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 2007

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 2007 together with the comparative figures for the corresponding period in 2006.

Condensed Consolidated Income Statement
For the six months ended 30 September 2007

		(Unaudited) Six months ended 30 September	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Turnover	4	**698,759**	467,073
Cost of sales		**(472,142)**	(316,229)
Gross profit		**226,617**	150,844
Other revenue	4	**15,234**	6,982
Other gains/(losses)	4	**(94)**	4,909
Selling and distribution expenses		**(77,802)**	(52,856)
Administration expenses		**(79,938)**	(50,143)
Profit from operations	5	**84,017**	59,736
Finance income		**3,356**	521
Finance costs		**(9,029)**	(10,319)
Finance costs – net	6	**(5,673)**	(9,798)
Profit before income taxes		**78,344**	49,938
Income taxes	7	**(10,376)**	(5,773)
Profit for the period attributable to equity holders of the Company		**67,968**	44,165
		HK cents	*HK cents*
Earnings per share	9		
– basic		**6.8**	5.9
– diluted		**6.7**	N/A

Condensed Consolidated Balance Sheet
At 30 September 2007

	Notes	(Unaudited) 30 September 2007 HK$'000	(Audited) 31 March 2007 HK$'000
Non-current assets			
Intangible assets		**3,177**	3,187
Property, plant and equipment		**369,070**	356,030
Investment properties		**21,200**	18,700
Land use rights		**64,656**	34,289
Available-for-sale financial assets		**1,444**	950
Deferred tax assets		**9,380**	12,096
Bills and accounts receivable – due after one year	*10*	**1,753**	932
Restricted bank balances		**4,798**	3,943
		475,478	430,127
Current assets			
Inventories		**388,618**	353,546
Bills and accounts receivable	*10*	**363,388**	290,267
Other receivables, prepayments and deposits		**40,672**	26,315
Restricted bank balances		**32,842**	23,243
Cash and bank balances		**214,925**	259,629
		1,040,445	953,000
Current liabilities			
Bills and accounts payable	*11*	**252,584**	219,759
Other payables, deposits and accruals		**136,159**	100,433
Bank borrowings – due within one year		**250,315**	258,349
Tax payable		**5,363**	2,570
		644,421	581,111
Net current assets		**396,024**	371,889
Total assets less current liabilities		**871,502**	802,016
Non-current liabilities			
Bank borrowings – due after one year		**34,288**	49,402
Net assets		**837,214**	752,614
EQUITY			
Share capital		**100,772**	100,000
Reserves		**736,442**	652,614
Equity attributable to the Company's equity holders		**837,214**	752,614

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 August 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands.

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 October 2006.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with 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 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair values. The accounting policies used in the condensed consolidated financial statements are consistent with those used in the preparation of the financial statements of the Group for the year ended 31 March 2007 except in the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new standards, amendments or interpretations had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly no prior period adjustment has been made.

The Group has not early applied all the new or amended Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT") that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations, other than HKAS 23 (Revised) "Borrowing Costs" as further discussed below, will have no material impact on the Group's results of operations and financial position.

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – INT 12	Service Concession and Arrangements	1 January 2008
HK(IFRIC) – INT 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – INT 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

HKAS 23 (Revised) "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009, requires the capitalisation of borrowing costs that are directly attributable to acquisition, construction or production of qualifying asset as part of the cost of that asset. This may result in capitalisation of borrowing costs as part of the cost of the Group's qualifying assets which are expensed as incurred under the Group's existing accounting policies.

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

	(Unaudited) Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Turnover		
Sales of machines and related accessories, net of returns and discounts	**698,759**	467,073
Other revenue		
Rental income	**1,148**	851
Other subsidies from government	**529**	867
Value added tax refunded	**12,779**	4,998
Sundry income	**778**	266
	15,234	6,982
Other gains/(losses)		
Increase in fair value of investment properties	**2,090**	–
Exchange (losses)/gains, net	**(2,145)**	5,325
Losses on disposal of property, plant and equipment	**(39)**	(416)
	(94)	4,909
	713,899	478,964

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 and the PRC. Sales are made to customers in the PRC and overseas customers. The Group's revenue by geographical location is determined by the final destination of delivery of the products.

