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

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

INTERIM REPORT
2010/11

Contents

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2010.

Condensed Consolidated Income Statement

For the six months ended 30 September 2010

		(Unaudited) Six months ended 30 September	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**1,239,037**	529,974
Cost of sales		**(836,402)**	(410,089)
Gross profit		**402,635**	119,885
Other revenue	*4*	**19,090**	10,642
Other gains/(losses)	*4*	**2,161**	604
Selling and distribution expenses		**(97,558)**	(57,749)
Administration expenses		**(126,878)**	(98,761)
Profit/(loss) from operations	*5*	**199,450**	(25,379)
Finance income		**1,034**	815
Finance costs		**(19,526)**	(15,965)
Finance costs — net	*6*	**(18,492)**	(15,150)
Share of loss of an associate		**(10,126)**	(599)
Share of loss of a jointly controlled entity		**—**	(2)
Profit/(loss) before income taxes		**170,832**	(41,130)
Income taxes	*7*	**(39,353)**	402
Profit/(loss) for the period		**131,479**	(40,728)
Attributable to:			
Owners of the Company		**132,905**	(29,382)
Non-controlling interests		**(1,426)**	(11,346)
		131,479	(40,728)
		HK cents	*HK cents*
Earnings/(loss) per share	*8*		
— basic		**13.0**	(2.9)
— diluted		**12.9**	(2.9)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the period	**131,479**	(40,728)
Other comprehensive income for the period:		
Exchange differences arising on translation of foreign operations	**9,224**	7,950
Total comprehensive income for the period	**140,703**	(32,778)
Attributable to:		
Owners of the Company	**142,180**	(22,894)
Non-controlling interests	**(1,477)**	(9,884)
	140,703	(32,778)

Condensed Consolidated Statement of Financial Position

At 30 September 2010

	Notes	(Unaudited) 30 September 2010 HK$'000	(Audited) 31 March 2010 HK$'000
Non-current assets			
Intangible assets		**15,010**	16,191
Property, plant and equipment	*10*	**636,218**	594,210
Investment properties		**27,510**	25,910
Land use rights	*10*	**140,423**	140,313
Deposits paid		**29,641**	28,568
Interest in an associate	*11*	**62,092**	71,397
Deferred tax assets		**9,832**	11,073
Bills and accounts receivable — due after one year	*12*	**4,786**	6,156
Derivative financial instruments	*13*	**—**	2,771
Restricted bank balances	*19(i) and (ii)*	**9,863**	6,873
		935,375	903,462
Current assets			
Inventories		**723,613**	534,861
Available-for-sale financial assets		**10,538**	10,418
Bills and accounts receivable	*12*	**638,166**	487,352
Other receivables, prepayments and deposits		**135,955**	155,944
Amount due from an associate	*21(c)*	**—**	340
Derivative financial instruments	*13*	**112**	2,670
Restricted bank balances	*19(i) and (ii)*	**36,804**	27,137
Cash and bank balances		**221,243**	398,074
		1,766,431	1,616,796
Current liabilities			
Bills and accounts payable	*14*	**491,618**	366,962
Other payables, deposits and accruals		**311,894**	315,777
Amount due to holding company	*21(c)*	**16,000**	40,000
Amount due to an associate	*21(c)*	**626**	—
Derivative financial instruments	*13*	**1,814**	2,322
Bank borrowings — due within one year	*15*	**790,558**	796,990
Tax payable		**10,048**	3,863
		1,622,558	1,525,914

	Notes	**(Unaudited) 30 September 2010** ***HK$'000***	(Audited) 31 March 2010 *HK$'000*
Net current assets		**143,873**	90,882
Total assets less current liabilities		**1,079,248**	994,344
Non-current liabilities			
Deferred tax liabilities		**19,900**	8,595
Derivative financial instruments	*13*	**—**	1,168
Bank borrowings – due after one year	*15*	**24,203**	85,155
Provision for post-employment benefits	*16*	**10,063**	10,654
		54,166	105,572
Net assets		**1,025,082**	888,772
EQUITY			
Share capital	*17*	**102,694**	102,146
Reserves		**920,198**	783,183
Equity attributable to owners of the Company		**1,022,892**	885,329
Non-controlling interests		**2,190**	3,443
Total equity		**1,025,082**	888,772

