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

Interim Report 2008/09

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

CONTENTS

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 2008 together with the comparative figures for the corresponding period in 2007.

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

		(Unaudited) Six months ended 30 September	
	Notes	**2008 HK$'000**	2007 HK$'000
Turnover	*4*	**756,116**	698,759
Cost of sales		**(531,235)**	(472,142)
Gross profit		**224,881**	226,617
Other revenue	*4*	**16,607**	15,234
Other gains/(losses)	*4*	**14,490**	(94)
Selling and distribution expenses		**(83,253)**	(77,802)
Administration expenses		**(114,489)**	(79,938)
Profit from operations	*5*	**58,236**	84,017
Finance income		**2,907**	3,356
Finance costs		**(22,551)**	(9,029)
Finance costs – net	*6*	**(19,644)**	(5,673)
Share of loss of an associate		**(1,312)**	–
Profit before income taxes		**37,280**	78,344
Income taxes	*7*	**(9,327)**	(10,376)
Profit for the period		**27,953**	67,968
Interim dividends	*8*	**4,051**	27,289
Attributable to:			
Equity holders of the Company		**29,347**	67,968
Minority interests		**(1,394)**	–
		27,953	67,968
		HK cents	HK cents
Earnings per share	*9*		
– basic		**2.9**	6.8
– diluted		**2.9**	6.7

Condensed Consolidated Balance Sheet

At 30 September 2008

	Notes	(Unaudited) 30 September 2008 HK$'000	(Audited) 31 March 2008 HK$'000
Non-current assets			
Intangible assets		15,719	3,174
Property, plant and equipment	*10*	562,759	410,560
Investment properties		24,970	25,650
Land use rights	*10*	75,840	74,767
Deposits paid		53,233	25,474
Interest in an associate	*11*	75,391	21,336
Available-for-sale financial assets		–	746
Deferred tax assets		12,023	10,717
Bills and accounts receivable – due after one year	*12*	3,914	–
Restricted bank balances	*19(i) and (ii)*	4,664	5,950
		828,513	578,374
Current assets			
Inventories		615,009	472,451
Bills and accounts receivable	*12*	467,531	360,943
Other receivables, prepayments and deposits		77,080	46,826
Derivative financial instruments	*13*	4,472	–
Restricted bank balances	*19(i) and (ii)*	30,461	56,223
Cash and bank balances		223,410	170,785
		1,417,963	1,107,228
Current liabilities			
Bills and accounts payable	*14*	241,805	248,836
Other payables, deposits and accruals		204,103	121,209
Derivative financial instruments	*13*	3,098	–
Bank borrowings – due within one year	*15*	495,240	381,074
Tax payable		3,236	1,677
		947,482	752,796
Net current assets		470,481	354,432
Total assets less current liabilities		1,298,994	932,806
Non-current liabilities			
Deferred tax liabilities		4,098	–
Bank borrowings – due after one year	*15*	315,218	18,508
Provision for post-employment benefits	*16*	15,927	–
		335,243	18,508
Net assets		963,751	914,298
Share capital	*17*	101,284	101,125
Reserves		838,761	813,173
Equity attributable to the Company's equity holders		940,045	914,298
Minority interests		23,706	–
Total equity		963,751	914,298

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Attributable to equity holders 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	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007 (Audited)	100,000	222,068	10,281	13,771	18,754	64,015	(931)	2,200	20,110	302,346	752,614	–	752,614
Exchange realignment	–	–	–	–	25,478	–	–	–	–	–	25,478	–	25,478
Gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	494	–	–	–	494	–	494
Gain recognised in equity	–	–	–	–	25,478	–	494	–	–	–	25,972	–	25,972
Profit for the period	–	–	–	–	–	–	–	–	–	67,968	67,968	–	67,968
Total recognised income for the period	–	–	–	–	25,478	–	494	–	–	67,968	93,940	–	93,940
Issue of shares upon exercise of share options	772	4,368	–	–	–	–	–	–	–	–	5,140	–	5,140
Share-based payments	–	–	5,674	–	–	–	–	–	–	–	5,674	–	5,674
Transfer to share premium upon exercise of share options	–	3,346	(3,346)	–	–	–	–	–	–	–	–	–	–
Transfer to retained profits upon lapse of share options	–	–	(87)	–	–	–	–	–	–	87	–	–	–
Transfer to reserve	–	–	–	–	–	1,238	–	–	–	(1,238)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(20,110)	(44)	(20,154)	–	(20,154)
	772	7,714	2,241	–	25,478	1,238	494	–	(20,110)	66,773	84,600	–	84,600
At 30 September 2007 (Unaudited)	100,772	229,782	12,522	13,771	44,232	65,253	(437)	2,200	–	369,119	837,214	–	837,214

