlisted investment fund as available-for-sale financial assets.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale investment reserve within equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is reclassified from equity to income statement.

(ii) Impairment of financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

(ii) *Impairment of financial assets* (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

(iii) Financial liabilities and equity

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent financial liabilities held for trading if:

- they have been acquired principally for the purpose of selling in the near future; or
- they are derivatives that are not designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognised in the income statement.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Other financial liabilities

Other financial liabilities of the Group are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

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

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

(s) Provisions and contingent liabilities

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

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

(t) Share-based payment transactions

Equity-settled share-based payment transactions

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

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

(u) Dividends

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Inventories

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

The Group has a policy to estimate the provision for inventories based on their aging. Management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value to ascertain whether allowance is required to be made for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventories and the write down of inventories in the period in which such estimate is changed.

(b) Bills and accounts receivable

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Bills and accounts receivable (Continued)

The Group has implemented a credit policy with an aim to maintain the accounts receivable balance at an acceptable level. The accounts receivable will be reviewed by the Group's senior management of the finance department on a monthly basis. Impairment loss is recognised and estimated when the recoverability of the outstanding debts is uncertain after taking into account various consideration including the aging of the debts, the current creditworthiness, the historical loss experience for debts with similar credit risk characteristics and the current market condition. Where the expectation is different from the original estimate, such difference will impact the carrying amount of bills and accounts receivable and the impairment losses on receivables in the period in which such estimate is changed.

(c) Deferred tax

Deferred tax assets to the extent of HK$3,353,000 (2009: HK$3,467,000) in respect of tax losses and other deductible temporary differences of certain subsidiaries have been recognised in the financial statements as management considers, taking into account certain tax planning arrangements and profit forecast of these subsidiaries, it is probable that future taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and tax expense in the period in which such estimate is changed.

(d) Impairment of property, plant and equipment and intangible assets

As at 31 March 2010, the recoverable amounts of the intangible assets and property, plant and equipment of a loss-making subsidiary principally engaged in manufacture and sale of die-casting machines have been determined based on value in use calculation. This calculation uses cash flow projection based on financial budgets approved by management covering a period of one year. Cash flows beyond one year are extrapolated for two years assuming a growth rate of 15% per annum for sales. The discount rate used is 15% which reflected management's estimate of the specific risks relating to the subsidiary.

As such, impairment losses on intangible assets of HK$1,499,000 (note 14) and property, plant and equipment of HK$3,501,000 (note 15) were recognised in the income statement during the year ended 31 March 2010.

A sensitivity analysis of significant assumptions is performed by management. Had growth rate of 20% per annum been maintained per year, the entire impairment losses of HK$5,000,000 recognised in the current year's income statement would not be required. Had the growth rate of 10% per annum been maintained per year, the impairment losses would have been increased by HK$5,000,000.

A reasonably possible change in discount rate as estimated by management would have no material impact on the impairment loss recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Impairment of property, plant and equipment and intangible assets (Continued)

As at 31 March 2009, the recoverable amounts of the intangible assets and property, plant and equipment of another loss-making subsidiary principally engaged in manufacture and sale of die-casting machines have been determined based on value in use calculation. This calculation uses cash flow projection based on financial budgets approved by management covering a period of one year and on the basis that there is new source of revenue from performing subcontracting work for group companies. Cash flows beyond one year are extrapolated for four years with no growth rate for sales and subcontracting work. The discount rate used is 15% which reflected management's estimate of the specific risks relating to the subsidiary.

As such, impairment losses on intangible assets of HK$327,000 (note 14) and property, plant and equipment of HK$5,168,000 (note 15) were recognised in the income statement during the year ended 31 March 2009. Management has reperformed impairment review on these assets as at 31 March 2010 and considers no additional impairment loss is required.

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Board of Directors) in order to allocate resources to the segments and to assess their performance.

The Group is organised into two main reportable segments.

(i) Manufacture and sales of machinery and equipment

(ii) Steel casting

The Group determines its operating segments based upon the internal reports reviewed by the management 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/(loss) from operations", i.e. profit/(loss) before finance income, finance costs and income taxes. To arrive at the profit/(loss) from operations, the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate and a jointly controlled entity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 March 2010 are as follows:

	Manufacture and sales of machinery and equipment HK$'000	Steel casting HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER				
External sales	**1,397,997**	**10,367**	**-**	**1,408,364**
Inter-segment sales*	**44**	**15,749**	**(15,793)**	**-**
Total sales	**1,398,041**	**26,116**	**(15,793)**	**1,408,364**
Other revenue	**21,679**	**4**	**-**	**21,683**
Total revenue	**1,419,720**	**26,120**	**(15,793)**	**1,430,047**

* *Inter-segment sales are charged at prevailing market rates.*

RESULTS				
Segment results	**73,939**	**(7,642)**	**-**	**66,297**
Finance income				**1,678**
Finance costs				**(35,790)**
Share of loss of an associate				**(4,079)**
Share of loss of a jointly controlled entity				**(964)**
Profit before income taxes				**27,142**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 March 2009 are as follows:

	Manufacture and sales of machinery and equipment HK$'000	Steel casting HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER				
External sales	1,192,487	–	–	1,192,487
Inter-segment sales*	98	–	(98)	–
Total sales	1,192,585	–	(98)	1,192,487
Other revenue	25,934	–	–	25,934
Total revenue	1,218,519	–	(98)	1,218,421

* *Inter-segment sales are charged at prevailing market rates*

RESULTS				
Segment results	(5,550)	(3,012)	–	(8,562)
Finance income				3,921
Finance costs				(42,022)
Share of loss of an associate				(1,227)
Share of loss of a jointly controlled entity				(8)
Loss before income taxes				(47,898)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 31 March 2010

	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	**2,217,665**	**200,978**	**2,418,643**
Interest in an associate			**71,397**
Unallocated assets			**30,218**
Consolidated total assets			**2,520,258**
LIABILITIES			
Segment liabilities	**1,523,564**	**91,974**	**1,615,538**
Unallocated liabilities			**15,948**
Consolidated total liabilities			**1,631,486**

As at 31 March 2009

	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	1,827,721	166,186	1,993,907
Interest in an associate			75,476
Interest in a jointly controlled entity			3,078
Unallocated assets			30,820
Consolidated total assets			2,103,281
LIABILITIES			
Segment liabilities	1,128,959	56,054	1,185,013
Unallocated liabilities			50,641
Consolidated total liabilities			1,235,654

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to reportable segments other than corporate assets, interest in an associate, interest in a jointly controlled entity, amount due from an associate, derivative financial instruments, available-for-sale financial assets and deferred tax assets.

- all liabilities are allocated to reportable segments other than corporate liabilities, amount due to an associate, derivative financial instruments, tax payable and deferred 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 2010	Manufacture and sales of machinery and equipment HK$'000	Steel casting HK$'000	Consolidated HK$'000
Additions to non-current assets*	**68,427**	**79,080**	**147,507**
Depreciation and amortisation	**80,397**	**4,907**	**85,304**
Write down of inventories	**3,940**	**–**	**3,940**
Impairment losses on accounts receivable	**5,554**	**395**	**5,949**
Impairment losses on intangible assets	**1,499**	**–**	**1,499**
Impairment losses on property, plant and equipment	**3,501**	**–**	**3,501**

For the year ended 31 March 2009	Manufacture and sales of machinery and equipment HK$'000	Steel casting HK$'000	Consolidated HK$'000
Additions to non-current assets*	214,218	115,430	329,648
Depreciation and amortisation	79,440	932	80,372
Write down of inventories	9,158	–	9,158
Impairment losses on accounts receivable	4,760	–	4,760
Impairment losses on intangible assets	327	–	327
Impairment losses on property, plant and equipment	5,168	–	5,168

* *Non-current assets exclude interest in an associate, interest in a jointly controlled entity, deferred tax assets and financial instruments.*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Revenue from major products and customers:

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 2009 and 2010.

Sales of die-casting machines and plastic injection moulding machines accounted for approximately 70% (2009: 70%) and 15% (2009: 11%) of the Group's sales for the year ended 31 March 2010 respectively.