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'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*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2009 (Audited)	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	—	—	—	—	6,488	—	—	—	(29,382)	(22,894)	(9,884)	(32,778)
Transfer to retained profits	—	—	—	—	—	(14,073)	—	—	14,073	—	—	—
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	3,600	3,600
At 30 September 2009 (Unaudited)	101,284	235,755	9,360	13,771	111,298	69,221	—	2,200	287,448	830,337	8,112	838,449

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'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*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2010 (Audited)	**102,146**	**244,947**	**5,047**	**13,771**	**109,517**	**83,465**	**1,327**	**2,200**	**322,909**	**885,329**	**3,443**	**888,772**
Total comprehensive income	—	—	—	—	9,275	—	—	—	132,905	142,180	(1,477)	140,703
Issue of shares upon exercise of share options	548	3,104	—	—	—	—	—	—	—	3,652	—	3,652
Transfer to share premium upon exercise of share options	—	2,744	(2,744)	—	—	—	—	—	—	—	—	—
Transfer to reserve	—	—	—	—	—	4,754	—	—	(4,754)	—	—	—
Acquisition of additional equity interest in a subsidiary from a non-controlling shareholder	—	—	—	—	—	—	—	—	(8,269)	(8,269)	224	(8,045)
At 30 September 2010 (Unaudited)	**102,694**	**250,795**	**2,303**	**13,771**	**118,792**	**88,219**	**1,327**	**2,200**	**442,791**	**1,022,892**	**2,190**	**1,025,082**

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

		(Unaudited) Six months ended 30 September	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Net cash from operating activities		**5,042**	61,187
Net cash used in investing activities		**(89,572)**	(44,653)
Net cash (used in)/from financing activities	23	**(95,777)**	55,009
Net (decrease)/increase in cash and cash equivalents		**(180,307)**	71,543
Cash and cash equivalents at beginning of period		**398,074**	330,265
Effect of foreign exchange rates changes		**3,476**	1,964
Cash and cash equivalents at end of period		**221,243**	403,772

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

1. GENERAL INFORMATION

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 interim 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 are collectively referred to as the "Group".

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010. The accounting policies and methods of computation adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 September 2010 are consistent with those of the Group's annual financial statements for the year ended 31 March 2010, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group and are relevant to the Group's financial statements described below.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendment to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Interpretation 17	Distributions of Non-cash Assets to Owners

HKAS 27 (Revised) affects the accounting treatment for changes in the Group's ownership interest in a subsidiary during the period. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised in equity and attributed to owners of the Company. It also requires the Group to attribute the share of profit or loss to non-controlling interest even if it results in the non-controlling interest having a deficit balance. The above changes are applied prospectively.

The adoption of HKFRS 3 (Revised) affects the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. The revised standard continues to apply the acquisition method to business combinations, with certain significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain or loss in the income statement. All acquisition-related costs should be expensed.

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 which are presented 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 has no effect on the classification and measurement of the Group's leasehold land as the relevant leasehold land has already been treated as finance lease and included in the leasehold land and buildings under the account caption of property, plant and equipment, and carried at cost less accumulated depreciation and impairment, if any, in the Group's financial statements of prior periods.

The adoption of other new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods and no prior period adjustment has been recognised.

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)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

The Group is in the process of making an assessment of the potential impact of these 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. SEGMENT INFORMATION

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.

The segment results for the six months ended 30 September 2010 are as follows:

	(Unaudited)			
	Manufacture and sales of machinery and equipment	Steel casting	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	1,232,988	6,049	—	1,239,037
Inter-segment sales#	5,325	40,698	(46,023)	—
Total sales	1,238,313	46,747	(46,023)	1,239,037
Other revenue	19,062	28	—	19,090
Total revenue	1,257,375	46,775	(46,023)	1,258,127

Inter-segment sales are charged at prevailing market rates.

RESULTS				
Segment results	196,747	2,703	—	199,450
Finance income				1,034
Finance costs				(19,526)
Share of loss of an associate				(10,126)
Profit before income taxes				170,832

The segment results for the six months ended 30 September 2009 are as follows:

	(Unaudited)			
	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER				
External sales	528,028	1,946	—	529,974
Inter-segment sales#	41	888	(929)	—
Total sales	528,069	2,834	(929)	529,974
Other revenue	10,642	—	—	10,642
Total revenue	538,711	2,834	(929)	540,616

Inter-segment sales are charged at prevailing market rates.

RESULTS				
Segment results	(21,711)	(3,668)	—	(25,379)
Finance income				815
Finance costs				(15,965)
Share of loss of an associate				(599)
Share of loss of a jointly controlled entity				(2)
Loss before income taxes				(41,130)

The following table presents total revenue of the Group by geographical market.