	Attributable to equity holders 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	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008 (Audited)	101,125	234,008	12,282	13,771	95,901	83,294	186	2,200	23,285	348,246	914,298	–	914,298
Exchange realignment	–	–	–	–	18,654	–	–	–	–	–	18,654	(1,216)	17,438
Gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	206	–	–	–	206	–	206
Gain/(loss) recognised in equity	–	–	–	–	18,654	–	206	–	–	–	18,860	(1,216)	17,644
Transfer to income statement upon disposal of available-for-sale financial assets	–	–	–	–	–	–	(392)	–	–	–	(392)	–	(392)
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	29,347	29,347	(1,394)	27,953
Total recognised income/(expense) for the period	–	–	–	–	18,654	–	(186)	–	–	29,347	47,815	(2,610)	45,205
Issue of shares upon exercise of share options	159	900	–	–	–	–	–	–	–	–	1,059	–	1,059
Transfer to share premium upon exercise of share options	–	847	(847)	–	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	168	–	–	–	–	–	–	–	168	–	168
Transfer to retained profits upon lapse of share options	–	–	(502)	–	–	–	–	–	–	502	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	8,616	8,616
Capital contribution made by a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	17,700	17,700
Dividends paid	–	–	–	–	–	–	–	–	(23,285)	(10)	(23,295)	–	(23,295)
	159	1,747	(1,181)	–	18,654	–	(186)	–	(23,285)	29,839	25,747	23,706	49,453
At 30 September 2008 (Unaudited)	101,284	235,755	11,101	13,771	114,555	83,294	–	2,200	–	378,085	940,045	23,706	963,751

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 Cash Flow Statement

For the six months ended 30 September 2008

		(Unaudited) Six months ended 30 September	
		2008	2007
	Notes	**HK$'000**	HK$'000
Net cash (used in)/from operating activities		**(41,995)**	49,215
Net cash used in investing activities		**(163,407)**	(59,631)
Net cash from/(used in) financing activities	*23*	**254,539**	(38,092)
Net increase/(decrease) in cash and cash equivalents		**49,137**	(48,508)
Cash and cash equivalents at beginning of period		**170,785**	259,629
Effect of foreign exchange rates changes		**3,488**	3,804
Cash and cash equivalents at end of period		**223,410**	214,925

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

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.

On 2 April 2008, the Company completed the acquisition of a subsidiary, Idra S.r.l, as detailed in note 24.

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

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 of Hong Kong Limited 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 2008..

3. Significant Accounting Policies

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. The accounting policies used in the condensed consolidated financial statements are consistent with those used in the preparation of the financial statements of the Group for the year ended 31 March 2008. The following new interpretations and amendments are mandatory, for the first time, for accounting periods beginning on or after 1 January 2008 but are not currently relevant to the Group.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Interpretation 12	Service Concession Arrangements
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early applied the following new or revised Hong Kong Financial Reporting Standards ("HKFRS(s)") that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new or revised HKFRSs, other than HKAS 23 (Revised) "Borrowing Costs" and HKFRS 8 "Operating Segments" as further discussed below, will have no material impact on the financial statements of the Group.

		Effective for accounting periods beginning on or after
HKFRSs (Amendments)	Improvements to HKFRSs	1 January 2009, except for Amendments to HKFRS 5, 1 July 2009
Amendments to HKAS 1 and HKAS 32	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2009
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
Amendments to HKAS 39	Eligible Hedged Items	1 July 2009
Amendments to HKAS 10	Events After the Balance Sheet Date	1 July 2009
Amendments to HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009

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.

HKFRS 8 "Operating Segments" replaces HKAS 14 and requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management as to whether it will change the number of reportable segments and the manner in which the segments are reported in order to be consistent with the internal reporting provided to the chief operating decision maker.

