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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 558)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009 together with the comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2009

		(Unaudited) Six months ended 30 September	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**529,974**	756,116
Cost of sales		**(410,089)**	(531,235)
Gross profit		**119,885**	224,881
Other revenue	*3*	**10,642**	16,607
Other gains/(losses)	*3*	**604**	14,490
Selling and distribution expenses		**(57,749)**	(83,253)
Administration expenses		**(98,761)**	(114,489)
(Loss)/profit from operations	*4*	**(25,379)**	58,236
Finance income		**815**	2,907
Finance costs		**(15,965)**	(22,551)
Finance costs-net	*5*	**(15,150)**	(19,644)
Share of loss of an associate		**(599)**	(1,312)
Share of loss of a jointly controlled entity		**(2)**	—
(Loss)/profit before income taxes		**(41,130)**	37,280
Income taxes	*6*	**402**	(9,327)
(Loss)/profit for the period		**(40,728)**	27,953
Attributable to:			
Equity holders of the Company		**(29,382)**	29,347
Minority interests		**(11,346)**	(1,394)
		(40,728)	27,953
		HK cents	*HK cents*
(Loss)/earnings per share	*8*		
— basic		**(2.9)**	2.9
— diluted		**(2.9)**	2.9

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Notes	(Unaudited) Six months ended 30 September **2009** *HK$'000*	2008 *HK$'000*
(Loss)/profit for the period		**(40,728)**	27,953
Other comprehensive income for the period:			
Exchange differences arising on translation of foreign operations		**7,950**	17,438
Gain on fair value changes of availiable-for-sale financial assets		**—**	206
Transfer to income statement upon disposal of available-for-sale financial assets		**—**	(392)
Total comprehensive income for the period		**(32,778)**	45,205
Attributable to:			
Equity holders of the Company		**(22,894)**	47,815
Minority interests		**(9,884)**	(2,610)
		(32,778)	45,205

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Notes	(Unaudited) 30 September 2009 HK$'000	(Audited and restated) 31 March 2009 HK$'000
Non-current assets			
Intangible assets		**18,606**	14,999
Property, plant and equipment		**617,184**	632,280
Investment properties		**24,750**	22,140
Land use rights		**100,288**	83,353
Deposits paid		**26,642**	21,935
Interest in an associate		**74,878**	75,476
Interest in a jointly controlled entity		**3,076**	3,078
Deferred tax assets		**16,805**	16,951
Bills and accounts receivable-due after one year	*9*	**1,291**	—
Derivative financial instruments		**1,728**	4,744
Restricted bank balances		**15,603**	6,092
		900,851	881,048
Current assets			
Inventories		**453,956**	454,410
Available-for-sale financial assets		**9,091**	9,091
Bills and accounts receivable	*9*	**352,061**	351,737
Other receivables, prepayments and deposits		**75,489**	55,064
Amount due from an associate		**4,545**	—
Derivative financial instruments		**2,745**	34
Restricted bank balances		**14,916**	21,632
Cash and bank balances		**403,772**	330,265
		1,316,575	1,222,233
Current liabilities			
Bills and accounts payable	*10*	**247,528**	161,427
Other payables, deposits and accruals		**211,820**	169,007
Amount due to an associate		**—**	40,909
Derivative financial instruments		**3,984**	3,307
Bank borrowings — due within one year		**730,982**	841,153
Tax payable		**183**	481
		1,194,497	1,216,284

	Notes	(Unaudited) 30 September 2009 HK$'000	(Audited and restated) 31 March 2009 HK$'000
Net current assets		**122,078**	5,949
Total assets less current liabilities		**1,022,929**	886,997
Non-current liabilities			
Deferred tax liabilities		**3,708**	3,708
Derivative financial instruments		**1,322**	2,236
Bank borrowings — due after one year		**168,103**	2,923
Provision for post-employment benefits		**11,347**	10,503
		184,480	19,370
Net assets		**838,449**	867,627
Share capital		**101,284**	101,284
Reserves		**729,053**	751,947
Equity attributable to the equity holders of the Company		**830,337**	853,231
Minority interests		**8,112**	14,396
Total equity		**838,449**	867,627

Notes:

1. **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 of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 March 2009. The accounting policies and methods of computation adopted in preparing the unaudited interim financial statements for the six months ended 30 September 2009 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 March 2009, except for the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group and are relevant to the Group's financial statements described below.