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Turnover and other revenue		
The PRC	**1,061,831**	479,816
Europe	**97,141**	36,304
Middle and South America	**30,567**	9,205
North America	**37,367**	8,148
Other countries	**31,221**	7,143
	1,258,127	540,616

4. TURNOVER, OTHER REVENUE AND OTHER GAINS/(LOSSES)

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Turnover		
Sales of machines and related accessories and equipment net of returns and discounts	**1,232,988**	528,028
Steel casting	**6,049**	1,946
	1,239,037	529,974
Other revenue		
Value added tax refunded	**12,058**	4,255
Other subsidies from government	**3,649**	5,187
Rental income	**976**	756
Sundry income	**2,407**	444
	19,090	10,642
Total revenue	**1,258,127**	540,616
Other gains/(losses)		
Net foreign exchange gains/(losses)	**4,905**	(1,216)
Increase in fair value of investment properties	**1,434**	2,610
Net fair value loss on derivative financial instruments	**(4,312)**	(767)
Gains/(losses) on disposals of property, plant and equipment	**134**	(23)
	2,161	604
	1,260,288	541,220

5. PROFIT/(LOSS) FROM OPERATIONS

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) from operations has been arrived at after charging/(crediting):		
Research and development costs	**20,464**	12,859
Less: Government grants	**—**	(716)
Net research and development costs	**20,464**	12,143
Amortisation and depreciation	**45,836**	40,624
Write down/(reversal of write down) of inventories	**5,364**	(500)
Impairment losses on accounts receivable	**5,372**	2,477

6. FINANCE COSTS — NET

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**1,034**	815
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(20,356)**	(15,965)
Less: Capitalised in property, plant and equipment *(note)*	**830**	—
	(19,526)	(15,965)
	(18,492)	(15,150)

Note:

Borrowing costs capitalised during the period arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.0% (2009: nil) to expenditure on qualifying assets.

7. INCOME TAXES

The tax charge/(credit) comprises:

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
— PRC income tax	**23,990**	(549)
Deferred taxation	**15,363**	147
	39,353	(402)

In accordance with the Income Tax Law of the PRC and Implementation Regulation of Income Tax Law ("EIT Law"), certain of the Company's subsidiaries registered in the PRC which are entitled to preferential tax treatments under the old Income Tax Law 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 period.

For those subsidiaries, which are still entitled to the 50% relief on income tax, the tax rate for the period is 12.5%. For those subsidiaries with tax holidays or tax relief expired (other than those approved to be Advanced Technology Enterprises as discussed in the next paragraph), the tax rates for the period are 22% or 25% (2009: 20% or 25%). The tax rate of the subsidiaries subject to the tax rate of 22% (2009: 20%) 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 EIT Law, 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 EIT Law provides 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.

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 period. No Hong Kong Profits Tax has been provided for the period as the subsidiaries established in Hong Kong either have unutilised tax losses brought forward to set off current period's estimated assessable profits or have no estimated assessable profits for the period. No Hong Kong Profits Tax has been provided for the six months ended 30 September 2009 as there were no estimated assessable profits arose for that period.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for both periods.

8. 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$132,905,000 (2009: loss of HK$29,382,000) and on the weighted average number of approximately 1,025,391,000 (2009: 1,012,835,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2010	2009
Profit/(loss) attributable to owners of the Company *(HK$'000)*	**132,905**	(29,382)
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,025,391**	1,012,835
Basic earnings/(loss) per share *(HK cents)*	**13.0**	(2.9)

(b) Diluted

Diluted earnings per share for the six months ended 30 September 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 market share price of the Company's ordinary shares during the period) 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.

	(Unaudited) Six months ended 30 September 2010
Profit attributable to owners of the Company *(HK$'000)*	**132,905**
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,025,391**
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(shares in thousands)*	**4,031**
Weighted average number of ordinary shares (diluted) *(shares in thousands)*	**1,029,422**
Diluted earnings per share *(HK cents)*	**12.9**

Diluted loss per share for the six months ended 30 September 2009 was the same as the basic loss per share as the effect of the assumed conversion of the outstanding share options was anti-dilutive.

