



L.K. TECHNOLOGY HOLDINGS LIMITED
力勁科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 558)



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

Condensed Consolidated Income Statement

For the six months ended 30 September 2009

		(Unaudited)	
		Six months ended 30 September	
		2009	2008
	Notes	HK\$'000	HK\$'000
Turnover	4	529,974	756,116
Cost of sales		<u>(410,089)</u>	<u>(531,235)</u>
Gross profit		119,885	224,881
Other revenue	4	10,642	16,607
Other gains/(losses)	4	604	14,490
Selling and distribution expenses		(57,749)	(83,253)
Administration expenses		<u>(98,761)</u>	<u>(114,489)</u>
(Loss)/profit from operations	5	<u>(25,379)</u>	58,236
Finance income		815	2,907
Finance costs		<u>(15,965)</u>	<u>(22,551)</u>
Finance costs-net	6	(15,150)	(19,644)
Share of loss of an associate		(599)	(1,312)
Share of loss of a jointly controlled entity		<u>(2)</u>	<u>—</u>
(Loss)/profit before income taxes		(41,130)	37,280
Income taxes	7	<u>402</u>	<u>(9,327)</u>
(Loss)/profit for the period		<u>(40,728)</u>	<u>27,953</u>
Attributable to:			
Equity holders of the Company		(29,382)	29,347
Minority interests		<u>(11,346)</u>	<u>(1,394)</u>
		<u>(40,728)</u>	<u>27,953</u>
		HK cents	HK cents
(Loss)/earnings per share	9		
— basic		<u>(2.9)</u>	<u>2.9</u>
— diluted		<u>(2.9)</u>	<u>2.9</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

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

Condensed Consolidated Statement of Financial Position

At 30 September 2009

	Notes	(Unaudited) 30 September 2009 HK\$'000	(Audited and restated) 31 March 2009 HK\$'000
Non-current assets			
Intangible assets		18,606	14,999
Property, plant and equipment	10	617,184	632,280
Investment properties		24,750	22,140
Land use rights	10	100,288	83,353
Deposits paid		26,642	21,935
Interest in an associate	11	74,878	75,476
Interest in a jointly controlled entity		3,076	3,078
Deferred tax assets		16,805	16,951
Bills and accounts receivable – due after one year	12	1,291	—
Derivative financial instruments	13	1,728	4,744
Restricted bank balances	19(i) and (ii)	15,603	6,092
		900,851	881,048
Current assets			
Inventories		453,956	454,410
Available-for-sale financial assets		9,091	9,091
Bills and accounts receivable	12	352,061	351,737
Other receivables, prepayments and deposits		75,489	55,064
Amount due from an associate		4,545	—
Derivative financial instruments	13	2,745	34
Restricted bank balances	19(i) and (ii)	14,916	21,632
Cash and bank balances		403,772	330,265
		1,316,575	1,222,233
Current liabilities			
Bills and accounts payable	14	247,528	161,427
Other payables, deposits and accruals		211,820	169,007
Amount due to an associate		—	40,909
Derivative financial instruments	13	3,984	3,307
Bank borrowings — due within one year	15	730,982	841,153
Tax payable		183	481
		1,194,497	1,216,284
Net current assets		122,078	5,949
Total assets less current liabilities		1,022,929	886,997
Non-current liabilities			
Deferred tax liabilities		3,708	3,708
Derivative financial instruments	13	1,322	2,236
Bank borrowings — due after one year	15	168,103	2,923
Provision for post-employment benefits	16	11,347	10,503
		184,480	19,370
Net assets		838,449	867,627

	<i>Notes</i>	(Unaudited) 30 September 2009 HK\$'000	(Audited and restated) 31 March 2009 HK\$'000
Share capital	17	101,284	101,284
Reserves		729,053	751,947
Equity attributable to the equity holders of the Company		830,337	853,231
Minority interests		8,112	14,396
Total equity		838,449	867,627

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Attributable to equity holders of the Company												Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	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				
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		
Total comprehensive income	—	—	—	—	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 from a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	17,700	17,700		
Dividends paid	—	—	—	—	—	—	—	—	(23,285)	(10)	(23,295)	—	(23,295)		
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		