4. Turnover, Other Revenue, Other Gains/(Losses) and Segment Information

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Turnover		
Sales of machines and related accessories, net of returns and discounts	**756,116**	698,759
Other revenue		
Value added tax refunded	**6,459**	12,779
Other subsidies from government	**7,856**	529
Rental income	**657**	1,148
Sundry income	**1,635**	778
	16,607	15,234
Total revenue	**772,723**	713,993
Other gains/(losses)		
Negative goodwill	**17,452**	–
Net foreign exchange losses	**(1,478)**	(2,145)
Change in fair value of investment properties	**(1,010)**	2,090
Change in fair value of derivative financial instruments	**(1,151)**	–
Gains/(losses) on disposal of property, plant and equipment	**285**	(39)
Gains on disposal of available-for-sale financial assets	**392**	–
	14,490	(94)
	787,213	713,899

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 primarily operates in Hong Kong, the PRC and Italy. The Group's revenue by geographical location is determined by the final destination of delivery of the products.

The following tables present total revenue, assets and capital expenditure information of the Group's geographical segments.

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Turnover and other revenue		
The PRC	**495,784**	658,660
Europe	**175,688**	6,063
Middle and South America	**44,585**	19,207
Other countries	**56,666**	30,063
	772,723	713,993

	(Unaudited) As at 30 September 2008	(Audited) As at 31 March 2008
	HK$'000	HK$'000
Location of assets		
The PRC	**1,761,268**	1,528,571
Europe	**324,757**	3,487
Hong Kong	**63,222**	74,868
Other countries	**85,206**	67,959
Total segment assets	**2,234,453**	1,674,885
Deferred tax assets	**12,023**	10,717
Total assets	**2,246,476**	1,685,602

Carrying amount of segment assets is allocated based on where the assets are located.

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Capital expenditure		
The PRC	**108,541**	51,123
Europe	**4,408**	–
Hong Kong	**4,277**	796
Other countries	**414**	1,180
	117,640	53,099

Capital expenditure is allocated based on where the assets are located.

5. Profit from Operations

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Profit from operations has been arrived at after charging/(crediting):		
Research and development costs	16,088	12,312
Less: Government grants	(5,307)	–
Net research and development costs	10,781	12,312
Amortisation and depreciation	40,790	25,104
Share-based payments	168	5,674
Write down of inventories	5,952	5,670

6. Finance Costs – Net

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Finance income:		
Interest income on short-term bank deposits	2,907	3,356
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	(22,551)	(9,029)
	(19,644)	(5,673)

7. Income Taxes

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Current income taxes		
– PRC income tax	6,325	7,140
– Hong Kong Profits Tax	–	–
– other jurisdictions	–	–
Deferred taxation	3,002	3,236
	9,327	10,376

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, the tax rates for current period are 18% or 25%. The tax rate of those subsidiaries currently subject to the tax rate 18% will progressively increase to 25%.

Further 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 provides for the dividend withholding tax to be at 10% unless reduced by 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 2008 and 2007 as there were no assessable profits arose for both periods.

8. Interim Dividends

At a meeting held on 22 December 2008, the Board declared an interim dividend of HK0.4 cent (2007: HK2.7 cents) per share amounting to HK$4,051,000 (2007: HK$27,289,000), calculated based on ordinary shares in issue at the date of the interim report. As the interim dividends were declared after the balance sheet date, they are not recognised as dividend payable as at 30 September 2008.

9. Earnings Per Share

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to the equity holders of the Company of HK$29,347,000 (2007: HK$67,968,000) and on the weighted average number of approximately 1,012,373,000 (2007: 1,005,209,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**29,347**	67,968
Weighted average number of ordinary shares in issue (shares in thousands)	**1,012,373**	1,005,209
Basic earnings per share (HK cents)	**2.9**	6.8

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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	2007
Profit attributable to equity holders of the Company (HK$'000)	**29,347**	67,968
Weighted average number of ordinary shares in issue for the period (shares in thousands)	**1,012,373**	1,005,209
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration (shares in thousands)	**6,156**	7,633
Weighted average number of ordinary shares (diluted) for the period (shares in thousands)	**1,018,529**	1,012,842
Diluted earnings per share (HK cents)	**2.9**	6.7

10. Movements in Property, Plant and Equipment and Land Use Rights

During the six months ended 30 September 2008, the Group disposed of property, plant and equipment with carrying amount of approximately HK$1,161,000 (2007: HK$605,000). The total additions of land use rights, property, plant and equipment was approximately HK$184,174,000 (2007: HK$53,099,000) including the amount of HK$68,996,000 arising from acquisition of a subsidiary.