Geographical information

The Group's total 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*	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
The People's Republic of China (the "PRC")	**1,188,142**	748,986	**809,107**	772,705
Hong Kong	**–**	–	**23,543**	20,143
Europe	**115,544**	264,962	**40,870**	58,288
Middle and South America	**38,198**	64,912	**–**	–
North America	**50,450**	73,991	**556**	434
Other countries	**37,713**	65,570	**2,513**	1,691
	1,430,047	1,218,421	**876,589**	853,261

* *Non-current assets exclude deferred tax assets and financial instruments.*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

7. TURNOVER, OTHER REVENUE, OTHER GAINS/(LOSSES)

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

	2010 HK$'000	2009 HK$'000
Turnover		
Sales of machines and related accessories and equipment net of returns and discounts	**1,397,997**	1,192,487
Steel casting	**10,367**	–
	1,408,364	1,192,487
Other revenue		
Value added tax refunded	**11,634**	8,573
Other subsidies from government	**6,814**	11,088
Rental income	**1,410**	1,544
Sundry income	**1,825**	4,729
	21,683	25,934
Total revenue	**1,430,047**	1,218,421
Other gains/(losses)		
Net foreign exchange losses	**(986)**	(850)
Increase/(decrease) in fair value of investment properties	**3,770**	(3,840)
Net fair value gain/(loss) on derivative financial instruments	**1,330**	(3,290)
(Losses)/gains on disposals of property, plant and equipment	**(248)**	387
Gain on disposal of a jointly controlled entity	**659**	–
Excess of fair value of net assets acquired over cost of acquisition	**–**	17,452
Gain on disposal of available-for-sale financial assets	**–**	392
Others	**(652)**	–
	3,873	10,251
	1,433,920	1,228,672

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For the year ended 31 March 2010

8. PROFIT/(LOSS) FROM OPERATIONS

	2010 HK$'000	2009 HK$'000
Profit/(loss) from operations has been arrived at after charging/(crediting):		
Other staff costs	**239,009**	245,405
Contributions to defined contribution retirement plans	**25,949**	28,282
Share-based payments	**-**	168
Total staff costs (including directors' emoluments)	**264,958**	273,855
Amortisation of:		
– Land use rights	**2,666**	1,680
– Less: Amount capitalised in property, plant and equipment	**(2,152)**	-
	514	1,680
– Trademarks[1]	**1,211**	1,369
– Patents[1]	**178**	-
– Development costs and others[2]	**4,707**	4,547
Depreciation of property, plant and equipment	**78,694**	72,776
Total amortisation and depreciation	**85,304**	80,372
Research and development costs	**30,967**	29,547
Less: Government grants	**(3,857)**	(4,741)
Net research and development costs	**27,110**	24,806
Auditor's remuneration		
Audit fees	**1,960**	1,904
Underprovision of audit fees in prior year	**456**	180
Others	**602**	601
	3,018	2,685
Gross rental income from investment properties	**(1,410)**	(1,544)
Less: Direct operating expenses	**189**	147
	(1,221)	(1,397)
Gross rental income from machinery leasing (included in turnover)	**(10,800)**	(10,800)
Less: Direct operating expenses[2]	**7,845**	7,845
	(2,955)	(2,955)
Cost of sales	**1,025,452**	887,564
Impairment losses on intangible assets[1]	**1,499**	327
Impairment losses on property, plant and equipment[1]	**3,501**	5,168
Impairment losses on accounts receivable	**5,949**	4,760
Write down of inventories[2]	**3,940**	9,158
Provision for a legal claim	**-**	2,841

[1] Included in administration expenses

[2] Included in cost of sales

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors are as follows:

	Fees	Salaries and other allowances	Discretionary bonuses (Note i)	Retirement scheme contributions	Share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2010						
Executive directors						
Chong Siw Yin	-	**2,730**	-	**12**	-	**2,742**
Cao Yang	-	**1,972**	-	**89**	-	**2,061**
Chung Yuk Ming	-	**1,682**	-	**12**	-	**1,694**
Wong Pui Chun	-	**1,088**	-	**12**	-	**1,100**
	-	**7,472**	-	**125**	-	**7,597**
Independent non-executive directors						
Low Seow Chay	**180**	-	-	-	-	**180**
Lui Ming Wah	**270**	-	-	-	-	**270**
Tsang Yiu Keung	**270**	-	-	-	-	**270**
Chan Wah Tip	**270**	-	-	-	-	**270**
	990	-	-	-	-	**990**
	990	**7,472**	-	**125**	-	**8,587**
Year ended 31 March 2009						
Executive directors						
Chong Siw Yin	-	2,730	500	12	14	3,256
Cao Yang	-	1,448	500	83	14	2,045
Liu Zhao Ming *(Note ii)*	-	845	-	22	14	881
Chung Yuk Ming	-	1,682	500	12	14	2,208
Wong Pui Chun *(Note iii)*	-	495	-	5	-	500
	-	7,200	1,500	134	56	8,890
Independent non-executive directors						
Low Seow Chay	180	-	-	-	-	180
Lui Ming Wah	233	-	-	-	-	233
Tsang Yiu Keung	270	-	-	-	-	270
Chan Wah Tip	270	-	-	-	-	270
	953	-	-	-	-	953
	953	7,200	1,500	134	56	9,843

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9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Notes

(i) Discretionary bonuses related to the performance of the Group and were determined by the Remuneration Committee.

(ii) Mr. Liu Zhao Ming resigned as executive director on 1 November 2008.

(iii) Ms. Wong Pui Chun was appointed as executive director on 7 November 2008.

No directors of the Company waived any emoluments for the year ended 31 March 2010 (2009:Nil).

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosures in note 9(a) above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010 *HK$'000*	2009 *HK$'000*
Salaries and other allowances	**2,836**	886
Discretionary bonuses	**-**	2,181
Retirement scheme contributions	**108**	138
Share-based payments	**-**	19
	2,944	3,224

The emoluments of one of the above two individuals were within the band from HK$1,000,001 to HK$1,500,000 and the emoluments of the remaining one were within the band from HK$1,500,001 to HK$2,000,000 for the years ended 31 March 2009 and 2010.

10. FINANCE COSTS – NET

	2010 *HK$'000*	2009 *HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(1,678)**	(3,921)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**36,077**	42,022
Less: Capitalised in property, plant and equipment *(Note)*	**(287)**	-
	35,790	42,022
	34,112	38,101

Note:

Borrowing costs capitalised during the year arose on general borrowing pool and were calculated by applying a capitalisation rate of 3.5% (2009: nil) to expenditure on qualifying assets.

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11. INCOME TAXES

	2010 HK$'000	2009 HK$'000
The tax charge/(credit) for the year comprises		
Current income tax		
– PRC income tax	**15,616**	6,522
– Hong Kong Profits Tax	**–**	–
– (Over)/underprovision in prior years	**(2,474)**	109
	13,142	6,631
Deferred taxation *(Note 20)*	**10,765**	(2,316)
	23,907	4,315

In accordance with the applicable Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, certain of the Company's subsidiaries registered in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on the income tax in the following three years. In addition, certain of these subsidiaries are entitled to additional tax concessions granted by local tax bureau. These subsidiaries are subject to income tax at rates ranging from 12.5% to 25% (2009: 12.5% to 25%) during the year.

Certain subsidiaries of the Company which have unexpired tax holidays, continue to be tax exempted. For those subsidiaries, which are still entitled to the 50% relief on income tax, the tax rate for the year is 12.5%. For those subsidiaries with tax holidays expired (other than those approved to be Advanced Technology Enterprises as discussed in the next paragraph), the tax rates for the year are 20% or 22% or 25% (2009: 18% or 20% or 25%). The tax rate of the subsidiaries subject to the tax rate of 20% or 22% will progressively increase to 25%.

Certain subsidiaries in Shenzhen, Zhongshan and Shanghai were certified as Advanced Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years commencing from 1 January 2008. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the 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 dividend withholding tax. The implementation rules provide for the dividend withholding tax to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong are subject to a dividend withholding tax rate of 5%. Provision for withholding tax is included in deferred taxation.

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11. INCOME TAXES (Continued)

Subsidiaries established in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. No Hong Kong Profits Tax has been provided for the year ended 31 March 2010 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 2009 as there were no assessable profits arose for that year.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for the years ended 31 March 2010 and 2009.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before income taxes using the applicable tax rates for relevant tax jurisdictions to the tax expense is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Profit/(loss) before income taxes	**27,142**	(47,898)
Tax charge/(credit) at applicable tax rates for relevant tax jurisdictions	**9,510**	(11,631)
Effect of preferential tax rates applicable to relevant jurisdictions	**(15,422)**	817
Effect of tax concession	**(812)**	(1,958)
Effect of non-taxable income	**(2,136)**	(6,377)
Effect of non-deductible expenses	**6,362**	4,552
Effect of changes in tax rates	**(232)**	1,536
Effect of unrecognised tax losses	**23,027**	12,908
Effect of other temporary differences not recognised	**(27)**	381
Write-down of unrecoverable deferred tax assets	**1,700**	–
Effect of undistributed profits of subsidiaries in the PRC	**4,887**	3,708
(Over)/underprovision of current income tax in prior years	**(2,474)**	109
Others	**(476)**	270
Tax charge for the year	**23,907**	4,315

There was no tax charge relating to components of other comprehensive income for the years ended 31 March 2010 and 2009.