	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 2009 (Audited)	101,284	235,755	9,360	13,771	104,810	83,294	—	2,200	—	302,757	853,231	14,396	867,627
Total comprehensive income	—	—	—	—	6,488	—	—	—	—	(29,382)	(22,894)	(9,884)	(32,778)
Transfer to retained profits	—	—	—	—	—	(14,073)	—	—	—	14,073	—	—	—
Capital contribution from a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	3,600	3,600
At 30 September 2009 (Unaudited)	101,284	235,755	9,360	13,771	111,298	69,221	—	2,200	—	287,448	830,337	8,112	838,449

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 Statement of Cash Flows

For the six months ended 30 September 2009

		(Unaudited)	
		Six months ended 30 September	
Notes	2009	2008	
	HK\$'000	HK\$'000	
Net cash from/(used in) operating activities	61,187	(41,995)	
Net cash used in investing activities	(44,653)	(163,407)	
Net cash from financing activities	55,009	254,539	
	<hr/>	<hr/>	
Net increase in cash and cash equivalents	71,543	49,137	
Cash and cash equivalents at beginning of period	330,265	170,785	
Effect of foreign exchange rates changes	1,964	3,488	
	<hr/>	<hr/>	
Cash and cash equivalents at end of period	403,772	223,410	
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2009

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 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.

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. The Group is also engaged in steel casting.

2. 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 and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

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

Amendments to HKFRS 2	Share-based Payment — Vesting Conditions and Cancellations
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Interpretation 18	Transfers of Assets from Customers

HKFRSs (Amendments) “Improvements to HKFRSs”

The improvements remove the inconsistent guidance regarding the current or non-current classification of derivatives under HKAS 1 “Presentation of Financial Statements” and HKAS 39 “Financial Instruments: Recognition Measurement”. A derivative which is not held for trading purpose should be presented as current or non-current on the basis of its settlement date. Certain derivatives of the Group previously classified as current are therefore reclassified as non-current as detailed below.

	As at 31 March 2009		
	Audited and as previously stated	Reclassification	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial instruments classified as non-current assets			
Call options	—	4,744	4,744
Derivative financial instruments classified as current assets			
Call options	4,744	(4,744)	—
Interest rate swap contract	34	—	34
	<u>4,778</u>	<u>(4,744)</u>	<u>34</u>
Derivative financial instruments classified as non-current liabilities			
Put options	—	2,236	2,236
Derivative financial instruments classified as current liabilities			
Put options	2,236	(2,236)	—
Interest rate swap contract	2,909	—	2,909
Foreign exchange forward contract	398	—	398
	<u>5,543</u>	<u>(2,236)</u>	<u>3,307</u>

HKAS 1 (Revised) “Presentation of Financial Statements”

The revised standard has introduced a number of terminology changes (including revised titles for financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard had no material effect on the reported results and financial position of the Group.

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with other items of recognised income or expenses recognised directly in equity, presented either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 “Operating segments”

HKFRS 8 replaces HKAS 14 “Segment reporting”, it requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. In the past, the Group’s reporting format was business and geographical segments. The application of HKFRS 8 has resulted in a re-designation of the Group’s reporting segments from one operating segment of manufacture and sales of machinery and equipment into two operating segments, namely, manufacture and sales of machinery and equipment, and steel casting. However, the re-designation has had no material impact on the reported results and financial position of the Group.

HKAS 23 (Revised) “Borrowing costs”

HKAS 23 (Revised) “Borrowing Costs” requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset and removes the option of immediately expensing those borrowing costs. The adoption of this revised standard may result in capitalisation of borrowing costs incurred for the Group’s qualifying assets. The Group has elected to prospectively apply the revised standard to qualifying assets for which the commencement date for capitalisation is on or after the effective date of 1 January 2009. As the Group has no qualifying assets commencing construction after the effective date, no borrowing cost is capitalised during the period.

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

Potential impact arising on HKFRSs not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2010

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods ending on or after 30 June 2009

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, available-for-sale financial assets and investment properties, which are carried at fair values.

