



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 2006**

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 2006 together with the comparative figures for the corresponding period in 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		(Unaudited)	
		Six months ended	
		30 September	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	467,073	379,401
Cost of sales		(316,229)	(257,844)
Gross profit		150,844	121,557
Other revenue	4	7,503	14,695
Distribution costs		(52,856)	(37,000)
Administration expenses		(49,317)	(50,251)
Profit from operations		56,174	49,001
Finance costs		(6,236)	(6,557)
Profit before taxation	6	49,938	42,444
Income taxes	7	(5,773)	(3,455)
Profit for the period attributable to equity holders of the Company		44,165	38,989
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
– basic		5.9	5.2

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2006

		(Unaudited) 30 September 2006 <i>HK\$'000</i>	(Audited) 31 March 2006 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets		3,204	3,220
Property, plant and equipment		333,633	335,221
Investment properties		17,311	17,219
Land use rights		32,033	31,722
Available-for-sale financial assets		950	1,216
Deferred tax assets		7,109	7,364
Bills and accounts receivable			
– due after one year	10	831	4,148
Restricted bank balances		3,950	1,969
		<u>399,021</u>	<u>402,079</u>
Current assets			
Inventories		334,882	205,964
Bills and accounts receivable	10	289,717	243,567
Other receivables, prepayments and deposits		47,727	26,664
Amounts due from related entities		63,021	95,625
Restricted bank balances		20,407	18,482
Cash and bank balances		69,714	65,435
		<u>825,468</u>	<u>655,737</u>
Current liabilities			
Bills and accounts payable	11	263,415	142,010
Other payables, deposits and accruals		88,245	83,968
Amounts due to related entities		252	109
Bank borrowings – due within one year		309,967	261,282
Tax payable		3,664	4,916
		<u>665,543</u>	<u>492,285</u>
Net current assets		<u>159,925</u>	<u>163,452</u>
Total assets less current liabilities		<u>558,946</u>	<u>565,531</u>
Non-current liabilities			
Bank borrowings – due after one year		78,775	91,589
Net assets		<u>480,171</u>	<u>473,942</u>
EQUITY			
Share capital		65,000	10,000
Reserves		415,171	463,942
Equity attributable to the Company's equity holders		<u>480,171</u>	<u>473,942</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 August 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. Pursuant to a corporate reorganisation (the “Corporate Reorganisation”) which was completed on 23 September 2006, in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired all of the equity interests in Best Truth Enterprises Limited, World Force Limited and Cyberbay Pte Ltd.. Details of the Corporate Reorganisation are set out in section 4 headed “Corporate Reorganisation” in Appendix V to the prospectus of the Company dated 29 September 2006 (the “Prospectus”).

The Company has issued 250,000,000 new shares pursuant to a public offer. The Company’s shares were listed on the Stock Exchange on 16 October 2006.

2. BASIS OF PREPARATION

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 with the 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 have been prepared on consolidated basis as prescribed by the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 September 2006 include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the six months ended 30 September 2006, or since their respective dates of incorporation/establishment, where this is a shorter period. The condensed consolidated balance sheet of the Group as at 30 September 2006 have been prepared to present the assets and liabilities of the companies now comprising the Group as the current group structure resulting from the Corporate Reorganisation was completed on 23 September 2006.

The comparative figures for the six months ended 30 September 2005 and as at 31 March 2006 are presented on the same basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair values. The accounting policies used in the condensed consolidated financial statements are consistent with those used in the preparation of the underlying financial statements of the Group for the three years ended 31 March 2006, as described in the accountants’ report set out in Appendix I to the Prospectus.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new standards, amendments or interpretations had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly no prior period adjustment has been made.

The Group has not yet applied the following new or amended Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (“INT”) that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the Group’s results of operations and financial position.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) - INT 8	Scope of HKFRS 2 ²
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

4. TURNOVER AND OTHER REVENUE

	(Unaudited)	
	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Sales of machines and related accessories, net of returns and discounts	467,073	379,401
Rental income	851	910
Bank interest income	521	333
Other subsidies from government	867	898
Value added tax refunded	4,998	8,437
Gain on resale of plant and equipment to related companies	–	2,780
Sundry income	266	1,337
	7,503	14,695
	474,576	394,096

5. SEGMENT INFORMATION

Primary reporting format – Business segments

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.

