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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 2010

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

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2010

		(Unaudited) Six months ended 30 September	
	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Turnover	*3*	**1,239,037**	529,974
Cost of sales		**(836,402)**	(410,089)
Gross profit		**402,635**	119,885
Other revenue	*3*	**19,090**	10,642
Other gains/(losses)	*3*	**2,161**	604
Selling and distribution expenses		**(97,558)**	(57,749)
Administration expenses		**(126,878)**	(98,761)
Profit/(loss) from operations	*4*	**199,450**	(25,379)
Finance income		**1,034**	815
Finance costs		**(19,526)**	(15,965)
Finance costs — net	*5*	**(18,492)**	(15,150)
Share of loss of an associate		**(10,126)**	(599)
Share of loss of a jointly controlled entity		**—**	(2)
Profit/(loss) before income taxes		**170,832**	(41,130)
Income taxes	*6*	**(39,353)**	402
Profit/(loss) for the period		**131,479**	(40,728)
Attributable to:			
Owners of the Company		**132,905**	(29,382)
Non-controlling interests		**(1,426)**	(11,346)
		131,479	(40,728)
		HK cents	*HK cents*
Earnings/(loss) per share	*7*		
— basic		**13.0**	(2.9)
— diluted		**12.9**	(2.9)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

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

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

Notes

1. Basis of preparation and accounting policies

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

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

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

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

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment, effective from 1 April 2010, removes the requirement for leasee to classify leasehold land as operating leases which are presented as prepaid lease payments in the statement of financial position. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of amendments to HKAS 17 has no effect on the classification and measurement of the Group's leasehold land as the relevant leasehold land has already been treated as finance lease and included in the leasehold land and buildings under the account caption of property, plant and equipment, and carried at cost less accumulated depreciation and impairment, if any, in the Group's financial statements of prior periods.

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

Potential impact arising on HKFRSs not yet effective

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

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

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

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

2. Segment information

The Group is organised into two main reportable segments.

(i) Manufacture and sales of machinery and equipment
(ii) Steel casting

The Group determines its operating segments based upon the internal reports reviewed by the management that are used to make strategic decisions. Segment results represent the profit/(loss) for the period in each reportable segment. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

The measure used for reporting segment results is "profit/(loss) from operations", i.e. profit/(loss) before finance income, finance costs and income taxes. To arrive at the profit/(loss) from operations, the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate and a jointly controlled entity.

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

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

Inter-segment sales are charged at prevailing market rates.

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

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

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

Inter-segment sales are charged at prevailing market rates.

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

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

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

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

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

4. Profit/(loss) from operations

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

5. Finance costs — net

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

Note:

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

6. Income taxes

The tax charge/(credit) comprises:

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

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

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

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

Under the EIT Law, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to dividend withholding tax. The EIT Law provides for the dividend withholding tax to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong are subject to a dividend withholding tax rate of 5%. Provision for withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. No Hong Kong Profits Tax has been provided for the period as the subsidiaries established in Hong Kong either have unutilised tax losses brought forward to set off current period's estimated assessable profits or have no estimated assessable profits for the period. No Hong Kong Profits Tax has been provided for the six months ended 30 September 2009 as there were no estimated assessable profits arose for that period.

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

7. Earnings/(loss) per share

(a) Basic

The calculation of the basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company of HK$132,905,000 (2009: loss of HK$29,382,000) and on the weighted average number of approximately 1,025,391,000 (2009: 1,012,835,000) ordinary shares in issue during the period.

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

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2010 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes of the Company are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

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

8. Interim dividend

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

9. Bills and accounts receivable

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

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

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

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

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

10. Bills and accounts payable

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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

Business review

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

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

Die-casting machines

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

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

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

Plastic injection moulding machines

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

Computerised numerical controlled (CNC) machines

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

Cast components

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

Research and development ("R&D")

R&D of die-casting machines

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

R&D of plastic injection moulding machines

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

R&D of CNC machines

With an outstanding R&D efficiency, the Group's R&D centre in Taiwan has successfully developed numerous models that have demonstrated strong competitiveness on the market in just several years. Apart from the well-received "TC510", "TC710", "TC1000" and "TC1200" series of small size vertical drilling CNC machines specialised for post die-casting processing, new model series of "MV650", "MV850", "MV1050" and "MV-1680" vertical CNC machines were also developed. In respect of the horizontal CNC machines, the new series "HT630" and "HT800" were added to the existing "HT400" and "HT500" series.

Prospects

Looking ahead, the global economy is experiencing different pace of recovery, with a diminishing chance of a double dip recession. The economic recovery and the increasing consumer demand will facilitate another round of equipment investment by customers. All of these will be beneficial to the business recovery and business development of equipment manufacturers including the Group. Currently, the Group's order book is satisfactory.

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

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

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

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

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operations and existing banking facilities. As at 30 September 2010, the Group's cash and bank balances amounted to approximately HK$221,200,000 (31 March 2010: HK398,100,000).

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

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

Financial guarantees

The Group provided guarantees to banks in respect of credit facilities granted to certain customers of the Group to purchase its products. As at 30 September 2010, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$149,800,000 (31 March 2010: 106,700,000).

Pledge of assets

(i) The Group's banking facilities were secured by the assets of the Group, including restricted bank balances, leasehold land and buildings, land use rights, investment properties, plant and machinery, with aggregate carrying amounts of HK$301,900,000 (31 March 2010: HK$319,700,000).

(ii) As at 30 September 2010, the Group also has restricted bank balances to the extent of HK$45,100,000 (31 March 2010: HK$33,800,000) pledged to banks for credit facilities granted to customers to purchase the Group's products.

(iii) The Company's investments in certain subsidiaries with aggregate net asset value of HK$233,300,000 (31 March 2010: HK$176,700,000) are pledged to a bank for banking facilities granted to its subsidiaries.

Capital commitments

As at 30 September 2010, the Group had made capital expenditure commitments of approximately HK$31,000,000 (31 March 2010: HK$50,500,000) in respect of acquisition of property, plant and equipment.

Staff and remuneration policies

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

Purchase, sale or redemption of listed securities of the Company

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

Corporate governance

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

Audit committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Mr. Chan Wah Tip, Michael. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

Model Code for Securities Transactions by Directors

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

Review of financial information

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

Publication of interim results announcement and interim report

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2010/11 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

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

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2010

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