3. Segment Information

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker (i.e. the board of directors) in order to allocate resources to the segments and to assess their performance.

At 30 September 2009, the Group is organised on a product basis into two main operating segments.

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

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

The measure used for reporting segment results is “(loss)/profit from operations”, i.e. (loss)/profit before finance income, finance costs, income taxes, share of results of an associate and a jointly controlled entity which are not specifically attributable to individual segments.

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

	(Unaudited)			
	Manufacture and sales of machinery and equipment 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 segment results for the six months ended 30 September 2008 are as follows:

	(Unaudited)			
	Manufacture and sales of machinery and equipment <i>HK\$'000</i>	Steel casting <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER				
External sales	756,116	—	—	756,116
Inter-segment sales [#]	<u>94</u>	<u>—</u>	<u>(94)</u>	<u>—</u>
Total sales	756,210	—	(94)	756,116
Other revenue	<u>16,607</u>	<u>—</u>	<u>—</u>	<u>16,607</u>
Total revenue	<u>772,817</u>	<u>—</u>	<u>(94)</u>	<u>772,723</u>
[#] Inter-segment sales are charged at prevailing market rates.				
RESULTS				
Segment results	<u>60,543</u>	<u>(2,307)</u>	<u>—</u>	58,236
Finance income				2,907
Finance costs				(22,551)
Share of loss of an associate				<u>(1,312)</u>
Profit before income taxes				<u>37,280</u>

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

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

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

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

5. (Loss)/Profit from Operations

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

6. Finance Costs — Net

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

7. Income Taxes

The tax (credit)/charge comprises:

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

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

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

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

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

8. Interim Dividend

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

9. (Loss)/Earnings Per Share

(a) Basic

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

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

(b) Diluted

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

Diluted earnings per share for the six months ended 30 September 2008 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes of the Company are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

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

During the six months ended 30 September 2009, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$412,000 (2008: HK\$1,161,000). The net additions of land use rights, property, plant and equipment were approximately HK\$35,588,000 (2008: HK\$184,174,000 including the amount of HK\$68,996,000 arising from acquisition of a subsidiary) of which HK\$22,888,000 and HK\$12,700,000 (2008: HK\$133,472,000 and HK\$50,702,000) are attributable to the operating segments of manufacture and sales of machinery and equipment, and steel casting respectively.

11. Interest in an Associate

The attributable equity interest held by the Group was maintained at 35% during the period. The associate has commenced trial production during the period.

12. Bills and Accounts Receivable

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

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

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Within 90 days	162,368	159,782
91-180 days	30,839	46,418
181-365 days	63,627	57,253
Over one year	74,048	78,494
	330,882	341,947
	330,882	341,947

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

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

13. Derivative Financial Instruments

	(Unaudited) As at 30 September 2009 HK\$'000	(Audited and restated) As at 31 March 2009 HK\$'000
Balance classified as non-current assets		
Call options (Note a)	<u>1,728</u>	<u>4,744</u>
Balance classified as current assets		
Call options (Note a)	<u>2,558</u>	—
Interest rate swap contract (Note b)	<u>187</u>	<u>34</u>
	<u>2,745</u>	<u>34</u>
Balance classified as current liabilities		
Put options (Note a)	<u>1,409</u>	—
Interest rate swap contract (Note b)	<u>2,575</u>	<u>2,909</u>
Foreign exchange forward contract	<u>—</u>	<u>398</u>
	<u>3,984</u>	<u>3,307</u>
Balance classified as non-current liabilities		
Put options (Note a)	<u>1,322</u>	<u>2,236</u>

Notes:

- (a) At 30 September 2009, the Group has 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.

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.

The details of the exercise price of the call options and put options are set out in the financial statements for the year ended 31 March 2009.

Valuation of the call and put options

The call and put options are not designated as hedging instrument nor held for trading according to HKAS 39 and are measured at fair value valued by a firm of independent professional valuers in Hong Kong by using the Black-Scholes Option Pricing Model.

(b) 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 ended 30 September 2008 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 ended 30 September 2008 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 nor held for trading according to HKAS 39 and are measured at fair value provided by the counterparty banks.