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12. DIVIDENDS

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

	2010 HK$'000	2009 HK$'000
2010 interim dividend of nil (2009: interim dividend of HK0.4 cents per share)	-	4,051

The directors do not recommend the payment of final dividend for the year ended 31 March 2010 (2009: Nil).

13. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of the basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company of HK$20,323,000 (2009: loss of HK$43,671,000) and on the weighted average number of approximately 1,014,668,000 (2009: 1,012,603,000) ordinary shares in issue during the year.

	2010	2009
Profit/(loss) attributable to owners of the Company *(HK$'000)*	**20,323**	(43,671)
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,014,668**	1,012,603
Basic earnings/(loss) per share *(HK cents)*	**2.0**	(4.3)

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13. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted

Diluted earnings per share for the year ended 31 March 2010 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes of the Company are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010
Profit attributable to owners of the Company *(HK$'000)*	**20,323**
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,014,668**
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(shares in thousands)*	**5,721**
Weighted average number of ordinary shares (diluted) *(shares in thousands)*	**1,020,389**
Diluted earnings per share *(HK cents)*	**2.0**

Diluted loss per share for the year ended 31 March 2009 was the same as basic loss per share as the effect of the assumed conversion of the outstanding share options was anti-dilutive.

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14. INTANGIBLE ASSETS

	Group				
	Goodwill HK$'000 (Note)	Trademarks HK$'000	Patents HK$'000	Development costs and others HK$'000	Total HK$'000
Cost					
At 1 April 2008	2,799	556	-	-	3,355
Exchange realignment	-	(644)	-	(1,406)	(2,050)
Acquisition of a subsidiary	-	4,305	-	9,219	13,524
Additions	-	295	-	5,770	6,065
At 31 March 2009	2,799	4,512	-	13,583	20,894
Exchange realignment	-	315	-	1,007	1,322
Additions	-	-	3,420	4,363	7,783
At 31 March 2010	**2,799**	**4,827**	**3,420**	**18,953**	**29,999**
Amortisation and impairment					
At 1 April 2008	-	181	-	-	181
Exchange realignment	-	(115)	-	(414)	(529)
Amortisation during the year	-	1,369	-	4,547	5,916
Impairment loss recognised *(Note 5(d))*	-	327	-	-	327
At 31 March 2009	-	1,762	-	4,133	5,895
Exchange realignment	-	73	-	245	318
Amortisation during the year	-	1,211	178	4,707	6,096
Impairment loss recognised *(Note 5(d))*	-	229	-	1,270	1,499
At 31 March 2010	**-**	**3,275**	**178**	**10,355**	**13,808**
Net book value					
At 31 March 2009	2,799	2,750	-	9,450	14,999
At 31 March 2010	**2,799**	**1,552**	**3,242**	**8,598**	**16,191**

Note:

The Group tests annually whether the goodwill arising from acquisition of a profit-making subsidiary principally engaged in manufacture and sale of die-casting machine has suffered any impairment, in accordance with the accounting policy stated in note 4(b). The recoverable amount of the subsidiary (i.e. cash-generating unit), to which the goodwill relates, has been determined based on a value-in-use calculation. The calculation is based on a one year profit forecast approved by the management. The cash flows beyond the one year period are extrapolated for five years assuming no growth and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 10% (2009: 10%) and management believes it reflects specific risks relating to the subsidiary.

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

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15. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2008	216,721	17,250	25,127	309,856	39,349	38,857	647,160
Exchange realignment	4,025	392	(3,963)	1,890	(219)	659	2,784
Acquisition of a subsidiary	5,516	-	28,610	29,485	4,947	438	68,996
Additions	5,880	175,022	1,223	44,760	4,184	1,428	232,497
Disposals	-	-	(52)	(623)	(207)	(5,814)	(6,696)
Reclassification	927	(3,622)	-	3,320	(283)	(342)	-
At 31 March 2009	233,069	189,042	50,945	368,678	47,771	35,236	944,741
Exchange realignment	374	-	2,061	2,156	586	43	5,220
Additions	13,523	24,791	1,601	31,726	5,478	2,979	80,098
Government subsidy received	-	-	-	(39,236)	-	-	(39,236)
Disposals	-	-	(293)	(687)	(462)	(2,585)	(4,027)
Reclassification	105,946	(180,686)	233	73,946	556	5	-
At 31 March 2010	**352,912**	**33,147**	**54,547**	**456,583**	**53,929**	**35,678**	**986,796**
Accumulated depreciation and impairment							
At 1 April 2008	46,362	-	9,378	136,549	22,202	22,109	236,600
Exchange realignment	1,011	-	(221)	1,518	165	362	2,835
Charge for the year	11,564	-	7,140	40,067	8,561	5,424	72,776
Impairment loss recognised (*Note 5(d)*)	1,892	-	384	2,861	31	-	5,168
Written back on disposals	-	-	(3)	(523)	(151)	(4,241)	(4,918)
At 31 March 2009	60,829	-	16,678	180,472	30,828	23,654	312,461
Exchange realignment	14	-	258	579	185	22	1,058
Charge for the year	15,413	-	7,050	43,890	7,862	4,479	78,694
Impairment loss recognised (*Note 5(d)*)	-	-	2,435	712	354	-	3,501
Written back on disposals	-	-	(36)	(595)	(347)	(2,150)	(3,128)
At 31 March 2010	**76,256**	**-**	**26,385**	**225,058**	**38,882**	**26,005**	**392,586**
Net book value							
At 31 March 2009	172,240	189,042	34,267	208,206	16,943	11,582	632,280
At 31 March 2010	**276,656**	**33,147**	**28,162**	**231,525**	**15,047**	**9,673**	**594,210**

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in note 36(a).

The leasehold land and buildings as at 31 March 2010 include the cost of leasehold land and buildings situated in Hong Kong under medium term leases of HK$7,434,000 (2009: HK$7,434,000) where their fair values cannot practically be separated.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

16. INVESTMENT PROPERTIES

	Group HK$'000
At fair value	
At 1 April 2008	25,650
Exchange realignment	330
Decrease in fair value during the year	(3,840)
At 31 March 2009	22,140
Increase in fair value during the year	3,770
At 31 March 2010	**25,910**

	Group	
	2010 HK$'000	2009 HK$'000
The carrying amount of investment properties shown above comprises:		
Leasehold land and buildings in Hong Kong under medium term leases	**11,500**	8,280
Leasehold land and buildings in the PRC under medium term leases	**14,410**	13,860
	25,910	22,140

The fair value of the investment properties at 31 March 2010 has been arrived at on the basis of a valuation carried out on that date by Messrs. Jones Lang LaSalle Sallmanns Limited, being independent professional surveyors and valuers not connected with the Group. Messrs Jones Lang LaSalle Sallmanns Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the HKIS Valuation Standard on Properties (First Edition), was made on market value basis calculated by reference to net rental income allowing for reversionary income potential of the properties or direct comparison approach by making reference to comparable sales transaction as available in the relevant market.

One of the investment properties is pledged to secure bank borrowings of the Group as detailed in note 36(a).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

17. LAND USE RIGHTS

	Group HK$'000
Cost	
At 1 April 2008	80,582
Exchange realignment	1,832
Additions	8,566
At 31 March 2009	90,980
Additions	59,626
At 31 March 2010	**150,606**
Amortisation	
At 1 April 2008	5,815
Exchange realignment	132
Amortisation during the year	1,680
At 31 March 2009	7,627
Amortisation during the year	2,666
At 31 March 2010	**10,293**
Net book value	
At 31 March 2009	83,353
At 31 March 2010	**140,313**

	Group 2010 HK$'000	Group 2009 HK$'000
The carrying amount of land use rights shown above are located in the PRC and comprises:		
Long term leases	**12,293**	10,078
Medium term leases	**128,020**	73,275
	140,313	83,353

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in note 36(a).