In the current interim period, the Group has applied, for the first time, the following new standards and amendments issued by the HKICPA, that are effective for the current accounting period of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 2	Share-based Payment — Vesting Conditions and Cancellations
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

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 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 in the condensed consolidated financial statements.

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. However, the revised standard had no material effect on the reported results and financial position of the Group.

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 directly in equity, presented either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 "Operating segments"

HKFRS 8 replaces HKAS 14 "Segment reporting", it 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 reporting segments from one operating segment of manufacture and sales of machinery and equipment into two operating segments, namely, manufacture and sales of machinery and equipment, and steel casting. However, the re-designation has had no material impact on the reported results and financial position of the Group.

HKAS 23 "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 may result 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 January 2009. As the Group has no qualifying assets commencing construction after the effective date, no borrowing cost is capitalised during the period.

As the result of adopting the above changes, comparative information has been restated or presented for the first time in order to achieve a consistent presentation. Adoption of other new HKFRSs, amendments to HKFRSs and new interpretations had no material effect on the results and financial position of the Group.

Potential impact arising on HKFRSs not yet effective

The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective. The directors currently anticipate that the application of these new or revised HKFRSs, will have no material impact on the financial statements of the Group.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
Amendments to HKAS 32	Classification of Rights Issues[4]
Amendment to HKAS 39	Eligible Hedged Items[2]
Amendments to HKFRS 1	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[1]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[1]
Amendments to HK(IFRIC) — Interpretation 9 and HKAS 39	Embedded Derivatives[3]
Amendment to HK(IFRIC) — Interpretation 14	Prepayments for a Minimum Funding Requirement[6]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 January 2010
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods ending on or after 30 June 2009
[4] Effective for annual periods beginning on or after 1 February 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 condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, available-for-sale financial assets and investment properties, which are carried at fair values.

2. 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.

At 30 September 2009, the Group is organised on a product basis into two main operating 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 operating 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 profit is "(loss)/profit from operations", i.e. (loss)/profit before finance income, finance costs, income taxes, share of results of an associate and a jointly controlled entity which are not specifically attributable to individual segments.

The segment results for the six months ended 30 September 2009 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	**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 segment results for the six months ended 30 September 2008 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	756,116	—	—	756,116
Inter-segment sales#	94	—	(94)	—
Total sales	756,210	—	(94)	756,116
Other revenue	16,607	—	—	16,607
Total revenue	772,817	—	(94)	772,723

Inter-segment sales are charged at prevailing market rates.

RESULTS				
Segment results	60,543	(2,307)	—	58,236
Finance income				2,907
Finance costs				(22,551)
Share of loss of an associate				(1,312)
Profit before income taxes				37,280

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

	(Unaudited) Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Turnover and other revenue		
The PRC	**479,816**	495,783
Europe	**36,304**	175,688
Middle and South America	**9,205**	45,580
North America	**8,148**	26,114
Other countries	**7,143**	29,558
	540,616	772,723

3. Turnover, other revenue and other gains/(losses)

	(Unaudited) Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sales of machines and related accessories and equipment net of returns and discounts	**528,028**	756,116
Steel casting	**1,946**	—
	529,974	756,116
Other revenue		
Value added tax refunded	**4,255**	6,459
Other subsidies from government	**5,187**	7,856
Rental income	**756**	657
Sundry income	**444**	1,635
	10,642	16,607
Total revenue	**540,616**	772,723
Other gains/(losses)		
Net foreign exchange losses	**(1,216)**	(1,478)
Change in fair value of investment properties	**2,610**	(1,010)
Change in fair value of derivative financial instruments	**(767)**	(1,151)
(Losses)/gains on disposal of property, plant and equipment	**(23)**	285
Gains on disposal of available-for-sale financial assets	**—**	392
Negative goodwill	**—**	17,452
	604	14,490
	541,220	787,213