14. Bills and Accounts Payable

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

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

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

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

15. Bank Borrowings

The bank borrowings comprise:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Secured:		
Bank loans	117,077	51,932
Unsecured:		
Bank loans	678,853	695,370
Other loans	103,155	96,774
	782,008	792,144
	899,085	844,076

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)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Within one year (<i>Notes a, b and c</i>)	730,981	841,153
In the second year	128,183	1,949
In the third to fifth year	39,921	974
	899,085	844,076
Less: Amount due within one year shown under current liabilities	(730,982)	(841,153)
Amount due after one year shown under non-current liabilities	168,103	2,923

Notes:

- (a) As at 31 March 2009, the Group was in breach of certain financial covenants relating to profitability and/or liquidity ratios prescribed under a syndicated bank loan agreement. Consequently, the syndicated bank loan of HK\$500,000,000 becomes repayable upon demand as at 31 March 2009. During the period, the agent for the syndicated bank loan and the Group have entered into an agreement ("Amendment Agreement") whereby the agent has agreed to amend or waive certain financial covenants including the aforementioned financial covenants as at 31 March 2009. As such, the breach of relevant financial covenants was rectified and the outstanding loan amount to the extent of HK\$183,813,000 was reclassified to non-current liabilities upon the Amendment Agreement was signed.
- (b) Since 31 March 2009, the Group is in breach of certain financial covenants relating to profitability and/or liquidity ratios prescribed under a bank loan agreement. Consequently, the total amount of HK\$92,500,000 is repayable upon demand and classified as current liabilities as at 30 September 2009 (31 March 2009: HK\$100,000,000) including the amount of approximately HK\$22,348,000 (31 March 2009: HK\$37,175,000) which would have otherwise been classified as non-current liabilities.

The Group was advised by the bank in respect of the bank loan that it will temporarily refrain from exercising its rights and remedies under the relevant terms of the bank loan agreement and will discuss with the Group for renewal of the banking facilities including possible waiver and/or amendments of the financial covenants in due course.

- (c) As at 30 September 2009, the principal outstanding amount of loans borrowed from banks and financial institutions in the PRC with a term not exceeding one year amounted to approximately HK\$173,597,000 (31 March 2009: HK\$113,686,000 and 30 September 2008: HK\$171,176,000).

16. Provision for Post-employment Benefits

The movements of the provision during the period are as follows:

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Balance as at beginning of the period (audited)	10,503	—
Additions during the period	184	2,445
Payments made during the period	(286)	(3,438)
Exchange realignment	946	(821)
Arising from acquisition of subsidiaries	—	17,741
	11,347	15,927
Balance as at end of the period (unaudited)	11,347	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 2009 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.

Management estimated that as at 30 September 2009, payment of HK\$1,510,000 (31 March 2009: HK\$940,000) may be payable to employee within one year based on the historical staff turnover ratio.

17. Share Capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Authorised:		
At 31 March 2009 (audited) and 30 September 2009 (unaudited)	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2009 (audited) and 30 September 2009 (unaudited)	1,012,835,000	101,284

18. Financial Guarantees

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	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 (<i>Note</i>)	86,668	71,278

Note:

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$142,045,000 (31 March 2009: HK\$218,068,000) 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 from goods 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)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Restricted bank balances	57	6,086
Leasehold land and buildings	79,033	68,363
Land use rights	18,580	11,400
Investment properties	6,980	5,220
Plant and machinery	—	9,631
	104,650	100,700

(ii) In addition to the bank balances mentioned in note 19(i), the Group also has restricted bank balances to the extent of HK\$30,462,000 (31 March 2009: HK\$21,638,000) pledged to banks for credit facilities granted to customers to purchase the Group's products as mentioned in note 18.