As the Group has only one business segment, no business segment analysis was presented.

Secondary reporting format – Geographical segments

The Group's operations are principally located in the PRC. As over 90% of the Group's revenue are derived from customers and operations based in the PRC, no analysis of the Group's geographical revenue is presented.

The additions to property, plant and equipment, are as follows:

	(Unaudited)	
	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Location		
The PRC	14,097	61,452
Hong Kong	383	337
Other countries	46	41
	14,526	61,830
	14,526	61,830

There was no addition of land use rights, investment properties and intangible assets during the six months ended 30 September 2005 and 2006.

The carrying amounts of segment assets by location of assets are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2006	2006
	HK\$'000	HK\$'000
Location		
The PRC	1,158,952	973,051
Hong Kong	37,931	48,111
Other countries	20,497	29,290
Total segment assets	1,217,380	1,050,452
Deferred tax assets	7,109	7,364
Total assets	1,224,489	1,057,816

6. PROFIT BEFORE TAXATION

	(Unaudited)	
	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging/(crediting):		
Amortisation of:		
– Trademark	24	24
– Land use rights	311	308
Depreciation of property, plant and equipment	21,971	15,417
Total amortisation and depreciation	22,306	15,749

The aging analysis of the gross accounts receivable based on invoice date is as follows:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Balance with extended credit terms and/or receivable by instalments		
0-90 days	45,648	85,972
91-180 days	22,651	18,783
181-365 days	24,929	6,952
Over one year	7,276	5,311
	<u>100,504</u>	<u>117,018</u>
Balance with normal credit terms		
0-90 days	81,101	75,094
91-180 days	43,765	23,527
181-365 days	44,009	14,867
Over one year	18,834	20,000
	<u>187,709</u>	<u>133,488</u>
	<u>288,213</u>	<u>250,506</u>

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

11. BILLS AND ACCOUNTS PAYABLE

The aging analysis of the accounts payable based on invoice date is as follows:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
0-90 days	234,234	112,923
91-180 days	13,872	13,102
181-365 days	4,438	4,526
Over one year	1,773	2,370
	<u>254,317</u>	<u>132,921</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Group for the six months ended 30 September 2006 amounted to HK\$467,073,000, representing an increase of 23% as compared to the corresponding period last year. The profit attributable to shareholders amounted to HK\$44,165,000, representing an increase of 13% as compared to the corresponding period last year. The basic earnings per share was HK5.9 cents.

During the results period, the gross profit margin was 32.3%, a slight increase from 32.0% of the corresponding period last year.

The profit margin after taxation was 9.5%, a slight decrease from 10.3% of the corresponding period last year, which was mainly attributable to an increase in the distribution costs. During the results period, the Group doubled its efforts in exploring both mainland and overseas markets while expanded the market coverage by establishing offices for sales and services in various locations in the northern and south western regions of the PRC and sped up in the development of overseas new markets, resulting in the increase of the size of the workforce, the staff salaries, the cost of visiting customers, traveling expenses and commissions, etc.

Business Review

The business of die-casting machines was the main source of revenue of the Group. During the period under review, the Group recorded an increase of 21% in the sales of die-casting machines as compared to the corresponding period last year.

The surge in the price of crude oil led to an increase in the price of plastic raw materials, therefore, the customers were prudent in making purchase of plastic injection moulding machines. Nevertheless, the sales of plastic injection moulding machines continued to increase by 33%, as compared to the corresponding period last year.

In order to enhance the performance in exports, a sales and services company was established in Michigan, USA to explore the North American market. During the period under review, exports sales accounted for 8% of the total sales, representing a growth of 104% from the corresponding period last year.

As for the new products, the Group is currently developing cold chamber die-casting machines with clamping force of 4,000 tons and plastic injection moulding machines with clamping force over 2,000 tons. Meanwhile, the research and development of direct clamp plastic injection moulding machines has also been completed. Function-wise, the Group has successfully developed the real-time control system for die-casting machines and the networking system (電腦連網管理系統) for plastic injection moulding machines to improve the customers' operating efficiency. A number of new series of magnesium alloy die-casting machines has also been launched to cater for the market demand.