9. INTERIM DIVIDEND

At a meeting held on 29 November 2010, the Board resolved not to pay an interim dividend for the six months ended 30 September 2010 (2009: Nil).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

During the six months ended 30 September 2010, the Group disposed of property, plant and equipment with carrying amount of approximately HK$770,000 (2009: HK$412,000). The net additions of land use rights, property, plant and equipment were approximately HK$79,058,000 (2009: HK$35,588,000) of which HK$72,128,000 and HK$6,930,000 (2009: HK$22,888,000 and HK$12,700,000) are attributable to the reportable segments of manufacture and sales of machinery and equipment, and steel casting respectively.

11. INTEREST IN AN ASSOCIATE

The attributable equity interest held by the Group was maintained at 35% during the period.

12. BILLS AND ACCOUNTS RECEIVABLE

	(Unaudited) As at 30 September 2010	(Audited) As at 31 March 2010
	HK$'000	*HK$'000*
Gross accounts receivable	**589,158**	467,757
Less: Allowance for impairment losses	**(43,367)**	(37,760)
	545,791	429,997
Bills receivable	**97,161**	63,511
Less: Balance due after one year shown as non-current assets	**(4,786)**	(6,156)
Balance due within one year shown as current assets	**638,166**	487,352

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

	(Unaudited) As at 30 September 2010	(Audited) As at 31 March 2010
	HK$'000	*HK$'000*
Within 90 days	**347,044**	287,735
91-180 days	**107,249**	76,344
181-365 days	**73,300**	24,117
Over one year	**61,565**	79,561
	589,158	467,757

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.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited) As at 30 September 2010 *HK$'000*	(Audited) As at 31 March 2010 *HK$'000*
Balance classified as non-current assets		
Call option *(Note a)*	**—**	2,771
Balance classified as current assets		
Call option *(Note a)*	**—**	2,483
Interest rate swap contract *(Note b)*	**112**	187
	112	2,670
Balance classified as current liabilities		
Put option *(Note a)*	**313**	190
Interest rate swap contract *(Note b)*	**1,501**	2,132
	1,814	2,322
Balance classified as non-current liabilities		
Put option *(Note a)*	**—**	1,168

Notes:

(a) Call and put options

During the period, the movements of the call and put options in respect of acquisition of additional interests in a subsidiary are as follows:

Call options

On 2 April 2008, the Group entered into a call option agreement with the non-controlling shareholder of a subsidiary that the Group was granted a first call option to purchase 15% of equity interest in the subsidiary held by the non-controlling shareholder within the first option period which started since the approval date of the financial statements of the subsidiary for the year ended 31 December 2009 and lasted for 90 days. The first call option was not exercised and lapsed during the period. As the Group has not exercised the first call option, the second call option to purchase the remaining 15% equity interest in the subsidiary held by the non-controlling shareholder (which would be granted subject to exercise of the first call option) has not been granted to the Group. The fair value of the second call option is charged to profit or loss during the period.

Put options

On 2 April 2008, the Group also entered into a put option agreement with the same non-controlling shareholder that the non-controlling shareholder was granted a first put option to require the Group to purchase the 15% of equity interest in the subsidiary held by the non-controlling shareholder within the first option period which started since the approval date of the financial statements of the subsidiary for the year ended 31 December 2009 and lasted for 90 days.

During the period, the non-controlling shareholder exercised the first put option with a consideration of €838,020 (equivalent to HK$8,045,000) calculated based on 50% of the share of capital injection of €1,500,000 paid by the non-controlling shareholder, as yearly adjusted with the interest rate of 5% per annum. After that, the Group's equity interest in the subsidiary increased from 70% to 85%. As the non-controlling shareholder has exercised the first put option, it has been granted a second put option to require the Group to purchase the remaining 15% equity interest in the subsidiary held by the non-controlling 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 details of the exercise price of the second put option are set out in the financial statements for the year ended 31 March 2010.

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.

(b) Interest rate swap

In prior periods, the Group 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.

14. BILLS AND ACCOUNTS PAYABLE

	(Unaudited) **As at** **30 September** **2010** ***HK$'000***	(Audited) As at 31 March 2010 *HK$'000*
Accounts payable	**486,451**	366,804
Bills payable	**5,167**	158
	491,618	366,962

The following is the aging analysis of the accounts payable at the end of reporting period:

	(Unaudited) As at 30 September 2010 *HK$'000*	(Audited) As at 31 March 2010 *HK$'000*
Within 90 days	**431,024**	327,822
91-180 days	**40,152**	27,791
181-365 days	**6,652**	1,446
Over one year	**8,623**	9,745
	486,451	366,804

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

15. BANK BORROWINGS

The bank borrowings comprise:

	(Unaudited) As at 30 September 2010 *HK$'000*	(Audited) As at 31 March 2010 *HK$'000*
Secured:		
Bank loans	**260,001**	240,715
Trust receipt loans	**24,225**	6,181
	284,226	246,896
Unsecured:		
Bank loans	**407,830**	498,592
Other loans	**122,705**	136,657
	530,535	635,249
	814,761	882,145

The secured bank borrowings were secured by pledge of assets of the Group as detailed in note 19(i).