11. Interest in an Associate

During the six months ended 30 September 2008, the Group made additional investment of HK$55,367,000 in its unlisted associate as disclosed in the Company's circular dated 27 August 2008. The attributable equity interest held by the Group was maintained at 35% during the period. The associate has not yet commenced production as at 30 September 2008.

12. Bills and Accounts Receivable

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Gross accounts receivable	464,373	350,552
Less: Allowances for impairment losses	(37,560)	(26,156)
	426,813	324,396
Bills receivable	44,632	36,547
Less: Balance due within one year included in current assets	(467,531)	(360,943)
Balance due after one year shown as non-current assets	3,914	–

The following is an aging analysis of the gross accounts receivable at the balance sheet date:

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
0 – 90 days	227,060	168,931
91 – 180 days	89,606	66,785
181 – 365 days	67,974	63,944
Over one year	79,733	50,892
	464,373	350,552

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.

13. Derivative Financial Instruments

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Call options classified as current assets *(Note i)*	4,472	–
Put options *(Note i)*	1,311	–
Interest rate swap contracts *(Note ii)*	1,787	–
Balance classified as current liabilities	3,098	–

Notes:

(i) During the six months ended 30 September 2008, the Group entered into the following call and put option agreements in respect of acquisition of the remaining 30% interest in a subsidiary which was 70% acquired by the Group on 2 April 2008 as mentioned in note 24.

Call options
On 2 April 2008, the Group entered into a call option agreement with the minority shareholder of a subsidiary that the Group is granted a first call option to purchase 15% of equity interest in the subsidiary held by the minority shareholder within the first option period which will start since the approval date of the financial statements of the subsidiary for the year ending 31 December 2009 and will last for 90 days.

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

Put options
On 2 April 2008, the Group also entered into a put option agreement with the same minority shareholder that the minority shareholder is granted a first put option to require the Group to purchase 15% of equity interest in the subsidiary held by the minority shareholder within the first option period which will start since the approval date of the financial statements of the subsidiary for the year ending 31 December 2009 and will last for 90 days.

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

Valuation of the call and put options
The call and put options are not designated as hedging instruments according to HKAS 39 and are measured at fair value estimated by a firm of independent professional valuers in Hong Kong by using the Black-Scholes Option Pricing Model.

(ii) Interest rate swap
The Group has entered into two interest rate swap contracts to manage its exposure to interest rate movements on its bank borrowings. One interest rate swap contract of notional amount of HK$50,000,000 was entered during the period to swap floating-rate borrowings to fixed-rate borrowings at interest rate of 3% per annum. The other interest rate swap contract of notional amount of HK$50,000,000 was entered during the period 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 not designated as hedging instruments according to HKAS 39 and are measured at fair value provided by the counterparty banks.

14. Bills and Accounts Payable

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Accounts payable	222,390	218,513
Bills payable	19,415	30,323
	241,805	248,836

The following is the aging analysis of the accounts payable at the balance sheet date:

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
0 – 90 days	167,147	185,007
91 – 180 days	39,278	25,479
181 – 365 days	9,605	4,565
Over one year	6,360	3,462
	222,390	218,513

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 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Secured:		
Bank loans	112,296	159,055
Trust receipt loans	23,770	1,942
	136,066	160,997
Unsecured:		
Bank loans	674,392	238,585
	810,458	399,582

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 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Within one year	**495,240**	381,074
In the second year	**163,048**	11,368
In the third to fifth years	**152,170**	7,140
	810,458	399,582
Less: Amount due within one year shown under current liabilities	**(495,240)**	(381,074)
Amount due after one year shown under non-current liabilities	**315,218**	18,508

16. Provision for Post-employment Benefits

The movement of the provision during the period is as follows:

	HK$'000
Balance as at 1 April 2008 (Audited)	–
Arising from acquisition of subsidiaries	17,741
Additions during the period	2,445
Payments made during the period	(3,438)
Exchange realignment	(821)
Balance as at 30 September 2008 (Unaudited)	15,927

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 2008 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.