4. (Loss)/profit from operations

	(Unaudited) Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit from operations has been arrived at after charging/(crediting):		
Research and development costs	**12,859**	16,088
Less: Government grants	**(716)**	(5,307)
Net research and development costs	**12,143**	10,781
Amortisation and depreciation	**40,624**	40,790
Share-based payments	**—**	168
(Reversal of write down)/write down of inventories	**(500)**	5,952
Impairment losses on accounts receivable	**2,477**	—

5. Finance costs — net

	(Unaudited) Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**815**	2,907
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(15,965)**	(22,551)
	(15,150)	(19,644)

6. Income taxes

The tax (credit)/charge comprises:

	(Unaudited) Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Current income taxes		
— PRC income tax	**(549)**	6,325
— Hong Kong Profits Tax	**—**	—
— Other jurisdictions	**—**	—
Deferred taxation	**147**	3,002
	(402)	9,327

Under the Enterprise Income Tax Law of the PRC ("New Tax Law") and its implementation rules effective on 1 January 2008, the PRC enterprise income tax rate is 25%. A foreign-invested enterprise established before the New Tax Law was promulgated on 16 March 2007, which is entitled to foreign-invested enterprise income tax holiday, can continue to enjoy the existing tax holiday, if any, until its expiry subject to a 5-year period restriction. Consequently, certain subsidiaries of the Company which have unexpired tax holidays, continue to be tax exempted. 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 current period are 20% or 25%. The tax rate of those subsidiaries currently subject to the tax rate of 20% will progressively increase to 25%.

Certain principal subsidiaries in Shenzhen, Zhongshan and Shanghai are certified as Advanced Technology Enterprises and are entitled to a concessionary tax rate of 15% for the 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 New Tax 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 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.

No Hong Kong Profits Tax or income tax for other jurisdictions has been provided for the six months ended 30 September 2009 and 2008 as there were no assessable profits arose for both periods.

7. Interim dividend

At a meeting held on 21 December 2009, the Board resolved not to pay an interim dividend for the six months ended 30 September 2009 (2008: HK0.4 cents per share and amounting to HK$4,051,000).

8. (Loss)/earnings Per Share

(a) Basic

The calculation of the basic (loss)/earnings per share is based on the consolidated loss attributable to the equity holders of the Company of HK$29,382,000 (2008: profit of HK$29,347,000) and on the weighted average number of approximately 1,012,835,000 (2008: 1,012,373,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2009	2008
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(29,382)**	29,347
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,012,835**	1,012,373
Basic (loss)/earnings per share *(HK cents)*	**(2.9)**	2.9

(b) Diluted

Diluted loss per share for the period is the same as the basic loss per share as the effect of the assumed conversion of the outstanding share options is anti-dilutive.

Diluted earnings per share for the six months ended 30 September 2008 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 for 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 2008
Profit attributable to equity holders of the Company *(HK$'000)*	29,347
Weighted average number of ordinary shares in issue for the period *(shares in thousands)*	1,012,373
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(shares in thousands)*	6,156
Weighted average number of ordinary shares (diluted) for the period *(shares in thousands)*	1,018,529
Diluted earnings per share *(HK cents)*	2.9

9. Bills and accounts receivable

	(Unaudited) As at 30 September 2009 *HK$'000*	(Audited) As at 31 March 2009 *HK$'000*
Gross accounts receivable	**330,882**	341,947
Less: Allowances for impairment losses	**(34,378)**	(31,862)
	296,504	310,085
Bills receivable	**56,848**	41,652
Less: Balance due within one year included in current assets	**(352,061)**	(351,737)
Balance due after one year shown as non-current assets	**1,291**	—

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

	(Unaudited) As at 30 September 2009 *HK$'000*	(Audited) As at 31 March 2009 *HK$'000*
Within 90 days	**162,368**	159,782
91-180 days	**30,839**	46,418
181-365 days	**63,627**	57,253
Over one year	**74,048**	78,494
	330,882	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 purchases 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.