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For the year ended 31 March 2010

18. INTEREST IN AN ASSOCIATE

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	**68,364**	72,443
Goodwill arising from additional capital contribution	**3,033**	3,033
	71,397	75,476

As at 31 March 2010, the Group has equity interest in the following associate:

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

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

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

	Group 2010 HK$'000	Group 2009 HK$'000
Total assets	**534,878**	290,849
Total liabilities	**(339,551)**	(83,869)
Net assets	**195,327**	206,980
Group's share of net assets of the associate	**68,364**	72,443
Revenue	**221,593**	–
Loss for the year	**(11,654)**	(3,505)
Group's share of loss of the associate for the year	**(4,079)**	(1,227)

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For the year ended 31 March 2010

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2010 HK$'000	2009 HK$'000
Share of net liabilities	-	(3)
Loan to a jointly controlled entity	-	3,081
	-	3,078

As at 31 March 2009, the Group had equity interest in the following jointly controlled entity:

Name of entity	Place of incorporation and operation	Nominal value of issued share capital	Attributable equity interest held by the Group	Principal activities
Pang Cheung Co., Ltd.	Hong Kong	HK$10,000	50%	Investment holding

On 31 March 2010, the Group had disposed all of its 50% interests in the jointly controlled entity at a cash consideration of HK$2,773,000.

The summarised financial information in respect of the jointly controlled entity is set out below:

	Group	
	2010 HK$'000	2009 HK$'000
Non-current assets	-	29
Current assets	-	3,386
Non-current liabilities	-	(3,091)
Current liabilities	-	(330)
Net liabilities	-	(6)
Group's share of net liabilities of the jointly controlled entity	-	(3)
Revenue	**239**	3
Loss for the year	**(1,929)**	(17)
Group's share of loss of the jointly controlled entity for the year	**(964)**	(8)

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20. DEFERRED TAXATION

	Group 2010 HK$'000	Group 2009 HK$'000
Non-current assets		
Deferred tax assets	**11,073**	16,951
Non-current liabilities		
Deferred tax liabilities	**(8,595)**	(3,708)
	2,478	13,243

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

	Group					
	Unutilised tax losses HK$'000	Impairment losses and other allowances HK$'000	Depreciation allowances HK$'000	Revaluation of investment properties HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 April 2008	1,849	6,268	5,005	(1,539)	(866)	10,717
Exchange realignment	-	142	125	(35)	(22)	210
Credit/(charge) to income statement *(Note 11)*	1,618	860	552	608	(1,322)	2,316
At 31 March 2009	3,467	7,270	5,682	(966)	(2,210)	13,243
Credit/(charge) to income statement *(Note 11)*	(1,776)	893	794	(110)	(10,566)	(10,765)
At 31 March 2010	**1,691**	**8,163**	**6,476**	**(1,076)**	**(12,776)**	**2,478**

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20. DEFERRED TAXATION (Continued)

(a) (Continued)

At the end of reporting period, the Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax asset is recognised:

	Group 2010 HK$'000	Group 2009 HK$'000
Tax losses expire:		
Within 5 years	**107,528**	48,562
Over 5 years	**24,594**	7,546
Without expiry date	**25,464**	10,457
	157,586	66,565

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

(b) As mentioned in note 11, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to dividend withholding tax. Accordingly, deferred tax liabilities of HK$8,595,000 (2009: HK$3,708,000) is recognised during the year and included in other temporary differences.

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21. BILLS AND ACCOUNTS RECEIVABLE

	Group	
	2010	2009
	HK$'000	*HK$'000*
Gross accounts receivable	**467,757**	341,947
Less: Allowance for impairment losses	**(37,760)**	(31,862)
	429,997	310,085
Bills receivable	**63,511**	41,652
Less: Balance due after one year shown as non-current assets	**(6,156)**	-
	487,352	351,737

The following is an aging analysis of the gross accounts receivable at the end of reporting period:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**287,735**	159,782
91-180 days	**76,344**	46,418
181-365 days	**24,117**	57,253
Over one year	**79,561**	78,494
	467,757	341,947

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

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

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21. BILLS AND ACCOUNTS RECEIVABLE (Continued)

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

	Group	
	2010 HK$'000	2009 HK$'000
Balances impaired:		
Not past due	**5,237**	4,478
Past due:		
Within 90 days	**298**	12,483
91-180 days	**1,811**	865
181-365 days	**1,695**	6,384
Over one year	**11,354**	8,701
Balances past due and impaired	**15,158**	28,433
Total balances impaired	**20,395**	32,911
Balances not impaired:		
Not past due	**296,916**	144,356
Past due:		
Within 90 days	**58,322**	51,231
91-180 days	**30,460**	30,701
181-365 days	**9,860**	22,089
Over one year	**14,044**	28,797
Balances past due but not impaired	**112,686**	132,818
Total balances not impaired	**409,602**	277,174
Total accounts receivable net of impairment	**429,997**	310,085

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

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21. BILLS AND ACCOUNTS RECEIVABLE (Continued)

Movements in the allowance for impairment losses on accounts receivable:

	Group	
	2010 HK$'000	2009 HK$'000
Balance at beginning of year	**31,862**	26,156
Exchange realignment	**38**	946
Impairment losses recognised	**5,949**	4,760
Amounts written off as uncollectible	**(89)**	-
Balance at end of year	**37,760**	31,862

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010 HK$'000	2009 HK$'000 (Restated)
Balance classified as non-current assets		
Call options *(Note (a))*	**2,771**	4,744
Balance classified as current assets		
Call options *(Note (a))*	**2,483**	-
Interest rate swap contract *(Note (b))*	**187**	34
	2,670	34
Balance classified as current liabilities		
Put options *(Note (a))*	**190**	-
Interest rate swap contract *(Note (b))*	**2,132**	2,909
Foreign exchange forward contract *(Note (c))*	-	398
	2,322	3,307
Balance classified as non-current liabilities		
Put options *(Note (a))*	**1,168**	2,236

Notes to the Consolidated Financial Statements

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22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Call and put options

At 31 March 2010, the Group has entered into the following call and put option agreements in respect of acquisition of the remaining 30% interest in a subsidiary which was 70% acquired by the Group on 2 April 2008

Call options

On 2 April 2008, the Group entered into a call option agreement with the minority shareholder of a subsidiary that the Group is granted a first call option to purchase 15% of equity interest in the subsidiary held by the minority shareholder within the first option period which has started since the approval date of the financial statements of the subsidiary for the year ended 31 December 2009 and will last for 90 days The first exercise price (the "First Exercise Price") will be the higher of (a) 50% of the minority shareholder's pro-quota value of 8 times the subsidiary's net profit after taxes for the year ended 31 December 2009, provided that in no case the above value exceeding the amount of €2,500,000; and (b) 50% of the share of capital injection of €1,500,000 paid in by the minority shareholder, as yearly adjusted with the interest rate of 5% per annum.

Subject to the exercise of the first call option, the Group will have a second call option to purchase the remaining 15% equity interest in the subsidiary held by the minority shareholder within the second option period which will start since the approval date of the financial statements of the subsidiary for the year ending 31 December 2010 and will last for 90 days. The second exercise price (the "Second Exercise Price") is the higher of (a) 100% of the minority shareholder's pro-quota value of 8 times the subsidiary's net profit after taxes for the year ending 31 December 2010, provided that in no case the above value exceeding the amount of €2,500,000; and (b) 50% of the share of capital injection of €1,500,000 paid in by the minority shareholder, as yearly adjusted with the interest rate of 5% per annum

Put options

On 2 April 2008, the Group also entered into a put option agreement with the same minority shareholder that the minority shareholder is granted a first put option to require the Group to purchase 15% of equity interest in the subsidiary held by the minority shareholder within the first option period which has started since the approval date of the financial statements of the subsidiary for the year ended 31 December 2009 and will last for 90 days. The first exercise price will be the same as the First Exercise Price of the call options.

Subject to the exercise of the first put option, the minority shareholder will have a second put option to require the Group to purchase the remaining 15% equity interest in the subsidiary held by the minority shareholder within the second option period which will start since the approval date of the financial statements of the subsidiary for the year ending 31 December 2010 and will last for 90 days. The second exercise price is the same as the Second Exercise Price of the call options

Up to the date of approval of these financial statements, the Group and the minority shareholder have not yet exercised the first call option and first put option respectively.

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22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Call and put options (Continued)

Valuation of the call and put options

The call and put options are measured at fair value estimated by a firm of independent professional valuers in Hong Kong by using the Black-Scholes Option Pricing Model.