17. Share Capital

	Number of ordinary shares of HK$0.1 each	**Amount** HK$'000
Authorised:		
At 31 March 2008 (Audited) and 30 September 2008 (Unaudited)	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2008 (Audited)	1,011,245,000	101,125
Shares issued upon exercise of share options	1,590,000	159
At 30 September 2008 (Unaudited)	1,012,835,000	101,284

18. Financial Guarantees

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'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 *(Note)*	**67,303**	77,446

Note: The Group provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$284,091,000 (31 March 2008: HK$233,333,000) 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 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Restricted bank balances	**13,184**	37,702
Leasehold land and buildings	**73,141**	74,215
Land use rights	**19,605**	19,265
Investment properties	**6,670**	7,290
Plant and machinery	**15,968**	57,510
	128,568	195,982

(ii) The Group also has restricted bank balances to the extent of HK$21,941,000 (31 March 2008: HK$24,471,000) pledged to banks for credit facilities granted to customers to purchase the Group's products as mentioned in Note 18.

20. Commitments

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
– Contracted but not provided for	**110,082**	105,266
Capital commitments in respect of acquisition of land use rights:		
– Contracted but not provided for	**31,469**	44,937
Other commitments:		
– Contracted but not provided for	**8,207**	6,918

The Group had commitments for future minimum lease payments in respect of land and buildings and motor vehicles under non-cancellable operating leases which fall due as follows:

	(Unaudited) As at 30 September 2008 HK$'000	(Audited) As at 31 March 2008 HK$'000
Leases payable:		
Within one year	**12,506**	2,365
In the second to fifth year inclusive	**36,340**	952
Over five years	**11,530**	–
	60,376	3,317

21. Related Party Transactions

(a) During the period, the Group had operating lease rentals paid to Wheelfit Investment Limited ("Wheelfit") amounting to HK$565,000 (six months ended 30 September 2007: HK$558,000). The directors considered the rentals 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.

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 of the Group during the period was as follows:

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Short term benefits	**10,287**	9,619
Share-based payments	**104**	4,024
Retirement fund contributions	**160**	222
	10,551	13,865

22. Share Options

Details of the movements of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2008 were as follows:

			Number of options			
Category of grantee	Exercise price	Exercise period	As at 1 April 2008 (Audited)	Exercised during the period	Lapsed during the period	As at 30 September 2008 (Unaudited)
	HK$					
Directors	0.666	16 April 2007 – 15 October 2016	10,000,000	–	–	10,000,000
Employees	0.666	16 April 2007 – 15 October 2016	14,687,500	(1,590,000)	(1,000,000)	12,097,500
			24,687,500	(1,590,000)	(1,000,000)	22,097,500

23. Cash Flow from Financing Activities

Details of the cash flow from financing activities during the six months ended 30 September 2008 were as follows:

	(Unaudited) Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Financing activities		
Inception of new bank loans	**465,513**	166,743
Capital contribution from a minority shareholder of a subsidiary	**17,700**	–
Proceeds from issue of shares	**1,059**	5,140
Repayment of bank loans	**(214,805)**	(182,252)
Net increase/(decrease) in trust receipt and other loans	**8,367**	(7,569)
Dividends paid	**(23,295)**	(20,154)
Net cash from/(used in) financing activities	**254,539**	(38,092)

24. Acquisition of Subsidiaries

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

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

	(Unaudited) HK$'000
Net assets acquired:	
Intangible assets	13,524
Property, plant and equipment	68,996
Inventories	132,469
Bills and accounts receivable	124,189
Other receivables, prepayments and deposits	40,194
Cash and bank balances	10,783
Bills and accounts payable	(96,216)
Other payables, deposits and accruals	(113,436)
Bank borrowings	(151,784)
Minority interest	(8,616)
Attributable net assets acquired by the Group	20,103
Direct expenses relating to the acquisition	(5,176)
Net fair values of put options and call options	2,525
Purchase consideration	–
Excess of fair value of net assets acquired over cost of acquisition	17,452
Net cash inflow arising on acquisition:	
Cash consideration paid (€0.70)	–
Direct expenses relating to the acquisition	(5,176)
Cash and bank balances acquired	10,783
	5,607