10. Bills and accounts payable

	(Unaudited) As at 30 September 2009 *HK$'000*	(Audited) As at 31 March 2009 *HK$'000*
Accounts payable	**247,049**	136,782
Bills payable	**479**	24,645
	247,528	161,427

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

	(Unaudited) As at 30 September 2009 *HK$'000*	(Audited) As at 31 March 2009 *HK$'000*
Within 90 days	**225,437**	70,147
91-180 days	**10,404**	46,608
181-365 days	**4,358**	8,661
Over one year	**6,850**	11,366
	247,049	136,782

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 September 2009, the Group recorded a turnover of HK$529,974,000 representing a decrease of 30% compared to HK$756,116,000 in the corresponding period last year.

Loss attributable to shareholders amounted to HK$29,382,000 compared to a profit of HK$29,347,000 in the corresponding period last year.

Business review

Afflicted by the global financial crisis, the turnover of the Group for the six months ended 30 September 2009 (the "Period Under Review") recorded a decrease of 30% as compared to the corresponding period last year, but managed to achieve an increase of 21% as compared to the six months from October 2008 to March 2009 (the "H2 Last Year"), indicating the momentum of a turnaround.

Subsequent to the global financial crisis, the PRC government has adopted timely rescue measures that inhibited the downturn of the PRC economy. In particular, the launch of "the plan for readjustment and revitalisation of equipment manufacturing industry" (《裝備製造業調整和振興規劃》), "the plan for readjustment and revitalisation of the automobiles industry" (《汽車產業調整振興規劃》) and the plans to construct buffer housing units under the economy stimulus plan, together with the implementation of the "Home Appliances for Rural Residents" (家電下鄉) and the "Automobiles for Rural Residents" (汽車下鄉) incentive policies, etc have all helped to enhance the industrial production and domestic demand in the PRC, which in turn has benefited the recovery of the Group's turnover. During the Period Under Review, turnover of the Group in the PRC market only recorded a slight decline compared to the corresponding period last year, whilst it achieved a significant increase compared to the H2 Last Year, which reflected the outstanding position in the PRC market.

Major industrial countries around the world have all suffered from economic recession under the impact of the global financial crisis. During the first half of 2009, despite effective mitigation of the global financial turmoil by various rescue measures promulgated by major economic bodies worldwide, the engine of recovery lacked momentum and the world remained depressed under a gloomy environment, and international institutions invariably and repeatedly adjusted downward the forecast for global economic growth for 2009. The industrial states have stopped expansion at large, and even shrinked or ceased production. This has seriously affected the export of the Group's products, leading to a decrease of over 70% in the Group's export turnover compared to the corresponding period last year, consequently, the weight of export turnover in the total turnover of the Group decreased to 11%.

Machines and equipment business

Die-casting machines

The global demand for die-cast products has substantially contracted as result of the financial crisis, especially for automobiles related products. Also, under the combined impact of certain customers including General Motors Corp. postponing delivery of machines and the sluggish purchase orders for large machines, the turnover of the Group on large tonnage die-casting machines and peripheral equipment recorded a significant decrease. However, leveraging on the "Home Appliances for Rural Residents" (家電下鄉) incentive policy promulgated by the PRC government, the small tonnage die-casting machines sustained growth and became a shining point amid the unfavourable environment. During the Period Under Review, total turnover of the die-casting machines and peripheral equipment businesses indicated signs of a turnaround with a growth of over 10% as compared to H2 Last Year.