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

	(Unaudited) Six months ended 30 September 2007 *HK$'000*	2006 *HK$'000*
Turnover and other revenue		
The PRC	**658,660**	436,550
Other countries	**55,333**	37,505
	713,993	474,055

	(Unaudited) As at 30 September 2007 *HK$'000*	(Audited) As at 31 March 2007 *HK$'000*
Location of assets		
The PRC	**1,317,842**	1,138,385
Hong Kong	**142,822**	199,186
Other countries	**45,879**	33,460
Total segment assets	**1,506,543**	1,371,031
Deferred tax assets	**9,380**	12,096
Total assets	**1,515,923**	1,383,127

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

	(Unaudited) Six months ended 30 September 2007 *HK$'000*	2006 *HK$'000*
Capital expenditure		
The PRC	**51,123**	14,097
Hong Kong	**796**	383
Other countries	**1,180**	46
	53,099	14,526

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

5. PROFIT FROM OPERATIONS

	(Unaudited) Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging/(crediting):		
Amortisation and depreciation	**25,104**	22,306
Share-based payments	**5,674**	–
Loss on disposal of property, plant and equipment	**39**	416
Write down/(reversal of write down) of inventory	**5,670**	(4,718)
Increase in fair value of investment properties	**(2,090)**	–
Reversal of impairment loss on bills and accounts receivable	**–**	(4,844)
Reversal of impairment loss on amount due from a related company	**–**	(1,729)

6. FINANCE COSTS – NET

	(Unaudited) Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Finance income:		
Interest income on bank deposits	**3,356**	521
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(9,029)**	(10,319)
	(5,673)	(9,798)

7. INCOME TAXES

	(Unaudited) Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Current income taxes		
– PRC current income tax	**7,140**	5,417
– Hong Kong Profits Tax	**–**	–
Deferred taxation	**3,236**	356
	10,376	5,773

In accordance with the applicable Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, certain of the Company's subsidiaries registered in the PRC 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 currently subject to income tax at rates ranging from 7.5% to 27% for the period (2006: 7.5% to 13.5%).

No Hong Kong Profits Tax has been provided for the six months ended 30 September 2006 and 2007 as there were no assessable profits for these periods.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for the six months ended 30 September 2006 and 2007.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law changes the corporate income tax rate for foreign invested enterprises to 25% with effect from 1 January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will re-assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

8. INTERIM DIVIDEND

At a meeting held on 10 December 2007, the Board declared an interim dividend of HK2.7 cents (2006: HK1.8 cents) per share amounting to HK$27,289,000 (2006: HK$18,000,000), calculated based on ordinary shares in issue at the date of this interim results announcement.

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$67,968,000 (2006: HK$44,165,000) and on the weighted average number of approximately 1,005,209,000 (2006: 750,000,000) ordinary shares in issue during the period. In determining the number of ordinary shares in issue in the comparative period, a total of 650,000,000 shares in issue as of the date of the Company's prospectus dated 29 September 2006 and 100,000,000 ordinary shares issued pursuant to the capitalisation issue on 16 October 2006 were deemed to have been issued since 1 April 2006.

	(Unaudited) Six months ended 30 September	
	2007	2006
Profit attributable to equity holders of the Company *(HK$'000)*	**67,968**	44,165
Weighted average number of ordinary shares in issue *(shares in thousands)*	**1,005,209**	750,000
Basic earnings per share *(HK cents)*	**6.8**	5.9

(b) Diluted

Diluted earnings per share for the period ended 30 September 2007 is calculated 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 2007
Profit attributable to equity holders of the Company *(HK$'000)*	67,968
Weighted average number of ordinary shares in issue for the six months ended 30 September 2007 *(shares in thousands)*	1,005,209
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration *(shares in thousands)*	7,633
Weighted average number of ordinary shares (diluted) for the six months ended 30 September 2007 *(shares in thousands)*	1,012,842
Diluted earnings per share *(HK cents)*	6.7

No diluted earnings per share for the period ended 30 September 2006 is presented as there was no potential dilutive shares in issue for that period.

10. BILLS AND ACCOUNTS RECEIVABLE

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 1 month to 6 months. The Group also sells goods to certain customers with sales proceeds payable by instalments which normally range from 6 months to 12 months.

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

	(Unaudited) As at 30 September 2007 ***HK$'000***	(Audited) As at 31 March 2007 *HK$'000*
0–90 days	**210,488**	133,794
91–180 days	**60,118**	68,531
181–365 days	**50,327**	41,614
Over one year	**32,521**	42,782
	353,454	286,721

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

11. BILLS AND ACCOUNTS PAYABLE

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

	(Unaudited) As at 30 September 2007 *HK$'000*	(Audited) As at 31 March 2007 *HK$'000*
0–90 days	**216,136**	178,681
91–180 days	**6,901**	19,328
181–365 days	**8,263**	1,440
Over one year	**3,264**	2,984
	234,564	202,433

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 2007, the Group has achieved satisfactory performance. Turnover amounted to approximately HK$698,759,000, representing a significant increase of approximately 50% as compared to the corresponding period last year.

Profit attributable to shareholders amounted to HK$67,968,000, representing also an increase of approximately 54% as compared to the corresponding period last year.