The carrying amounts are repayable as follows:

	(Unaudited) As at 30 September 2010 *HK$'000*	(Audited) As at 31 March 2010 *HK$'000*
Within one year	**790,558**	796,990
In the second year	**22,439**	79,150
In the third to fifth year	**1,764**	6,005
	814,761	882,145
Less: Amount due within one year shown under current liabilities	**(790,558)**	(796,990)
Amount due after one year shown under non-current liabilities	**24,203**	85,155

Note:

As at 30 September 2010, the 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$257,759,000 (31 March 2010: HK$240,909,000).

16. PROVISION FOR POST-EMPLOYMENT BENEFITS

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

	HK$'000
Balance at 1 April 2010 (audited)	10,654
Additions during the period	1,560
Payments during the period	(1,896)
Exchange realignment	(255)
Balance at 30 September 2010 (unaudited)	10,063

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 30 September 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$1,036,000 (31 March 2010: HK$1,185,000) may be payable to employees within one year from the end of reporting period based on the historical staff turnover ratio.

17. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Amount
		HK$'000
Authorised:		
At 31 March 2010 (audited) and 30 September 2010 (unaudited)	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2010 (audited)	1,021,455,000	102,146
Shares issued upon exercise of share options	5,485,000	548
At 30 September 2010 (unaudited)	1,026,940,000	102,694

18. FINANCIAL GUARANTEES

	(Unaudited) As at 30 September 2010	(Audited) As at 31 March 2010
	HK$'000	*HK$'000*
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	**149,821**	106,651

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$295,448,000 (31 March 2010: HK$153,409,000) 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 19(ii). Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products. The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

19. PLEDGE OF ASSETS

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

	(Unaudited) As at 30 September 2010 *HK$'000*	(Audited) As at 31 March 2010 *HK$'000*
Restricted bank balances	**1,589**	193
Leasehold land and buildings	**158,082**	206,286
Land use rights	**83,445**	81,914
Investment properties	**8,050**	7,290
Plant and machinery	**22,607**	24,044
Accounts receivable	**28,147**	—
	301,920	319,727

(ii) In addition to the restricted bank balances disclosed in note 19(i), the Group also had restricted bank balances to the extent of HK$45,078,000 (31 March 2010: HK$33,817,000) pledged to banks for credit facilities granted to customers to purchase the Group's products as mentioned in note 18.

(iii) The Company's investments in certain subsidiaries with aggregate net asset value of HK$233,290,000 (31 March 2010: HK$176,666,000) are pledged to a bank for banking facilities granted to its subsidiaries.

20. COMMITMENTS

	(Unaudited) As at 30 September 2010 *HK$'000*	(Audited) As at 31 March 2010 *HK$'000*
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted but not provided for	**31,022**	50,510
Other commitments:		
Contracted but not provided for	**8,275**	5,760

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:

	(Unaudited) **As at** **30 September** **2010** ***HK$'000***	(Audited) As at 31 March 2010 *HK$'000*
Leases payable:		
Within one year	**10,607**	10,537
In the second to fifth year inclusive	**28,697**	36,880
	39,304	47,417

21. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had operating lease rentals paid to Wheelfit Investment Limited ("Wheelfit") amounting to HK$600,000 (2009: HK$600,000).

Mr. Liu Siong Song (the spouse of a director of the Company, Ms. Chong Siw Yin) owns 50% of Wheelfit and is in a position to exercise significant influence on Wheelfit.

(b) The remuneration of directors and other members of key management during the period is as follows:

	(Unaudited) **Six months ended 30 September** **2010** ***HK$'000***	 2009 *HK$'000*
Short term benefits	**7,530**	6,039
Retirement fund contributions	**169**	139
	7,699	6,178

(c) The Group had the following amounts due (to)/from its related parties at the end of reporting period:

	(Unaudited) As at 30 September 2010	(Audited) As at 31 March 2010
	HK$'000	*HK$'000*
Associate		
Fuxin Li Chang Steel and Iron Foundry Co., Ltd.	**(626)**	340
Holding company		
Girgio Industries Ltd.	**(16,000)**	(40,000)

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

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.