The excess of the fair value of attributable net assets acquired over the cost of acquisition of HK$17,452,000 (i.e. negative goodwill) was recognised as other gain in the income statement for the six months ended 30 September 2008. Management consider the negative goodwill is resulted from a bargain purchase as the unprofitable subsidiary acquired by the Group might take it a period of time to turn the subsidiary into a profitable operation.

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

Idra S.r.l contributed loss of HK$4,647,000 to the Group's profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1 April 2008, there is no material change to the Group's revenue and profit for the period.

25. Date of Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 22 December 2008.

Management Discussion and Analysis

During the six months ended 30 September 2008, due to adverse factors including historic high price of raw materials such as crude oil and steel, continuous appreciation of the Renminbi, tightening of credit by banks, the implementation of new Labour Contract Law , the slow down of the economy and the uncertain overall business environment, customers of the Group in Mainland China experienced a drop in demand, surge in costs and squeeze in money supply.

The Group's customers are mainly from the automobiles, motor cycles, 3C (computers, communications and consumer electronics), construction materials (bathroom equipment, lightings and locks), toys, electrical tools and apparel sectors, the growth of these sectors has slowed down because of the recent severe business environment. According to China Association of Automobile Manufacturers statistics, between April and September 2008, automobiles production in the PRC grew by only approximately 10%, a marked decline from the 20% growth rate in the corresponding period last year. Global output of mobile phones and computers also decreased in the period. The construction materials sector was affected by the ongoing slack property market, and orders for the toys and apparel industries also shrank. Facing market uncertainty, some customers of the Group in the Mainland deferred delivery of their orders. Other customers shelved or postponed their investment in equipment. These situations had all adversely impacted the short term performance of the Group.

Financial review

For the six months ended 30 September 2008, the Group recorded a sales turnover of HK$756,116,000, representing a slight growth of 8% compared to HK$698,759,000 in the corresponding period last year.

Profit attributable to shareholders amounted to HK$29,347,000, representing a decrease of 57% compared with the corresponding period last year.

Business review

The adverse business environment had led to a 25% drop in sales turnover from the PRC market to approximately HK$480,033,000 (last year corresponding period: HK$643,425,000).

Aiming to further expand its overseas markets, to diversify market risks and to reinforce the presence and coverage of its brand and products worldwide, the Group acquired Idra, the world class die-casting machine manufacturer in Italy in April, 2008. This acquisition has not only made the Group the largest die-casting machine manufacturer in the world, but has also boosted the Group's sales turnover from overseas market by fourfold to HK$276,082,000 or 37% of Group's total sales turnover from less than 10%. It has allowed the Group to achieve the goals of diversifying market risks and strengthening its presence worldwide.

During the period under review, the Group had adopted various measures such as to raise the selling price of products, to develop higher value-added products, to extend into upstream businesses and to secure syndicated financing.

To ensure a steady supply of its iron and steel materials at stable cost, the Group established a wholly owned company to produce cast iron and cast steel in Fuxin County, Liaoning Province. Construction of this casting plant is in final stage with production scheduled for the first half of next year. Most of the products of this plant will meet the internal demand of the Group, and will be able to supply high-quality castings to various sectors externally such as machinery, power devices (such as windmills) and vessels. In the meantime, the Group also invested with 35% interest in an iron ore mining and smelting enterprise in the same County. The enterprise owns iron ore mine reserves and holds an exploration certificate issued by the local office of the Ministry of Land and Resources. Part of the iron ore explored by the enterprise will be supplied to the casting plant.

To lessen the impact of the tightened bank credit and the accelerated interest rate in the PRC, and to cope with its development needs, the Group secured a three-year term and revolving loan of HK$500 million in August 2008 from a financial syndicate led by the HSBC.