At the same time, a research and development office for CNC machines has been established by the Group in Taiwan to facilitate the research and development of such product. The Group also co-operates with a world-renowned CNC machines manufacturer in Germany, and acts as its distributor in the PRC.

Regarding the production, the operations of the new plant at Ningbo has commenced in phrases since June.

The Group's principal raw materials in production are steel and cast. The price of steel remained high during the first half of the year but it began to fall from end of July. A downward trend was also seen in the price of cast, which is expected to alleviate the manufacturing cost.

Prospects

The Group is the largest manufacturer of die-casting machines in the PRC. The cold and hot chamber die-casting machines manufactured by the Group are used extensively in different sectors of the industries such as transport, building materials (lights, locks and bathing products), 3C products (communication products, computer products and consumer electronic products), electrical tools, toys, gifts and clothing. It is expected the demand on the Group's die-casting machines will continue to grow.

Being the manufacturer of the first magnesium alloy die-casting machine as well as the first foreign enterprise selected to participate in technology-related project in the PRC, the Group has been actively involved in the scientific and technology project of the "National Tenth Five Year Plan" and has achieved breakthrough on the application and industrialization of magnesium, and become the showcase for magnesium alloy application and export, as a result, has boosted the rapid development of the magnesium alloy application in the PRC market. Given the superior performance of magnesium, which has been widely applied on various sectors namely automobiles, 3C products and hand tools, etc., has brought along vast opportunities for the future growth of the Group. With the National Development and Reform Commission and the Science & Technology Commission stating the inclusion of the magnesium alloy application into the key development plan during the "Eleventh Five Year Plan" period, it is expected that the prospect of magnesium alloy application in the PRC market will be promising.

The price of petroleum fell from the historical high of about US\$80/barrel in July 2006 to around US\$60/barrel recently. It is expected that the cost of plastic raw materials will decrease, the business of plastic injection moulding machines will be benefitted.

With the continuing upgrade of the manufacturing industry in the PRC, the market of CNC machines, commonly used by mould fabrication and machining industries, has been rapidly developing. Leveraging fully on the edge of sales and service networks in the PRC, the Group has accelerated the launch of the CNC machines so as to capture the market share of this new product and to become one of the growing business sectors of the Group in the future.

In order to remain competitive, the Group continued to enhance the research and development of new products. The new series of magnesium alloy die-casting machines, newly developed real-time control system for die-casting machines, direct clamp injection moulding machines and injection moulding machine networking system (電腦連網管理系統) are all well received in the market. As these kinds of new products offer a higher added-value, they will give a positive impact to the business of the Group.

Meanwhile, preliminary results have been achieved in the research and development of large-scaled die-casting machines, large-scaled plastic injection moulding machines and all electric injection moulding machines. It is expected the respective trial production will commence in 2007.

The Group has made incessant effort in enhancing staff training and offer appropriate incentive and remuneration packages with a view to establish an effective team spirit. With the endeavour of the staff, an ongoing development of the business is made possible.

In order to cater for the business growth in the next three to five years, a contract will be entered into in the near future with Kunshan Municipal Government of Jiangsu Province for the acquisition of a parcel of land with an area of 475.8 acres for a total consideration of approximately HK\$47,580,000, which will be funded from internal resources.

As for the overseas markets, the Group has stepped up its efforts in the development of new markets. The overseas markets sales is targeted to increase to 25% of the total sales of the Group in the next three years.

In respect of vertical and horizontal integration, the Group will continue to identify partners for collaboration so as to achieve cost saving and enhance the efficiency, with the ultimate purpose to make positive contribution to the Group.

The Group was listed on The Stock Exchange of Hong Kong Limited on 16 October 2006 and raised a net proceeds of HK\$252,500,000. Upon listing, the gearing ratio of the Group decreased to 44%. It also provides additional funds for development in different aspects, such as the expansion of plants, acquisition of additional production facilities, research and development, sales and promotion. It has also been used to repay part of the bank borrowings and the finance costs is expected to be reduced as a result.