22. SHARE OPTIONS

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2010 are as follows:

			Number of shares subject to options		
Category of grantee	**Exercise price**	**Exercise period**	**Outstanding at 1 April 2010 (Audited)**	**Exercised during the period**	**Outstanding at 30 September 2010 (Unaudited)**
	HK$				
Directors	0.666	16 April 2007 – 15 October 2016	6,000,000	(3,500,000)	2,500,000
Employees	0.666	16 April 2007 – 15 October 2016	4,010,000	(1,985,000)	2,025,000
			10,010,000	(5,485,000)	4,525,000

23. CASH (USED IN)/FROM FINANCING ACTIVITIES

Details of the cash (used in)/from financing activities during the six months ended 30 September 2010 are as follows:

	(Unaudited) Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Financing activities		
Inception of new bank loans	**126,976**	92,838
Repayment of bank loans *(Note)*	**(198,452)**	(45,858)
Net increase in trust receipt and other loans	**4,092**	8,029
Proceeds from issue of shares	**3,652**	—
Decrease in amount due to holding company	**(24,000)**	—
Acquisition of additional equity interest in a subsidiary from a non-controlling shareholder	**(8,045)**	—
Net cash (used in)/from financing activities	**(95,777)**	55,009

Note:

During the period, the repayment of principals in respect of loans borrowed from banks or financial institutions in the PRC with a term not exceeding one year amounted to approximately HK$97,505,000 (2009: HK$18,182,000).

24. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 29 November 2010.

Management Discussion and Analysis

Financial review

For the six months ended 30 September 2010 ("Period under Review"), the Group recorded a turnover of HK$1,239,000,000, representing a significant increase of 134% as compared to HK$530,000,000 of the corresponding period last year. Profit attributable to owners of the Company amounted to HK$132,900,000, demonstrating a remarkable improvement in the results as compared to a loss of HK$29,400,000 in the corresponding period last year.

Business review

The Group started to show a turnaround of its business since the second half of 2009 and maintained the strong momentum of recovery during the Period under Review, with substantial growth in the three business segments including die-casting machines, plastic injection moulding machines and CNC machines. During the Period under Review, the Group recorded a turnover of HK$1,239,000,000, representing a significant increase of 134% as compared with the corresponding period last year, and an increase of 41% compared to the turnover of HK$878,400,000 for the second half of last year (that is, six months ended 31 March 2010).

During the Period under Review, the macroeconomy of China upheld a trend of positive stabilisation, with the nation playing the role of locomotive for the world economy. The Group's turnover from China market amounted to HK$1,045,000,000, representing a significant increase of 123% compared to the corresponding period last year, and for the first time exceeded the HK$1,000 million level within a half yearly period. In respect of the global economy, despite a slow pace of recovery, the Group's turnover from overseas markets amounted to HK$194,100,000, representing a 221% growth due to resumption of orders by certain customers such as General Motors in the United States after suspended delivery amidst the financial crisis, and new orders from emerging markets.

Die-casting machines

During the Period under Review, the Chinese government continued last year's consumption stimulation policies such as reduction in the automobile acquisition tax, extension of the "Automobiles for Rural Residents" (汽車下鄉) policy and increasing the "Trade-in" (以舊換新) subsidy, have promoted the continuous growth of the automobile market in China. For the first half of 2010, the accumulated automobile production and sales in China exceeded 8.47 million units and 7.18 million units respectively, representing year-on-year increases of over 44% and 30%. Such booming production and sales levels in China automobile market have stimulated the die-casting machine business of the Group, especially medium-to-large-tonnage die-casting machines, and the automobile market has become one of the major powerhouses for the growth of the Group's die-casting machine business. During the Period under Review, the Group's turnover of die-casting machine products from China recorded a significant increase of 120%.

Due to the resumption of overseas orders and increase in new orders from emerging markets, the Group's turnover of die-casting machine products from overseas markets recorded a growth of 353%.

As the synergy with the Group gradually took shape, and the income from China market recorded significant increases, the Group's subsidiary in Italy, Idra S.r.l. ("Idra"), achieved a remarkable turnaround in its operating position despite slow recovery in the European market, and its turnover increased substantially by 166% as compared with corresponding period last year.