The inputs into the model for the value of the call and put options as at 31 March 2010 were as follows:

	First call option	Second call option	First put option	Second put option
Grant date	2 April 2008	2 April 2008	2 April 2008	2 April 2008
Share spot price *(HK$'000)*	10,967	10,967	10,967	10,967
Risk-free rate	0.38%	0.73%	0.38%	0.73%
Annualised volatility	41%	51%	41%	51%
Assumed exercise period	From 1 May 2010 to 30 July 2010	From 1 May 2011 to 30 July 2011	From 1 May 2010 to 30 July 2010	From 1 May 2011 to 30 July 2011
Exercise price *(HK$'000)*	8,685	9,078	8,685	9,078
Value of options *(HK$'000)*	2,483	2,771	190	1,168

The inputs into the model for the value of the call and put options as at 31 March 2009 were as follows:

	First call option	Second call option	First put option	Second put option
Grant date	2 April 2008	2 April 2008	2 April 2008	2 April 2008
Share spot price *(HK$'000)*	10,087	10,087	10,087	10,087
Risk-free rate	0.91%	1.34%	0.91%	1.34%
Annualised volatility	52%	45%	52%	45%
Assumed exercise period	From 2 April 2010 to 1 July 2010	From 2 April 2011 to 1 July 2011	From 2 April 2010 to 1 July 2010	From 2 April 2011 to 1 July 2011
Exercise price *(HK$'000)*	8,473	8,473	8,473	8,473
Value of options *(HK$'000)*	3,076	1,668	1,367	869

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22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate swap contracts

The Group has entered into two interest rate swap contracts to manage its exposure to interest rate movements on its bank borrowings. One interest rate swap contract of notional amount of HK$50,000,000 was entered to swap floating-rate borrowings to fixed-rate borrowings at interest rate of 3% per annum. Another interest rate swap contract of notional amount of HK$50,000,000 was entered to swap its floating-rate borrowings to another floating-rate borrowings which is considered by management to be more favourable under their expectation of future market conditions.

The interest rate swap contracts are measured at fair value provided by the counterparty banks.

(c) Foreign exchange forward contract

The foreign exchange forward contract is measured at fair value provided by the counterparty bank.

23. RESTRICTED BANK BALANCES

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

At the end of reporting period, the restricted bank balances carry interest at market rates which range from 0.03% to 2.79% (2009: 0.36% to 4.14%) per annum.

24. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**294,728**	232,518
Work in progress	**185,707**	136,224
Finished goods	**88,710**	116,190
	569,145	484,932
Less: Allowance for inventories	**(34,284)**	(30,522)
	534,861	454,410

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25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010 HK$'000	2009 HK$'000
Current assets		
Unlisted investment fund, at fair value	**10,418**	9,091

The fair value of the investment fund, which principally invests in listed securities and liquid investments, is determined to be the Group's proportionate share of the investment fund's net asset value as provided by the investment manager.

26. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2010 HK$'000	2009 HK$'000
Non-current		
Deposits for acquisition of land use rights	**20,776**	18,772
Deposits for acquisition of property, plant and equipment	**7,792**	3,163
	28,568	21,935
Current		
Other receivable for goods purchased on behalf of a customer	**65,793**	–
Subsidies receivable from government	**4,901**	5,345
Value added tax receivable	**23,385**	1,828
Trade deposits	**21,144**	16,442
Advances to staff for business purpose	**3,807**	3,090
Sundry, rental and utility deposits	**2,721**	2,892
Others	**34,193**	25,467
	155,944	55,064
	184,512	76,999

27. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits, with an original maturity of three months or less. At the end of reporting period, the bank balances carry interest rates ranging from 0.001% to 1.71% (2009: 0.01% to 2.8%) per annum.

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28. BILLS AND ACCOUNTS PAYABLE

	Group	
	2010	2009
	HK$'000	*HK$'000*
Accounts payable	**366,804**	136,782
Bills payable	**158**	24,645
	366,962	161,427

The following is the aging analysis of the accounts payable:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**327,822**	70,147
91-180 days	**27,791**	46,608
181-365 days	**1,446**	8,661
Over one year	**9,745**	11,366
	366,804	136,782

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

29. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Other payable for goods purchased on behalf of a customer	**65,793**	-
Trade and other deposits and receipts in advance	**132,861**	73,043
Accrued salaries, bonuses and staff benefits	**26,533**	19,758
Accrued sales commission	**22,980**	16,623
Value added tax payable	**12,656**	15,393
Provision for a legal claim	**1,359**	2,841
Others	**53,595**	41,349
	315,777	169,007

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For the year ended 31 March 2010

30. BANK BORROWINGS

The bank borrowings comprise:

	Group	
	2010 *HK$'000*	2009 *HK$'000*
Secured:		
Bank loans	**240,715**	51,932
Trust receipt loans	**6,181**	–
	246,896	51,932
Unsecured:		
Bank loans	**498,592**	695,370
Other loans	**136,657**	96,774
	635,249	792,144
	882,145	844,076
The carrying amount is repayable as follows:		
Within one year *(Note (a))*	**796,990**	841,153
In the second year	**79,150**	1,949
In the third to fifth year	**6,005**	974
	882,145	844,076
Less: Amount due within one year shown under current liabilities *(Note (a))*	**(796,990)**	(841,153)
Amount due after one year shown under non-current liabilities	**85,155**	2,923
Total bank borrowings		
– at fixed rate	**178,409**	75,000
– at floating rate	**703,736**	769,076
	882,145	844,076

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For the year ended 31 March 2010

30. BANK BORROWINGS (Continued)

The annual interest rates of the Group's major bank borrowings at the end of reporting period were as follows:

	2010	2009
Fixed rate borrowings	**4.37% to 9.48%**	4.86% to 6.21%
Floating rate borrowings	**HIBOR plus a margin from 1.13% to 2.00% or EURIBOR plus a margin 1.75% or LIBOR plus a margin from 1.00% to 2.00%**	HIBOR plus a margin from 1.00% to 1.95% or EURIBOR plus a margin 1.75%

Notes:

(a) As at 31 March 2009, the Group was in breach of certain financial covenants relating to profitability and/or liquidity ratios prescribed under a syndicated bank loan agreement and a bank loan agreement. Consequently, the total amount of HK$600,000,000 (comprising a syndicated bank loan of HK$500,000,000 and a bank loan of HK$100,000,000) became repayable upon demand as at 31 March 2009 and the non-current portion of these long term loans of approximately HK$220,988,000 had been reclassified to current liabilities.

During the year ended 31 March 2010, the agent for the syndicated bank loan of HK$500,000,000 and the Group have entered into an agreement ("Amendment Agreement") whereby the agent has agreed to amend or waive certain financial covenants including the aforementioned financial covenants. As such, the breach of relevant financial covenants was rectified and the outstanding loan amount to the extent of HK$183,813,000 was reclassified to non-current liabilities upon the Amendment Agreement was signed.

During the year ended 31 March 2010, the Group entered into a supplementary agreement with a bank in respect of the aforementioned bank loan of HK$100,000,000 whereby the entire outstanding bank loan will be repaid by installments within one year. At the end of reporting period, the outstanding amount of the bank loan amounted to HK$33,000,000 and was included in current liabilities.

(b) As at 31 March 2010, the aggregate principal outstanding amount of loans borrowed from banks and financial institutions in the PRC with a term not exceeding one year amounted to approximately HK$240,909,000 (2009: HK$113,686,000). During the year, the repayment of principals of these loans amounted to approximately HK$99,886,000 (2009: HK$345,380,000).

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31. PROVISION FOR POST-EMPLOYMENT BENEFITS

The movements of the provision during the year are as follows:

	Group	
	2010 *HK$'000*	2009 *HK$'000*
Balance at beginning of year	**10,503**	-
Arising from acquisition of a subsidiary *(Note 44)*	**-**	17,741
Additions during the year	**325**	4,561
Payments during the year	**(1,014)**	(9,546)
Exchange realignment	**840**	(2,253)
Balance at end of year	**10,654**	10,503

The provision represents end-of-service payments payable to employees of a subsidiary (incorporated and operating in Italy) attributable to their services rendered up to 31 December 2006 when they leave the subsidiary, whether voluntarily or otherwise. The provision is set aside based on gross wages or salary and revalued annually by a fixed rate of 1.5% and by 75% of the official inflation rate. Effective from 1 January 2007, the laws governing the payments have been amended whereby the subsidiary is required to make contributions for all its employees to a private pension fund or a fund managed by National Social Security Institute instead of accruing in the financial statements. Therefore, the provision as at 31 March 2010 represents the end-of-service payments accrued up to 31 December 2006 plus the aforementioned adjustments less subsequent payments made to relevant employees who left the subsidiary after 31 December 2006.

Management estimated that an amount of HK$1,185,000 (2009: HK$940,000) may be payable to employees within one year based on the historical staff turnover ratio.