20. Commitments

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
— Contracted but not provided for	<u>21,192</u>	<u>57,715</u>
Capital commitments in respect of capital contribution in a jointly controlled entity	<u>12,324</u>	<u>15,405</u>
Other commitments:		
— Contracted but not provided for	<u>6,612</u>	<u>5,987</u>

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

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Leases payable:		
Within one year	9,504	12,086
In the second to fifth year inclusive	<u>31,855</u>	<u>32,452</u>
	<u>41,359</u>	<u>44,538</u>

21. Related Party Transactions

- (a) During the period, the Group had operating lease rentals paid to Wheelfit Investment Limited ("Wheelfit") amounting to HK\$600,000 (six months ended 30 September 2008: HK\$565,000). 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 during the period was as follows:

	(Unaudited)	
	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Short term benefits	6,039	10,287
Share-based payments	—	104
Retirement fund contributions	139	160
	6,178	10,551

- (c) The Group has the following amounts due from/(to) its associate and jointly controlled entity at the end of the reporting period:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2009	2009
	HK\$'000	HK\$'000
Associate		
Fuxin Li Chang Steel and Iron Foundry Co., Ltd.	4,545	(40,909)
Jointly controlled entity		
Pang Cheung Co., Ltd.	3,081	3,081

The balances are unsecured, interest free and have no fixed repayment terms.

The directors considered the above transactions and balances were made at normal commercial terms, in the ordinary and usual course of business of the Group and no less favourable to the Group than those applicable to independent third parties.

22. Share Options

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2009 were as follows:

Category of grantee	Exercise price HK\$	Exercise Period	Number of options			
			As at 1 April 2009 (Audited)	Exercised during the period	Lapsed during the period	As at 30 September 2009 (Unaudited)
Directors	0.666	16 April 2007 — 15 October 2016	7,600,000	—	—	7,600,000
Employees	0.666	16 April 2007 — 15 October 2016	11,030,000	—	—	11,030,000
			<u>18,630,000</u>	<u>—</u>	<u>—</u>	<u>18,630,000</u>

23. Cash Flow from Financing Activities

Details of the cash flow from financing activities during the six months ended 30 September 2009 were as follows:

	(Unaudited)	
	Six months ended 30 September 2009	2008
	HK\$'000	HK\$'000
Financing activities		
Inception of new bank loans	92,838	465,513
Repayment of bank loans (Note)	(45,858)	(214,805)
Net increase in trust receipt and other loans	8,029	8,367
Capital contribution from a minority shareholder of a subsidiary	—	17,700
Proceeds from issue of shares	—	1,059
Dividends paid	—	(23,295)
Net cash from financing activities	<u>55,009</u>	<u>254,539</u>

Note:

During the period, the repayment of principal amounted to approximately HK\$18,182,000 in respect of loans borrowed from banks and financial institutions in the PRC with a term not exceeding one year (six months ended 30 September 2008: HK\$178,568,000 and year ended 31 March 2009: HK\$345,380,000).

24. Date of Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 21 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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

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

Business review

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

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

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

Machines and equipment business

Die-casting machines

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

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

Plastic injection moulding machines

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

CNC machines

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

Cast components business

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

Research and Development (“R&D”)

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

R&D of die-casting machines

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

R&D of plastic injection moulding machines

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

The micro-injection moulding machines developed in the joint efforts of the Group with The Hong Kong Polytechnic University represents the first-in-the-world nano-standard upward injection high precision plastic micro-injection moulding machine for producing nano-standard components and miniaturised precision parts, such as micro medical components, mini pumps, medical equipment parts, mini lenses, and optic connectors. It has been invited to various exhibitions across the PRC and captured widespread market attention. This new injection moulding machine has received the "Creation Prize" at the China International Industry Fair and the "Gold Medal Award" at the International Exhibition of Inventions held at Geneva, Switzerland.

R&D of CNC machines

In addition to the new and competitive "TC510" and "TC710" series of CNC machines, the Group's R&D centre in Taiwan has also successfully developed a number of new series namely "TC1200", "HT400" and "HT500" that have enriched the comprehensiveness of the Group's product profile to meet varied market demands.

R&D of cast components

The Group's die-casting machines, plastic injection moulding machines and CNC machines all required a large volume of high-quality cast components. The Group's large-scaled modernised casting factory located in Fuxin County, Liaoning Province not only has successfully developed various models of high-quality cast components that meet the requirements by the Group, it is also capable of manufacturing cast components for wind power generator, mould base and base of large size machinery for other customers.