Die-casting machines business

During the period under review, amid the adverse economic environment, die-casting machine markets around the world, particularly in the PRC, had slowed down. With customers postponing delivery of orders, and delaying expansion and replacement plans of equipment as a result of the tough market environment, the China die-casting machine market slumped, and dragged down the Group's sales turnover in this market. However, the Group still recorded a moderate growth in overall sales turnover and continued to maintain leading position in the die-casting machine market in the PRC.

Plastic injection moulding machines business

During the period under review, international crude oil price had surged from US$100 a barrel at the beginning of the year to the record high of close to US$150 a barrel in July. Although crude oil price has softened since then, its persistently high price during the period under review had created tremendous cost pressure on customers, deterring their investment interest in equipment, and that in turn affected the Group's plastic injection moulding machines business. During the period under review, the turnover of this business segment decreased by 6% against the corresponding period last year.

CNC machines business

Despite the adverse business environment, this business segment managed to deliver a relatively stable performance with sales turnover decreased by a slight 2% compared with the corresponding period last year.

Research and development

The Group has stepped up its efforts in research and development ("R&D") of new products in order to lay a strong foundation during this slack period, so that it will be able to grasp the opportunities when the market starts to pick up.

Die-casting machines

The Group was able to make progress with its proprietary technology in U-Series large tonnage die-casting machine. Its R & D teams have successfully developed a new quick die change system that can substantially enhance efficiency of related operation for customers. Furthermore, the Group has optimised the speed mould clamping and injection system, which can significantly shorten the production cycle of large tonnage die-casting machines as compared with the conventional die-casting machines, hence boost production efficiency. This U-Series machines are well-received by both the domestic and overseas markets and are sold to the United States of America.

Plastic injection moulding machines

The Effort series of direct-clamp plastic injection moulding machines developed by the Group adopts a servo-driven mechanism, resulting in higher injection speed, higher energy efficiency and higher product yield, and continue to be a market favourite. At the same time, the Group has also developed a new series of large tonnage two-platen energy-saving plastic injection moulding machines. Apart from energy efficient and environmentally friendly, it is also more stable and superior in performance with a compatible and expandable control system to meet the requirements of various industries. Currently this series gain a more advanced standing in the domestic market.

In addition to continuing the effort on R&D and promotion of the Effort series direct- clamp and energy efficient plastic injection moulding machines, the Group has also signed an agreement with The Hong Kong Polytechnic University in October, 2008 to form a joint venture company, L.K. Precision Machinery Co., Ltd. to produce and sell high-precision micro-injection moulding machines from 2 tons to 50 tons using world-exclusive patented micro-injection moulding technology, which will become the world first upward injection high-precision micro-injection moulding machine for producing nano-standard micro components and miniaturised precision parts.

CNC machines

The Group made an integrated upgrade on the CNC machines, to meet the different personalised requirements of the Mainland customers, giving them greater convenience, more flexibility and higher production efficiency.

Prospects

In September this year, the collapse of financial institutes in the United States triggered a financial tsunami that swept the world, hitting seriously market confidence and starting a credit crunch, causing volatility in financial markets and dramatic plunge in consumers spending and market demand. Governments from different countries have since then introduced various contingent measures with the aim to shorten the economic recession, and rebuild economies and confidence. The Group believes that it will take a few quarters to improve the current economic condition and restore market confidence, thus the market will continue to be ridden with unprecedented challenges for a considerable period of time.

In the second half of the year, the Group implemented a new order-based production system and tighten inventory control. It also re-assessed the human resources and adopted flexible measures to improve staff cost, the entire process is conducted with full communication with staff and compliance with relevant laws and regulations.

The Group will exercise prudent approach in evaluating new investment projects and has slowed down construction of new plants.

The Group will continue to focus on on-going projects including Idra and the Liaoning Casting Plant Project, aiming to achieve maximum synergies as soon as possible, and to provide positive contribution to the Group.

Apart from the aforesaid measures, the Group will continue to research and develop more innovative and competitive products. It will also pursue expansion with care and caution in the domestic and overseas markets to increase the market share of its products.

The Group believes opportunities exist even in a crisis and will face the challenges ahead with a positive attitude and applying different measures through continuing to control cost, finding new income sources, enhancing efficiency, optimising asset utilisation as well as asset management, and reinforcing staff training.