Given that the Europe and USA markets were the most hit by the financial crisis, the order position and sales turnover of Idra S.r.l. ("IDRA") were severely affected.

Plastic injection moulding machines

Despite an extremely difficult economic environment, "EFFORT", the proprietary series of direct-clamp plastic injection moulding machines developed by the Group was well received by the market since its launch. As a result, the turnover from plastic injection moulding machines of the Group recorded an increase of approximately 7% during the Period Under Review instead of a setback.

CNC machines

CNC machines business is a growing business of the Group and also one of the major focuses for the Group's future development. The Group has made an overall upgrade and improvement on the CNC machines, offering customers greater effectiveness and competitiveness. The Group's new "TC510" and "TC710" series of CNC machines were warmly received by the market, fuelling a significant growth in the turnover of the CNC machines business of the Group by over 30% during the Period Under Review.

Cast components business

During the Period Under Review, the Group's large-scaled modernised casting factory located in Fuxin County, Liaoning Province has commenced trial production for supply to the Group and external customers.

Research and Development ("R&D")

The management firmly believes that continuous product upgrade and new product R&D are important factors for the Group's products to maintain high market share and competitive advantages in the long term. Even amidst an unfavourable environment, the Group maintained a team of engineers and technicians of over 200. The three major subsidiaries of the Group namely Shenzhen Leadwell, Shanghai Atech and Zhongshan L.K. were recognised as "Advanced Technology Enterprises" by the state authorities of PRC Goverment.

R&D of die-casting machines

During the Period Under Review, the Group has made an integrated upgrade and improvement on the die-casting machines of all tonnages to enable enhanced performance, operation, energy-saving and environmental protection features, offering customers better cost effectiveness and competitiveness as a whole. After the completion of new projects such as the U-series large tonnage die-casting machine, the new quick die change system, and the speed mould clamping and injection system, the R&D department of the Group is currently working on developing a super large cold chamber die-casting machine and new application technologies.

R&D of plastic injection moulding machines

Subsequent to the "EFFORT" series of direct-clamp plastic injection moulding machines, the Group has successfully developed the "FORZA" new series of large tonnage two-platen energy-saving plastic injection moulding machines. Apart from energy efficient and environmentally friendly, this new series is also equipped with advanced features such as higher precision, shorter production cycles, enhanced compatibility and expandability of the control system, hence can meet the requirements of different industries, and is particularly adapted to the production of large components. This new series of injection moulding machines has commenced supply to the market.

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, such as micro medical components, mini pumps, medical equipment parts, mini lenses, and optic connectors. It has been invited to various exhibitions across the PRC and captured widespread market attention. This new injection moulding machine has received the "Creation Prize" at the China International Industry Fair and 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" and "HT500" that have enriched the comprehensiveness of the Group's product profile to meet varied 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 County, Liaoning Province not only has successfully developed various models of high-quality cast components that meet the requirements by the Group, it is also capable of manufacturing cast components for wind power generator, mould base and base of large size machinery for other customers.

Prospects

Under the persistent influence from unfavourable factors such as shattered confidence, weak consumption, sluggish demand in the global market caused by the financial tsunami, economic recovery around the world is still on a slow and weak track that lacks a solid foundation. Whilst this is especially true for the major industrial countries, a number of emerging and developing countries have gradually come out of the difficulties and picked up a recovery trend, and the PRC represents one outstanding example.

After the history-low in the orders intake in the fourth quarter of 2008, the Group's order amount has steadily recovered and further improvement is expected.

The Group has been notified by the General Motors Corp. that the delivery for large tonnage machines that was suspended in February this year due to the global financial crisis will be resumed from October this year. The order covers 17 units of 3000-tonne large tonnage cold chamber die-casting cells, of which 4 units have been delivered by the end of January 2009.

In addition, the Group has obtained from BYD Company Limited, a new high-flyer in the PRC automobiles industry, orders for medium to large tonnage die-casting machines and peripheral equipment of an accumulated total amount of over RMB100 million. It is expected that cooperation between the parties will further intensify as the automobiles industry in the PRC flourishes and the business of BYD Company Limited further expands.