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32. SHARE CAPITAL

		Number of ordinary shares of HK$0.1 each	Amount HK$'000
Authorised:			
At 1 April 2008, 31 March 2009 and 31 March 2010		3,000,000,000	300,000
Issued and fully paid:			
At 1 April 2008		1,011,245,000	101,125
Shares issued upon exercise of share options	*(Note 43(a))*	1,590,000	159
At 31 March 2009		1,012,835,000	101,284
Shares issued upon exercise of share options	*(Note 43(a))*	8,620,000	862
At 31 March 2010		**1,021,455,000**	**102,146**

33. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transaction with its related parties.

	Group 2010 HK$'000	Group 2009 HK$'000
Operating lease rentals paid to:		
Wneelfit Investment Limited	**1,200**	1,165

Wheelfit Investment Limited is 50% owned by Mr. Liu Siong Song who is the spouse of a director of the Company, Ms. Chong Siw Yin.

The above transaction is continuing connected transaction, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

33. RELATED PARTY TRANSACTIONS (Continued)

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

	Group	
	2010 HK$'000	2009 HK$'000
Short term benefits (mainly include salaries and allowances and bonus)	**14,566**	16,867
Share-based payments	-	102
Retirement fund contributions	**281**	327
	14,847	17,296

(c) The Group had the following amounts due (to)/from its related parties as at 31 March 2010 and 2009:

	Group	
	2010 HK$'000	2009 HK$'000
Holding company		
Girgio Industries Ltd.	**(40,000)**	-
Associate		
Fuxin Li Chang Steel and Iron Foundry Co., Ltd.	**340**	(40,909)
Jointly controlled entity		
Pang Cheng Co., Ltd. *(Note)*	-	3,081

The balances are unsecured, interest free and have no fixed repayment terms.

The amount due to holding company also constitutes a continuing connected transaction which is exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules

The directors considered the above transactions and balances were made at normal commercial terms, in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those applicable to independent third parties.

Note:

The Group had disposed all of its shares in Pang Cheung Co., Ltd. on 31 March 2010.

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34. FINANCIAL INSTRUMENTS

The Group's financial instruments as at 31 March 2010 and 2009 are categorised as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Financial assets at fair value through profit or loss		
Derivative financial instruments	**5,441**	4,778
Loans and receivables		
Amount due from an associate	**340**	-
Loan to a jointly controlled entity	-	3,081
Bills and accounts receivable	**493,508**	351,737
Restricted bank balances	**34,010**	27,724
Other receivables	**82,671**	14,842
Cash and bank balances	**398,074**	330,265
	1,008,603	727,649
Available-for-sale financial assets	**10,418**	9,091
Total financial assets	**1,024,462**	741,518
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	**3,490**	5,543
Other financial liabilities		
Bills and accounts payable	**366,962**	161,427
Other payables and accruals	**145,673**	67,617
Bank borrowings	**882,145**	844,076
Amount due to holding company	**40,000**	-
Amount due to an associate	-	40,909
	1,434,780	1,114,029
Total financial liabilities	**1,438,270**	1,119,572

The Company only has "loans and receivables" and "other financial liabilities" which represent the carrying amounts of its current assets of HK$284,432,000 (2009: HK$288,750,000) and current liabilities of HK$2,803,000 (2009: HK$2,542,000) respectively as detailed in the Company's statement of financial position as at 31 March 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

34. FINANCIAL INSTRUMENTS (Continued)

Details of these financial instruments are disclosed in respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(a) Market risk

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

(i) *Interest rate risk*

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank balances, cash and bank balances and bank borrowings which carry at prevailing market interest rates as shown in notes 23, 27 and 30 respectively. Management will consider hedging significant interest rate exposure should the need arise

The Group's fair value interest rate risk relates primarily to its derivative financial instruments (see Note 22(b)) which are used to mitigate its exposure to cash flow interest rate risk.

Interest rate sensitivity

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2010 would decrease/increase by HK$4,378,000/HK$6,067,000 (2009: loss increase/decrease by HK$5,539,000/HK$6,677,000).

(ii) *Currency risk*

The functional currencies of the Group's respective principal subsidiaries are Renminbi ("RMB"), Euro and Hong Kong dollars ("HKD"). While most of the Group's operations are transacted in the functional currencies of the respective group companies, the Group undertakes certain transactions denominated in foreign currencies. Management closely monitors this exposure in currency risk and will consider hedging significant exposure when necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

34. FINANCIAL INSTRUMENTS (Continued)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

As substantial amount of the Group's financial assets and financial liabilities are denominated in the functional currencies of respective group companies, the directors consider that the Group's foreign exchange risk mainly arises from intragroup receivables (denominated in HKD) from group companies located in the PRC which amounted to HK$197,798,000 (2009: HK$25,612,000) at the end of reporting period.

Foreign currency sensitivity

The following sensitivity analysis represents the aforementioned intra group receivables and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate where the functional currency of the relevant group companies (i.e. RMB) weakens against HKD, and vice versa.

	2010 *HK$'000*	2009 *HK$'000*
HKD (appreciates against RMB) Decrease in profit for the year	**(8,258)**	(1,069)
HKD (depreciates against RMB) Increase in profit for the year	**8,258**	1,069

(iii) Equity price risk

The Group's exposure to equity price risk primarily arises from its available-for-sale financial assets. As the carrying amount of the available-for-sale financial assets is not significant, the directors consider the Group's exposure to equity price risk is minimal.

(b) Credit risk

The Group has no significant concentrations of credit risk with exposure spreading over a large number of counterparties and customers. The carrying amounts of the total financial assets as disclosed above together with the guarantees given by the Group for its customers as mentioned in note 35 represent the Group's maximum exposure to credit risk. The Group has a credit policy in place as described in notes 5(b) and 21 to minimise credit risk which is monitored on an ongoing basis. Bank balances and fixed deposits are placed with reputable banks which management believes are of high credit quality with insignificant credit risk.

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For the year ended 31 March 2010

34. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

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

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

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
As at 31 March 2010					
Non-derivative financial liabilities					
Fixed rates bank borrowings	-	184,628	-	-	184,628
Floating rates bank borrowings	-	621,290	80,932	6,009	708,231
Accounts payable	86,989	279,815	-	-	366,804
Bills payable	-	158	-	-	158
Other payables and accruals	-	145,673	-	-	145,673
Amount due to the holding company	-	40,000	-	-	40,000
	86,989	1,271,564	80,932	6,009	1,445,494
Derivative financial liabilities – net settlement					
Interest rate swap contract	-	1,350	346	-	1,696
Put options	-	8,505	8,930	-	17,435
	-	9,855	9,276	-	19,131
	86,989	1,281,419	90,208	6,009	1,464,625
Financial guarantees issued					
Maximum amount guaranteed *(Note 35)*	-	153,409	-	-	153,409

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

34. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
As at 31 March 2009					
Non-derivative financial liabilities					
Fixed rates bank borrowings	-	77,494	-	-	77,494
Floating rates bank borrowings	600,000	171,680	2,005	1,003	774,688
Accounts payable	51,595	85,187	-	-	136,782
Bills payable	-	24,645	-	-	24,645
Other payables and accruals	-	67,617	-	-	67,617
Amount due to an associate	-	40,909	-	-	40,909
	651,595	467,532	2,005	1,003	1,122,135
Derivative financial liabilities – net settlement					
Interest rate swap contract	-	1,350	1,350	346	3,046
Foreign exchange forward contract	-	4,513	-	-	4,513
Put options	-	-	8,663	9,075	17,738
	-	5,863	10,013	9,421	25,297
	651,595	473,395	12,018	10,424	1,147,432
Financial guarantees issued					
Maximum amount guaranteed	-	218,068	-	-	218,068

The Company's contractual undiscounted cash flows of its financial liabilities approximate the carrying amount of other payables and accruals included in current liabilities, which are payable within one year, as the effect of discounting is insignificant. The amount of guarantees issued by the Company is disclosed in note 35.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

34. FINANCIAL INSTRUMENTS (Continued)

(d) Capital risk management

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

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in note 30, and equity attributable to owners of the Company, comprising share capital and reserves.