Owing to the price fluctuation of the raw materials of zinc alloy and plastic raw material, the customers tend to be prudent in the purchase of machinery and equipment. Meanwhile, the government has recently refined the policy on tax rebate rates under export trade, together with the appreciation of RMB, increase in interest rate and the surge in labour cost, have created uncertainties to the businesses of customers. The competition in the plastic injection moulding machines market is relatively strong, posting certain level of pressure to the selling prices.

The business environment is full of challenges. However, the Group believes as the economy of the PRC continues to grow stronger, the demand for metal parts will continue to grow, and the demand for the die-casting machines which are capable of manufacturing metal parts of different shapes will grow accordingly. With the Group's leading market position, strong brand recognition, strong research and development ability and economies of scale, enable the Group to provide its customers with quality products, value-added services and total solutions. Continuous efforts have also been made towards cost saving in order to enhance its competitiveness. Looking forward, the Group remains prudently optimistic about the operations in the second half of the year.

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 2006, the Group's cash and bank balances amounted to approximately HK\$69.7 million (31 March 2006: HK\$65.4 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 81% (31 March 2006: 74%). The increase was mainly due to the increase in bank borrowings to HK\$388.7 million as at 30 September 2006 (31 March 2006: HK\$352.9 million) primarily for the purpose of financing the acquisition of production facilities during the period. Most of the new loans incepted in current period mature within one year.

Contingent liabilities

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 30 September 2006, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK\$15,641,000 (31 March 2006: HK\$11,808,000).

Pledge of assets

- (i) The Group's banking facilities were secured by guarantees given by related parties and assets of the Group, including restricted bank balances, buildings, land use rights, investment properties, plant and machinery, furniture, fixtures and office equipment, with aggregate carrying amounts of HK\$180,777,000 (31 March 2006: HK\$123,670,000).
- (ii) As at 30 September 2006, the Group also has restricted bank balances to the extent of HK\$13,399,000 (31 March 2006: HK\$10,922,000) pledged to banks for credit facilities granted to customers to purchase the Group's products.

- (iii) The Group's investments in certain subsidiaries with aggregate net asset value of HK\$69,365,000 as at 30 September 2006 (31 March 2006: HK\$74,236,000) are pledged to a bank for banking facilities granted to the Group.

Capital commitments

As at 30 September 2006, the Group had made capital expenditure commitments of approximately HK\$17,186,000 (31 March 2006: HK\$13,525,000) in respect of acquisition of property, plant and equipment.

STAFF AND REMUNERATION POLICIES

As at 30 September 2006, the Group employed approximately 3,480 full time staff. The staff costs for current period amounted to HK\$69.6 million. The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.8 cents per share for the six months ended 30 September 2006 payable on or about 23 January 2007, to the shareholders whose names appear on the register of members of the Company on 16 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 January 2007 to Tuesday, 16 January 2007, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 11 January 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the shares of the Company were listed on the main board of the Stock Exchange on 16 October 2006 (the "Listing Date"), neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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") since the Listing Date.

AUDIT COMMITTEE

The Company established the Audit Committee in February 2005. 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. The Audit Committee consists of three independent non-executive Directors, namely Dr. Hon. Lui Ming Wah, *SBS, JP*, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee.

NOMINATION COMMITTEE

The Company established the Nomination Committee in February 2005. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising Mr. Chan Wah Tip, Michael, Dr. Low Seow Chay and Mr. Liu Chee Ming, all being independent non-executive Directors. Mr. Chan Wah Tip is the chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in February 2005. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Schemes. The Remuneration Committee has three members comprising Mr. Liu Chee Ming, Dr. Hon. Lui Ming Wah, *SBS, JP* and Mr. Tsang Yiu Keung, Paul, all being independent non-executive Directors. Mr. Liu Chee Ming is the chairman of the Remuneration Committee.

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 since the Listing Date.

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 2006. BDO McCabe Lo Limited, the Group's external auditors also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2006 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF RESULT ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 September 2006 containing all information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website 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.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 20 December 2006

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

"Please also refer to the published version of this announcement in The Standard."