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 2008, the Group’s cash and bank balances amounted to approximately HK$223.4 million (31 March 2008: HK$170.8 million).

The gearing ratio (a ratio of total interest bearing liabilities less cash and bank balance to total equity) was approximately 61% (31 March 2008: 25%).

As at 30 September 2008, the total assets of the Group were HK$2,246.5 million, representing an increase of approximately 33% as compared with that as at 31 March 2008. The Group maintained a strong and healthy financial position.

As at 30 September 2008, 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$810.5 million (31 March 2008: HK$399.6 million), approximately 61% 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 manage risks associated with interest rates risks. The Group did not used any derivative instruments to hedge against foreign currency exposure as the Directors considered such exposure will not be significant.

Staff and Remuneration Policies

As at 30 September 2008, the Group employed approximately 3,900 full time staff. The staff costs for the current period amounted to HK$162.3 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 benefits such as mandatory provident fund, state-managed social welfare scheme and a share option scheme.

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

Qualified Accountant

Mr. Yuen Chee Wing

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditor

BDO McCabe Lo Limited

Registered Office

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

Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
Shenzhen Development Bank Ltd
Fubon Bank (Hong Kong) Limited
KBC Bank N.V.
Intesa Sanpaolo Spa

Stock Code

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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 2008, 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)	750,000,000[1] Long position	74.1%
	the Company	Beneficial owner	3,000,000[2] Long position	0.3%
Mr. Cao Yang	the Company	Beneficial owner	1,000,000 Long position	0.1%
			2,000,000[2] Long position	0.2%
Mr. Liu Zhao Ming	the Company	Beneficial owner	3,000,000[2] Long position	0.3%
Mr. Chung Yuk Ming	the Company	Beneficial owner	1,000,000 Long position	0.1%
			2,000,000[2] Long position	0.2%

Notes:

1. These 750,000,000 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 2008, 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 2008, 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	750,000,000[(1)] Long position	74.1%
Mr. Liu	See Note (2)	750,000,000[(2)] Long position	74.1%
		3,000,000[(2)] Long position	0.3%
Fullwit	See Note (1)	750,000,000[(1)] Long position	74.1%
HSBC International Trustee Limited	See Note (3)	750,000,000[(3)] Long position	74.1%
The Hamon Investment Group Pte Limited	Investment manager	71,220,000 Long position	7.0%
The Bank of New York Mellon Corporation	Interest of a controlled corporation	60,242,500 Long position	6.0%

Notes:

1. These 750,000,000 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 2008, 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 2008 were as follows:

Name/category of participant	Date of grant	Exercise price HK$	Exercise period	Number of shares subject to options: Outstanding as at 01/04/08	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/08
The Directors							
Ms. Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	–	–	3,000,000
Mr. Cao Yang	23/09/2006	0.666	16/04/2007 – 15/10/2016	2,000,000	–	–	2,000,000
Mr. Liu Zhao Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	–	–	3,000,000
Mr. Chung Yuk Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	2,000,000	–	–	2,000,000
Others							
Employees	23/09/2006	0.666	16/04/2007 – 15/10/2016	14,687,500	(1,000,000)	(1,590,000)	12,097,500
				24,687,500	(1,000,000)	(1,590,000)	22,097,500

The weighted average closing price immediately before the dates on which the options were exercised was HK$1.01.

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 2008.

Interim Dividend

The Board has resolved to declare an interim dividend of HK0.4 cent per share for the six months ended 30 September 2008 payable on or about 21 January 2009, to the shareholders whose names appear on the register of members of the Company on 12 January 2009.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 12 January 2009 to Wednesday, 14 January 2009, 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 4:30 p.m. on Friday, 9 January 2009.

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. Hon. 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. Hon. 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. Hon. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael , all being independent non-executive Directors. Dr. Hon. 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 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 2008.

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 2008.

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 2008. BDO McCabe Lo Limited, the Group's external auditor also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2008 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 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, 22 December 2008

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 21, which comprise the condensed consolidated balance sheet of L.K. Technology Holdings Limited as of 30 September 2008 and the related condensed consolidated statements of 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 McCabe Lo Limited
Certified Public Accountants
Wong Chi Wai
Practising Certificate Number P04945

Hong Kong, 22 December 2008