Plastic injection moulding machines

The Group has attained major breakthroughs in four types of plastic injection moulding machines, namely large-tonnage plastic injection moulding machines, servo driven energy-saving plastic injection moulding machines, sophisticated direct-clamp plastic injection moulding machines and micro-injection moulding machines. Coupled with the recovery of the automobile, electric appliances and toy markets in China, the turnover of plastic injection moulding machine products of the Group significantly increased by 144% during the Period under Review.

Computerised numerical controlled (CNC) machines

The CNC machine business is a major growing point of the Group and is also one of the focuses for the future development of the Group. A number of the Group's new products continued to generate good market response and have successfully secured orders from renowned customers such as BYD Auto and Foxconn. During the Period under Review, the turnover of the Group's CNC machine products achieved a significant increase of 290% as compared with corresponding period last year.

Cast components

The Group's large-scale modernised casting factory located in Fuxin County, Liaoning Province has commenced commercial production with an escalating volume of cast components. Apart from supplying cast components to the Group, the factory also supplies to other customers.

Research and development ("R&D")

R&D of die-casting machines

After the successful R&D of the 4,000-tonne super-large cold chamber die-casting machine, the Group's R&D of die casting machines has been working on enhancing the provision of integrated services to its customers, and has reaped tangible progress in the integration service of hardware and software. On top of providing professional die casting machine to its customers, the Group also provides peripheral accessories such as sprayers, ladles, extractors, trim presses, component conveyer belts and dedusting facilities, as well as professional software systems for control of die-casting machines.

R&D of plastic injection moulding machines

During the financial crisis, the Group continued to invest in the R&D of plastic injection moulding machines, especially large-tonnage plastic injection moulding machines. Large-tonnage plastic injection moulding machines can be used in the manufacture of accessories such as automobile instrument panels, as well as large plastic pieces such as large home appliances and large logistics containers. The breakthroughs achieved by the Group in the area of large tonnage plastic injection moulding machines help to satisfy the requirement of the important customers for the above industries.

R&D of CNC machines

With an outstanding R&D efficiency, the Group's R&D centre in Taiwan has successfully developed numerous models that have demonstrated strong competitiveness on the market in just several years. Apart from the well-received "TC510", "TC710" and "TC1200" series of small size vertical drilling CNC machines specialised for post die-casting processing, new model series of "MV650", "MV850", "MV1050" and "MV-1680" vertical CNC machines were also developed. In respect of the horizontal CNC machines, the new series "HT630" and "HT800" were added to the existing "HT400" and "HT500" series.

Prospects

Looking ahead, the global economy is experiencing different pace of recovery, with a diminishing chance of a double dip recession. The economic recovery and the increasing consumer demand 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.

To meet the customer demands for large-tonnage die-casting machines and large-tonnage plastic injection moulding machines, the Group has started construction of the new phase of factory in Shenzhen, which is expected to commence production in 2011. Meanwhile, to cope with the rapid development of the Group's CNC machine business, the Group has completed construction of a factory in Kunshan City, Jiangsu Province, which is also expected to commence production in 2011. Upon commercial production of the new factories in Shenzhen and Kunshan, the Group's production capacity for the die-casting machines, plastic injection moulding machines and CNC machines will all be increased.

Although the overall business environment is improving, equipment manufacturers still face the following uncertainties: Firstly, the easing bank credit and external influences have already caused inflationary pressure to the macroeconomy of China. Inflation may gradually spread from consumption sector to the industrial sector, leading to increasing production costs for the manufacturers. Also, to curb inflation, the economic and financial policies in China may gradually be tightened and pose adverse impacts on the customers of the Group. Secondly, the effect of the stimulus policies for consumer products such as automobiles and home appliances may diminish gradually, or such policies may be withdrawn by the government completely. This would adversely affect the sales of the Group's customers and in turn their plans for capacity expansion and equipment renewal will be shrunk. Thirdly, as the pace of recovery of developed economies such as Europe and the United States remained sluggish, the growth of the Group's business in the overseas markets is restricted.

Notwithstanding the above concerns, the management believes that the three product categories of the Group are all widely utilised in the manufacturing of consumer products with strong demands in the China market. The large-scale construction of "comfortable housing" and "affordable housing" by the governments at different levels in China will contribute to the new orders from customers in the construction materials industry and the home appliances industry. Moreover, leveraging on the Group's leading position in the die-casting machine industry, significant progress achieved from its plastic injection moulding machine and the CNC machine businesses, plus a solid and vast customer base, the management believes that the Group enjoys an optimistic outlook for future development. Meanwhile, the Group will continue to be vigilant in favourable times and adjust its pace of development to aptly cope with any challenges ahead so as to sustain the healthy growth of the Group.