Business Review

The improvement on the results of the Group was mainly attributable to:

(1) the increase in the sales of the medium to large tonnage die-casting machines and plastic injection moulding machines; (2) the growing business of the self-developed CNC machines; (3) the launching of new products; (4) the realisation of the economy of scale.

During the period under review, the sales of the Group in China market increased approximately by 50%, while those in the overseas market also recorded a growth of approximately 48%.

To expand its coverage in both China and overseas markets, the Group has established additional sales and service offices in the Mainland, while at the same time extending its sales network overseas. Meanwhile, the Group has invested substantial amount of resources in research and development (R&D) in order to continuously enhance and launch new products, and its R&D center in Taiwan has commenced operations. As a result, selling and administration expenses increased as compared to the corresponding period last year.

In September this year, the die-casting machines of the Group was honoured the "China Top Brand" by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, and the Group is the only enterprise to receive such an award in the die-casting machines industry in China.

In November this year, the Group was awarded "Hong Kong Outstanding Enterprises 2007" by the Economic Digest, an influential magazine in Hong Kong.

Die-casting machines business

During the period, the business of die-casting machines and peripherals equipment of the Group achieved remarkable growth with market share continued to expand. The Group is currently the top-ranked manufacturer in the die-casting machines industry in China.

The growth in the die-casting machines business was mainly boosted by the strong demand on cold chamber die-casting machines, particularly the large tonnage die-casting machines, from customers of various industries such as automobiles, 3Cs (computer, communications and consumer electronics) in China. It was also benefited from the enhancements on the compatibility and utilisation rate of the peripheral equipment for the large tonnage die-casting machines of the Group.

Plastic injection moulding machines business

During the period, the sales of plastic injection moulding machines in overseas markets recorded an encouraging growth, while the overall growth of the plastic injection moulding machines business was moderate. It was mainly due to: (1) the drastic increase in the international crude oil prices from approximately US$65 per barrel in April to over US$80 per barrel in September, resulting in the rising costs of raw material of customers; (2) the incidents of toy recalls occurred in the second quarter of this year have affected toy exports; (3) the China government has made material amendments on its policies in respect of processing trade and promulgated a new "List of Restricted Commodities in Processing Trade" (加工貿易限制類商品目錄) in July, which specifies various restrictions on the export of those restricted commodities, such as the implementation of deposit account system(台帳保證金管理制度). Additional plastic products items were included in the restricted category, which created difficulties on the export by our customers. Given the above reasons, the customers in China became more cautious when purchasing the plastic injection moulding machines.

CNC machines business

The Group has established a R&D centre in Taiwan and hired experienced engineers in Taiwan to carry out the design and R&D processes for the CNC machines. During the period under review, the self-developed new products have been launched to the market, which have been well received by customers and obtained satisfactory growth.

Prospects

Die-casting machines and peripheral equipment

During the period, a global tender for the supply of die-casting machines had been launched by General Motors Corporation (美國通用汽車公司, "GM"), one of the world's largest automakers. Under GM's comprehensive and stringent evaluation and assessments on the die-casting machine manufacturers worldwide, the Group was pleased to be exclusively selected to provide 3,000 ton cold chamber die-casting machines with real time control system as well as processing cells at a total consideration of approximately HK$200 million. Those equipment will be used in USA.

In order to alleviate the over-heated economy, China has implemented new measure of credit crunch policies which, to a certain extent, have cooled down the investment mania on fixed assets. As such, the development pace of die-casting machines and peripheral equipment of the Group in the second half of the year may slow down as compared to the first half. However, the order book status is satisfactory, it is expected that the business of die-casting machines and peripheral equipment will still record good growth in the second half of the year.

Plastic injection moulding machines and peripheral equipment

With international crude oil price reaching record high, together with the restrictions on plastic product export by China, the plastic injection moulding machines market in China for the second half of the year is still challenging, while the export market of the plastic injection moulding machines will continue to grow. The Group will continue to expand its overseas markets so as to address the challenges arising from the domestic market, and to diversify the market risks in respect to the plastic injection moulding machines. Meanwhile, the Group will put more effort on marketing to tackle market competitions and expand market shares, will continue to develop plastic injection moulding machines with environmental-friendly and energy saving features, and large tonnage machines. A series of production management system modules will be added to the LK-Net plastic injection moulding machines network system to meet customer's requirements. The management consider the plastic injection moulding machine business of the Group has immense room for growth.

CNC Machines

In respect to the R&D on the CNC machines, the Group has newly developed two new series on the base of the existing three series of high efficient CNC machines in order to better cope with the customers' needs. The new series have higher precision and reliability that reach an advanced level in the industry. There is a positive response to these new products. Due to the rapid growth in China on the fixed asset investments in various industry sectors such as automobile and components, machinery, precision medical equipment, aviation, moulding and telecommunication, the demand for machine tools, including CNC machines, increases. According to the statistics, consumption on machine tools in China amounted to US$13.11 billion in 2006, representing a year-on-year increase of 20.3%. The management is optimistic to the prospects of the development of the CNC machines industries of the Group.