Prospects

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

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

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

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

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

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

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

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

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

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

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

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 September 2009, the Group's cash and bank balances amounted to approximately HK\$403.8 million (31 March 2009: HK\$330.3 million).

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

As at 30 September 2009, the capital structure of the Company was constituted exclusively of 1,012,835,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$899 million (31 March 2009: HK\$844 million), approximately 81% of which being short-term loans. Approximately 12% of the total borrowings were subject to interests payable at fixed rates. During the period, the Group used interest rate swap to mitigate its exposure to cash flow interest rate risk.

Staff and remuneration policies

As at 30 September 2009, the Group employed approximately 2,800 full time staff. The staff costs for current period amounted to HK\$120.2 million. The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and a share option scheme.

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

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditor

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Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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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
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 2009, 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	74.05%
	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.30%
Mr. Cao Yang	the Company	Beneficial owner	1,000,000 Long position	0.10%
			2,000,000 ⁽²⁾ Long position	0.20%
Mr. Chung Yuk Ming	the Company	Beneficial owner	1,000,000 Long position	0.10%
			2,000,000 ⁽²⁾ Long position	0.20%
Ms. Wong Pui Chun	the Company	Beneficial owner	600,000 ⁽²⁾ Long position	0.06%

Notes:

- 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 Siang 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.
- 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 2009, 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 2009, 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	74.05%
Mr. Liu	See Note (2)	750,000,000 ⁽²⁾ Long position 3,000,000 ⁽²⁾ Long position	74.05% 0.30%
Fullwit	See Note (1)	750,000,000 ⁽¹⁾ Long position	74.05%
HSBC International Trustee Limited	See Note (3)	750,000,000 ⁽³⁾ Long position	74.05%
The Hamon Investment Group Pte Limited	Investment manager	70,607,500 Long position	6.97%
The Dreyfus Corporation	Investment manager	61,742,500 Long position	6.10%

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 2009, 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. Details of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 September 2009 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			
				Outstanding as at 01/04/09	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/09
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. Chung Yuk Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	2,000,000	—	—	2,000,000
Ms. Wong Pui Chun	23/09/2006	0.666	16/04/2007 – 15/10/2016	600,000	—	—	600,000
				7,600,000	—	—	7,600,000
Others							
Employees	23/09/2006	0.666	16/04/2007 – 15/10/2016	11,030,000	—	—	11,030,000
				18,630,000	—	—	18,630,000

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 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. Lui Ming Wah, *SBS, JP* and Mr. Chan Wah Tip, Michael. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Chan Wah Tip, Michael, Dr. Low Seow Chay and Dr. Lui Ming Wah, *SBS, JP*, all being independent non-executive Directors. Mr. Chan Wah Tip, Michael is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors and the management of the Board succession.

Remuneration committee

The Remuneration Committee comprises three members, namely Dr. Lui Ming Wah, *SBS, JP*, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael, all being independent non-executive Directors. Dr. Lui Ming Wah, *SBS, JP* is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages of directors, determining the award of bonuses and considering the grant of options under the Share Option Scheme.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 2009.

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 2009.

Disclosure of Change of Information of Directors under Rule 13.51B(1) of the Listing Rules

Three Executive Directors of the Company namely, Ms. Chong Siw Yin, Mr. Cao Yang and Mr. Chung Yuk Ming, whose service contracts with the Company for a term of three years expired and were renewed for a term of three years with effect from 16 October 2009.

Review of Financial Information

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2009. BDO Limited, the Group's external auditor, also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2009 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Acknowledgement

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

On behalf of the Board

Chong Siw Yin

Chairperson

Hong Kong, 21 December 2009

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 29, which comprises the condensed consolidated statement of financial position of L.K. Technology Holdings Limited as of 30 September 2009 and the related condensed consolidated income statement, the condensed consolidated statements of comprehensive 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 Limited

Certified Public Accountants

Wong Chi Wai

Practising Certificate Number P04945

Hong Kong, 21 December 2009