In order to retain funds for the Group's future development needs, the Board does not recommend the payment of interim dividend.

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operations and existing banking facilities. As at 30 September 2010, the Group's cash and bank balances amounted to approximately HK$221,200,000 (31 March 2010: HK$398,100,000).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 79% (31 March 2010: 99%).

As at 30 September 2010, the capital structure of the Company was constituted exclusively of 1,026,940,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$814,800,000 (31 March 2010: HK$882,100,000), approximately 97% of which being short-term loans. Approximately 17% of the total borrowings were subject to interests payable at fixed rates. During the period, the Group used interest rate swap to mitigate its exposure to interest rate risks.

Staff and remuneration policies

As at 30 September 2010, the Group employed approximately 3,450 full time staff. The staff costs for current period amounted to HK$174,000,000. The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

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 Wah, *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
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Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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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

Other Information

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

As at 30 September 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 the 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	63.29%
	the Company	Beneficial owner	1,150,000 Long position	0.11%
	the Company	Beneficial owner	1,500,000[2] Long position	0.15%
Mr. Cao Yang	the Company	Beneficial owner	1,000,000 Long position	0.10%
			1,000,000[2] Long position	0.10%
Mr. Chung Yuk Ming	the Company	Beneficial owner	2,000,000 Long position	0.19%

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, as at 30 September 2010, none of the Directors and chief executive of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 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	63.29%
Mr. Liu	See Note (2)	650,000,000(2) Long position	63.29%
		1,150,000(2) Long position	0.11%
		1,500,000(2) Long position	0.15%
Fullwit	See Note (1)	650,000,000(1) Long position	63.29%
HSBC International Trustee Limited	See Note (3)	650,000,000(3) Long position	63.29%
The Hamon Investment Group Pte Limited	Investment manager	61,242,500 Long position	5.96%
The Dreyfus Corporation	Investment manager	61,742,500 Long position	6.01%

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, as at 30 September 2010, the Directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

Share Option Schemes

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 September 2010 were as follows:

Name/category of participant	Date of grant	Exercise price *HK$*	Exercise period	Number of shares subject to options: Outstanding as at 01/04/10	Exercised during the period	Outstanding as at 30/09/10
The Directors						
Ms. Chong	23/09/2006	0.666	16/04/2007 — 15/10/2016	2,500,000	(1,000,000)	1,500,000
Mr. Cao Yang	23/09/2006	0.666	16/04/2007 — 15/10/2016	2,000,000	(1,000,000)	1,000,000
Mr. Chung Yuk Ming	23/09/2006	0.666	16/04/2007 — 15/10/2016	1,500,000	(1,500,000)	—
				6,000,000	(3,500,000)	2,500,000
Others						
Employees	23/09/2006	0.666	16/04/2007 — 15/10/2016	4,010,000	(1,985,000)	2,025,000
				10,010,000	(5,485,000)	4,525,000

The weighted average closing price immediately before the dates on which the options were exercised was HK$2.10.

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)	**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 was registered with the Registrar of Companies in Hong Kong.

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 30 September 2010.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the period under review.

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the period under review.

Audit Committee

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the period under review.

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 30 September 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 30 September 2010.

Disclosure of Change of Information of Directors under Rule 13.51B(1) of the Listing Rules

Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul, being independent non-executive directors of the Company, whose service contracts with the Company expired on 3 September 2010 and were renewed for a term of three years with effect from 4 September 2010. Mr. Chan Wah Tip, Michael, an independent non-executive director of the Company, whose service contract expired on 23 September 2010 and was renewed for a term of three years with effect from 24 September 2010. The annual fee of all the independent non-executive directors of the Company had been increased from HK$180,000 to HK$200,000. The independent non-executive directors who also act as chairman of any board committee of the Company would still receive an additional annual fee of HK$90,000.

Review of Financial Information

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2010. BDO Limited, the Group's external auditor also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2010 in accordance with Hong Kong Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Acknowledgement

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers, bankers, business partners and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff of the Group for their commitment and services throughout the period.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2010

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
L.K. TECHNOLOGY HOLDINGS LIMITED
(力勁科技集團有限公司)
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 28, which comprises the condensed consolidated statement of financial position of L.K. Technology Holdings Limited as of 30 September 2010 and the related condensed consolidated income statement, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 29 November 2010