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

(e) Fair value of financial instruments

The fair value of the financial assets and financial liabilities are determined in accordance with generally accepted valuation models such as discounted cash flow analysis or using prices from observable current market transactions.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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34. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value of financial instruments (Continued)

As at 31 March 2010

	Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial instruments:				
Call options	–	–	5,254	5,254
Interest rate swap contract	–	187	–	187
Available-for-sale financial assets	–	10,418	–	10,418
Total	–	10,605	5,254	15,859
Financial liabilities				
Derivative financial instruments:				
Put options	–	–	(1,358)	(1,358)
Interest rate swap contract	–	(2,132)	–	(2,132)
Total	–	(2,132)	(1,358)	(3,490)

There were no transfers between Levels 1 and 2 during the year

Reconciliation of Level 3 fair value measurements of financial assets:

	Group
	Call options HK$'000
Balance at 1 April 2009	4,744
Gains recognised in profit or loss	510
Balance at 31 March 2010	5,254

Notes to the Consolidated Financial Statements

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34. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities:

	Group Put options HK$'000
Balance at 1 April 2009	**(2,236)**
Gains recognised in profit or loss	**878**
Balance at 31 March 2010	**(1,358)**

There were no transfers into or out of Level 3 during the year.

Valuation

The call and put options are measured at fair value estimated by a firm of independent professional valuers in Hong Kong by using the Black-Scholes Option Pricing Model (note 22(a)).

The directors of the Company consider that the carrying amounts of financial instruments carried at amortised cost in the financial statements approximate their fair values.

35. FINANCIAL GUARANTEES

	Group 2010 HK$'000	 2009 HK$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	**106,651**	71,278

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$153,409,000 (2009: HK$218,068,000) granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks as mentioned in note 36(b). Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products. The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

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35. FINANCIAL GUARANTEES (Continued)

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$794,185,000 (2009: HK$945,750,000). These facilities utilised by the subsidiaries as at 31 March 2010 amounted to HK$515,448,000 (2009: HK$638,000,000).

36. PLEDGE OF ASSETS

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

	Group	
	2010 *HK$'000*	2009 *HK$'000*
Restricted bank balances	**193**	6,086
Leasehold land and buildings	**206,286**	68,363
Land use rights	**81,914**	11,400
Investment properties	**7,290**	5,220
Plant and machinery	**24,044**	9,631
	319,727	100,700

(b) In addition to the restricted bank balances disclosed in note 36(a), the Group also has restricted bank balances to the extent of HK$33,817,000 (2009: HK$21,638,000) pledged to banks for credit facilities granted to customers to purchase the Group's products as mentioned in note 35.

(c) The Company's investments in certain subsidiaries with aggregate net asset value of HK$176,666,000 (2009: HK$167,387,000) are pledged to a bank for banking facilitates granted to its subsidiaries.

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37. COMMITMENTS

	Group	
	2010 HK$'000	2009 HK$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted but not provided for	**50,510**	57,715
Capital commitments in respect of capital contribution in a jointly controlled entity	-	15,405
Other commitments:		
Contracted but not provided for	**5,760**	5,987

38. OPERATING LEASES

The Group as lessee

	Group	
	2010 HK$'000	2009 HK$'000
Minimum lease payments paid under operating leases for buildings	**14,106**	14,653

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

	Group	
	2010 HK$'000	2009 HK$'000
Leases payable:		
Within one year	**10,537**	12,086
In the second to fifth year inclusive	**36,880**	32,452
	47,417	44,538

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

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38. OPERATING LEASES (Continued)

The Group as lessor

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

At the end of reporting period, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	Group	
	2010 *HK$'000*	2009 *HK$'000*
Leases receivable:		
Within one year	**3,582**	11,070
In the second to fifth year inclusive	**544**	1,288
	4,126	12,358

The Company has no lease arrangement at the end of reporting period.

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For the year ended 31 March 2010

39. RETIREMENT BENEFIT PLANS

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

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

The subsidiary incorporated and operating in Italy is required to make defined contributions for all its employees to a private pension fund or a fund managed by National Social Security Institute effective from 1 January 2007. For the employees' services rendered up to 31 December 2006, the subsidiary has made a provision of end-of-service payments payable to them as mentioned in note 31.

40. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 *HK$'000*	2009 *HK$'000*
Investments in unlisted shares, at cost	**65,000**	65,000

Details of the Company's principal subsidiaries as at 31 March 2010 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Subsidiaries directly held by the Company					
Best Truth Enterprises Limited	Corporation	British Virgin Islands	2 ordinary shares of US$1 each	100%	Investment holding
Cyberbay Pte Ltd.	Corporation	Singapore	2 ordinary shares of S$1 each	100%	Investment holding

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40. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries as at 31 March 2010 are as follows: (Continued)

Name of subsidiary	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Subsidiaries indirectly held by the Company					
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd.*	Wholly foreign-owned ("WFOE")	PRC	US$2,000,000	100%	Sale of die-casting machines
阜新力勁北方機械有限公司 Fuxin L.K. Northern Machinery Co. Ltd.*	WFOE	PRC	HK$30,000,000	100%	Manufacture and sale of die-casting machines
Gold Millennium Ltd.	Corporation	British Virgin Islands	1 ordinary share of US$1	100%	Investment holding
Gold Progress Limited	Corporation	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
L.K. Machinery Company Limited	Corporation	Hong Kong	10,000,000 ordinary shares of HK$1 each	100%	Investment holding
L.K. Machinery International Limited	Corporation	Hong Kong	1 ordinary share of HK$1	100%	Sale of die-casting machines and plastic injection moulding machines
力勁機械股份有限公司 L.K. Machinery Corp	Corporation	Taiwan	11,100,000 ordinary shares of NT$10 each	100%	Sale of die-casting machines and plastic injection moulding machines
L.K. Machinery, Inc	Corporation	USA	1,000 shares with US$10 paid up	100%	Sale of die-casting machines and plastic injection moulding machines
力勁機械(深圳)有限公司 L.K. Machinery (Shenzhen) Co. Ltd.*	WFOE	PRC	HK$69,500,000	100%	Manufacture and sale of die-casting machines
力勁精密機械(昆山)有限公司 L.K. Precision Machinery (Kunshan) Co. Ltd.*	WFOE	PRC	US$6,900,095	100%	Manufacture and sale of CNC machines

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40. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries as at 31 March 2010 are as follows: (Continued)

Name of subsidiary	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
力勁科技(天津)有限公司 L.K. Tech (Tianjin) Co. Ltd.*	WFOE	PRC	US$2,000,000	100%	Sale of die-casting machines
Lucky Prosper Limited	Corporation	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
寧波力勁機械有限公司 Ningbo L.K. Machinery Co. Ltd.*	WFOE	PRC	US$1,650,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd.*	WFOE	PRC	US$13,500,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines
Power Excel International Limited	Corporation	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd.*	WFOE	PRC	US$4,900,000	100%	Manufacture and sale of die-casting machines
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd.*	WFOE	PRC	RMB127,000,000	100%	Manufacture and sale of die-casting machines and plastic injection moulding machines
中山力勁機械有限公司 Zhongshan L.K. Machinery Co. Ltd.*	WFOE	PRC	US$5,580,000	100%	Manufacture and sale of plastic injection moulding machines
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd.*	WFOE	PRC	HK$90,000,000	100%	Steel casting
Idra S.r.l.	Corporation	Italy	€5,032,661	70%	Design, manufacture and sale of die-casting machines and equipment

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

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

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

41. AMOUNTS DUE FROM SUBSIDIARIES

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

42. RESERVES

	Group									
	Share premium HK$'000	Share option reserve HK$'000	Special reserve HK$'000 (Note i)	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000 (Note ii)	Available-for-sale investment reserve HK$'000	Property revaluation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2008	234,008	12,282	13,771	95,901	83,294	186	2,200	23,285	348,245	813,173
Loss for the year	-	-	-	-	-	-	-		(43,671)	(43,671)
Exchange differences arising on translation of foreign operations	-	-	-	8,909	-	-	-	-	-	8,909
Gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	205	-	-	-	205
Transfer to income statement upon disposal of available-for-sale financial assets	-	-	-	-	-	(392)	-	-	-	(392)
Total comprehensive income for the year	-	-	-	8,909	-	(185)	-	-	(43,671)	(34,948)
Arising from issue of shares upon exercise of share options	900	-	-	-	-	-	-		-	900
Transfer to share premium upon exercise of share options	847	(847)		-	-	-	-	-	-	-
Share-based payments	-	168		-	-	-	-	-	-	168
Transfer to retained profits upon lapse of share options	-	(2,243)	-	-	-	-	-	-	2,243	-
2008 final dividend declared and paid	-	-	-	-	-	-	-	(23,285)	(10)	(23,295)
2009 interim dividend paid (Note 12)	-	-	-	-	-	-	-	-	(4,051)	(4,051)
At 31 March 2009	235,755	9,360	13,771	104,810	83,294	-	2,200	-	302,757	751,947
Profit for the year	-	-		-	-	-	-	-	20,323	20,323
Exchange differences arising on translation of foreign operations	-	-	-	4,707	-	-	-	-	-	4,707
Gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	1,327		-	-	1,327
Total comprehensive income for the year	-	-	-	4,707		1,327	-	-	20,323	26,357
Arising from issue of shares upon exercise of share options	4,879	-	-	-	-	-	-	-	-	4,879
Transfer to share premium upon exercise of share options	4,313	(4,313)	-	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	171	-	-	-	(171)	-
At 31 March 2010	**244,947**	**5,047**	**13,771**	**109,517**	**83,465**	**1,327**	**2,200**	**-**	**322,909**	**783,183**