Conclusion

Despite the fact that surging prices of raw materials, the fluctuations on financial markets, the uncertainty on the exchange rates and interest rates, and the tightening of austerity measure attribute to the challenging business environment, the rapid industrial and economic developments in China and emerging countries have boosted the increasing demand on production equipment. The Group will continue its efforts on R&D and marketing, management efficiency enhancements and cost controls, while at the same time optimising its engineering designs, improving material utilisations and extending further its footsteps in China and overseas markets.

In respect of vertical and horizontal integration, the Group has intention to pursue vertical cooperation with the supply chains in China, particularly regarding steels and castings, to facilitate timely supply of raw materials and allow effective cost controls for better efficiency. Meanwhile, the Group will consider to cooperate with overseas peers so as to achieve effective promotion to overseas markets and enhance its recognitions, thereby grasping market shares in the machinery industry worldwide. This will allow sustainable business growth, as well as diversify market risks.

To cope with future development, and having considered the market demands and cost effectiveness, the Group will commence the construction works in due course for its Kunshan plants as the major manufacturing base for CNC machines. In addition, the expansion program of the Ningbo plant and the Shenzhen plant are now being prepared. When the new plants are completed in stages, and put in production, should be able to cope with the demand on business growth.

The Group believes that, with its highly-recognised brand name in the die casting machine sector, its continuous efforts on overseas marketing, as well as the unveiling of its new products to markets, the management remains optimistic to the future prospect of the Group.

The Group will provide on-going trainings to its staff to nurture talents. Attractive remuneration and incentive packages are in place to enhance team spirit so as to sustain business growth through collective dedications by all employees.

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 2007, the Group's cash and bank balances amounted to approximately HK$214.9 million (31 March 2007: HK$259.6 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 34% (31 March 2007: 41%). The decrease was mainly due to the increase in equity.

As at 30 September 2007, the total assets of the Group were HK$1,515.9 million, representing an increase of approximately 9.6% as compared with that as at 31 March 2007. The Group maintained a strong and healthy financial position.

For the period ended 30 September 2007, the Group's net cash generated from operating activities amounted to HK$49.2 million (2006: HK$31.2 million), representing an increase of 57.7%.

As at 30 September 2007, the Group's average trade receivables turnover was 85 days (31 March 2007: 101 days). Average trade payables turnover was 91 days (31 March 2007: 100 days). Average inventory turnover was 143 days (31 March 2007: 154 days).

As at 30 September 2007, the capital structure of the Company was constituted exclusively of 1,007,717,500 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$284.6 million (31 March 2007: HK$307.8 million), approximately 88% of which being short-term loans. Approximately 43% of the total borrowings were subject to interests payable at fixed rates. During the period, the Group did not use any derivative instruments to hedge against foreign currency exposure or risks associated with interest rates risks as the Directors considered such exposure will not be significant.

Contingent liabilities

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 30 September 2007, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$45,049,000 (31 March 2007: HK$21,233,000).

Pledge of assets

(i) The Group's banking facilities were secured by the assets of the Group, including restricted bank balances, buildings, land use rights, investment properties, plant and machinery, furniture, fixtures and office equipment, with aggregate carrying amounts of HK$138,875,000 (31 March 2007: HK$93,709,000).

(ii) As at 30 September 2007, the Group also has restricted bank balances to the extent of HK$23,234,000 (31 March 2007: HK$17,119,000) pledged to banks for credit facilities granted to customers to purchase the Group's products.

Capital commitments

As at 30 September 2007, the Group had made capital expenditure commitments of approximately HK$84,934,000 (31 March 2007: HK$42,714,000) in respect of acquisition of land use rights, property, plant and equipment.

STAFF AND REMUNERATION POLICIES

As at 30 September 2007, the Group employed approximately 3,860 full time staff. The staff costs for current period amounted to HK$110.9 million. The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.7 cents per share for the six months ended 30 September 2007 payable on or about 15 January 2008, to the shareholders whose names appear on the register of members of the Company on 7 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 January 2008 to Monday, 7 January 2008, 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 Wednesday, 2 January 2008.

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 Company established the Audit Committee in February 2005. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, namely 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.

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code 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 2007. BDO McCabe Lo Limited, the Group's external auditors also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2007 in accordance with the 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.hkex.com.hk). The 2007–08 interim report containing all the information required by the Listing Rules will be despatched to the shareholders and available on the same websites in due course.

ACKNOWLEDGEMENT

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

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 10 December 2007

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