On the other hand, as the emerging markets in China, India, Brazil and Eastern Europe gradually recover, it is anticipated that there will be new demand for large size high-end equipment, which in turn will hopefully improve the order amount and sales turnover of IDRA. The recovery of the export markets will also benefit the export of the Group's products.

The Group's casting factory in Fuxin County, Liaoning Province will make contribution to the Group after production starts in stages.

In the meanwhile, the Group has invested with 35% interest in an enterprise engaged in iron ore mining and smelting, namely Fuxin Li Chang Steel and Iron Foundry Co., Ltd, which has acquired certain iron ore resources and has commenced pilot production.

As the production capacity for large tonnage machines of the Group is not able to cope with the current and expected orders, the Group will start construction in phases on a parcel of land adjoining its existing factory in Shenzhen, which will be devoted to the production of large tonnage die-casting machines and plastic injection moulding machines.

As always, the Group will develop more competitive new products and meticulously expand the PRC and overseas markets in a timely manner in order to boost the market share of the Group's products.

Furthermore, the Group will also seek new business growth areas to fully capitalise on the advantages of its existing production facilities, human resources, and sales network to accelerate the growth of the Group.

Despite the Global business environment remains challenging with the current investment environment being weak in general and the consumer sentiment still low, it is widely forecasted that the global economy will gradually improve as the PRC, India and other emerging markets recover, and the developed economies steadily regain foothold upon extension of economic stimulus plans or implementation of the second phase of economic stimulus plans. The Group will adopt positive but prudent stance to face the challenges ahead, and prepare itself for the opportunities that will be brought along by the economy recovery.

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 30 September 2009, the Group's cash and bank balances amounted to approximately HK$403.8 million (31 March 2009: HK$330.3 million).

The gearing ratio (a ratio of total interest bearing liabilities less cash and bank balance to total equity) was approximately 59% (31 March 2009: 59%).

As at 30 September 2009, the capital structure of the Company was constituted exclusively of 1,012,835,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$899 million (31 March 2009: HK$844 million), approximately 81% of which being short-term loans. Approximately 12% 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 cash flow interest rate risk.

Financial guarantees

The Group provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$86,668,000 (31 March 2009: HK$71,278,000) granted to certain customers of the Group to purchase its 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.

Pledge of assets

(i) The Group's banking facilities were secured by the assets of the Group, including restricted bank balances, leasehold land and buildings, land use rights, investment properties, plant and machinery, with aggregate carrying amounts of HK$104,650,000 (31 March 2009: HK$100,700,000).

(ii) As at 30 September 2009, the Group also has restricted bank balances to the extent of HK$30,462,000 (31 March 2009: HK$21,638,000) pledged to banks for credit facilities granted to customers to purchase the Group's products.

Capital commitments

As at 30 September 2009, the Group had made capital expenditure commitments of approximately HK$33,516,000 (31 March 2009: HK$73,120,000) in respect of acquisition of property, plant and equipment and capital contribution in a jointly controlled entity.

Staff and remuneration policies

As at 30 September 2009, the Group employed approximately 2,800 full time staff. The staff costs for current period amounted to HK$120.2 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 a share option scheme.

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 Rules Governing the Listing of Securities on the Stock Exchange (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, 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.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Chan Wah Tip, Michael, Dr. Low Seow Chay and Dr. Lui Ming Wah, SBS, JP, all being independent non-executive Directors. 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.

Remuneration Committee

The Remuneration Committee comprises three members, namely Dr. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul, and Mr. Chan Wah Tip, Michael, all being independent non-executive Directors. 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, determining the award of bonuses and considering the grant of options under the Share Option Scheme.

Model Code for Securities Transactions by Directors

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

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 2009. BDO Limited, the Group's external auditor, also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2009 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.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2009/10 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers 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, 21 December 2009

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