Notes:

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

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

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

42. RESERVES (Continued)

	Company				
	Share premium HK$'000	Share option reserve HK$'000	Dividend Reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2008	234,008	12,282	23,285	2,604	272,179
Arising from issue of shares upon exercise of share options	900	–	–	–	900
Transfer to share premium upon exercise of share options	847	(847)	–	–	–
Share-based payments	–	168	–	–	168
Transfer to retained profits upon lapse of share options	–	(2,243)	–	2,243	–
Profit for the year	–	–	–	4,023	4,023
Payment of dividends	–	–	(23,285)	(4,061)	(27,346)
At 31 March 2009	235,755	9,360	–	4,809	249,924
Arising from issue of shares upon exercise of share options	4,879	–	–	–	4,879
Transfer to share premium upon exercise of share options	4,313	(4,313)	–	–	–
Loss for the year	–	–	–	(10,320)	(10,320)
At 31 March 2010	**244,947**	**5,047**	**–**	**(5,511)**	**244,483**

The consolidated profit/(loss) for the year attributable to owners of the Company includes a loss of HK$10,320,000 (2009: HK$5,977,000) which has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

43. SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

A Pre-IPO Share Option Scheme (further details of which are set out in the Company's directors' report) was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Details of the movements of options granted under the Pre-IPO Share Option Scheme during the year are as follows:

Category of grantee	Exercise price HK$	Exercise period	Number of shares subject to options: Outstanding as at 1 April 2009	Exercised during the year	Outstanding as at 31 March 2010
Directors	0.666	16 April 2007 – 15 October 2016	7,600,000	(1,600,000)	6,000,000
Employees	0.666	16 April 2007 – 15 October 2016	11,030,000	(7,020,000)	4,010,000
			18,630,000	(8,620,000)	10,010,000

Category of grantee	Exercise price HK$	Exercise period	Number of shares subject to options: Outstanding as at 1 April 2008	Reclassification during the year (Note)	Lapsed during the year	Exercised during the year	Outstanding as at 31 March 2009
Directors	0.666	16 April 2007 - 15 October 2016	10,000,000	600,000	(3,000,000)	-	7,600,000
Employees	0.666	16 April 2007 - 15 October 2016	14,687,500	(600,000)	(1,467,500)	(1,590,000)	11,030,000
			24,687,500	-	(4,467,500)	(1,590,000)	18,630,000

Note: Ms. Wong Pui Chun was appointed as executive director on 7 November 2008. The 600,000 share options held by her were reclassified from the category of employee to director during the year ended 31 March 2009

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

43. SHARE OPTION SCHEMES (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

During the year, 8,620,000 (2009: 1,590,000) share options were exercised. The weighted average closing price on the dates on which the options were exercised was HK$1.68 (2009: HK$0.95).

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

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

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

The amount recognised by the Group as an expense for the year ended 31 March 2009 was HK$168,000 in relation to share options granted by the Company. All options granted had vested and been recognised as expenses as at 31 March 2009.

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

(b) Share Option Scheme

Another share option scheme (further details of which are set out in the Company's directors' report) is also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options were granted under the share option scheme since its date of adoption and up to 31 March 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

44. ACQUISITION OF A SUBSIDIARY

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

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

	2009 HK$'000
Net assets acquired:	
Intangible assets	13,524
Property, plant and equipment	68,996
Inventories	132,469
Bills and accounts receivable	124,189
Other receivables, prepayments and deposits	40,194
Cash and bank balances	10,783
Bills and accounts payable	(96,216)
Other payables, deposits and accruals	(95,695)
Bank borrowings	(151,784)
Provision for post-employment benefits	(17,741)
Minority interest	(8,616)
Attributable net assets acquired by the Group	20,103
Direct expenses relating to the acquisition	(5,176)
Net fair values of put options and call options	2,525
Purchase consideration	–
Excess of fair value of net assets acquired over cost of acquisition	17,452
Net cash inflow/(outflow) arising on acquisition:	
Cash consideration paid (€0.70)	–
Direct expenses relating to the acquisition	(5,176)
Cash and bank balances acquired	10,783
	5,607

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Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

44. ACQUISITION OF A SUBSIDIARY (Continued)

The excess of the fair value of attributable net assets acquired over the cost of acquisition of HK$17,452,000 (i.e negative goodwill) was recognised as other gain in the income statement for the year ended 31 March 2009. Management considered the negative goodwill was resulted from a bargain purchase.

Subsequent to the acquisition, the Group also subscribed for 70% of the new issued share capital of Idra S.r.l for a cash consideration of €3,500,000 (HK$ equivalent 41,300,000) during the year ended 31 March 2009

Idra S.r.l contributed loss of HK$28,404,000 to the Group's loss for the year ended 31 March 2009 between the date of acquisition and the end of reporting period of 31 March 2009. If the acquisition had been completed on 1 April 2008, there is no material change to the Group's revenue and loss for the year ended 31 March 2009.

Financial Summary

	Year ended 31 March				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Turnover	**1,408,364**	1,192,487	1,261,972	969,375	851,519
Profit/(loss) before income taxes	**27,142**	(47,898)	131,810	69,298	117,876
Income taxes	**(23,907)**	(4,315)	(16,389)	(9,023)	(10,260)
Profit/(loss) for the year	**3,235**	(52,213)	115,421	60,275	107,616
Profit/(loss) attributable to:					
Owners of the Company	**20,323**	(43,671)	115,421	60,275	107,616
Minority interests	**(17,088)**	(8,542)	–	–	–
	3,235	(52,213)	115,421	60,275	107,616

	As at 31 March				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Assets and liabilities					
Total assets	**2,520,258**	2,103,281	1,685,602	1,383,127	1,057,816
Total liabilities	**(1,631,486)**	(1,235,654)	(771,304)	(630,513)	(583,874)
	888,772	867,627	914,298	752,614	473,942
Equity attributable to owners of the Company	**885,329**	853,231	914,298	752,614	473,942
Minority interests	**3,443**	14,396	–	–	–
	888,772	867,627	914,298	752,614	473,942

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

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Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Investing activities			
Payments for intangible assets		(4,363)	(6,065)
Purchases of property, plant and equipment		(74,435)	(224,356)
Deposits for acquisition of property, plant and equipment		(7,853)	(4,602)
Payment for land use rights		(40,102)	(8,566)
Deposits for acquisition of land use rights		(19,049)	
(Increase)/decrease in restricted bank balances		(6,286)	34,449
* Government subsidy received for acquisition of property, plant and equipment		* 39,236	
Proceeds from disposals of property, plant and equipment		651	2,165
Proceeds from disposal of a jointly controlled entity		2,773	
Interest received		1,678	3,921
Interest in an associate		–	(55,261)
Interest in a jointly controlled entity		–	(3,086)
Acquisition of a subsidiary	44	–	5,607
Purchase of available-for-sale financial assets		–	(9,091)
Proceeds from disposal of available-for-sale financial assets		–	952
Net cash used in investing activities		(107,750)	(263,933)
Financing activities			
Proceeds from issue of shares		5,741	1,059
Inception of new bank loans		250,005	773,458
Repayment of bank loans		(258,000)	(423,797)
Net increase/(decrease) in trust receipt and other loans		46,064	(56,951)
Increase in amount due to holding company		40,000	
Capital contribution from minority shareholders of subsidiaries		1,273	17,700
Dividends paid		–	(27,346)
Net cash from financing activities		85,083	284,123
Net increase in cash and cash equivalents		66,034	157,319
Effect of foreign exchange rates changes		1,775	2,161
Cash and cash equivalents at beginning of year		330,265	170,785
Cash and cash equivalents at end of year		398,074	330,265

Note:

During the year, patents of HK$3,420,000 included in intangible assets were contributed by a minority shareholder of a subsidiary as capital contribution.