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 2011

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

	Notes	**(Unaudited) Six months ended 30 September 2011** *HK$'000*	2010 *HK$'000*
Revenue	*3*	**1,675,963**	1,239,037
Cost of sales	*5*	**(1,197,084)**	(836,402)
Gross profit		**478,879**	402,635
Other income	*3*	**19,266**	19,090
Other gains – net	*4*	**13,802**	2,161
Selling and distribution expenses	*5*	**(148,705)**	(97,558)
General and administration expenses	*5*	**(163,898)**	(126,878)
Operating profit		**199,344**	199,450
Finance income		**2,716**	1,034
Finance costs		**(25,993)**	(19,526)

	Notes	(Unaudited) Six months ended 30 September 2011 HK$'000	2010 HK$'000
Finance costs – net	*6*	**(23,277)**	(18,492)
Share of loss of an associate	*7*	**–**	(10,126)
Profit before income tax		**176,067**	170,832
Income tax expenses	*8*	**(29,479)**	(39,353)
Profit for the period		**146,588**	131,479
Profit attributable to:			
Owners of the parent		**150,228**	132,905
Non-controlling interests		**(3,640)**	(1,426)
		146,588	131,479
		HK cents	*HK cents*
Earnings per share for profit attributable to owners of the parent during the period (expressed in HK cents per share)	*9*		
– Basic		**13.3**	13.0
– Diluted		**12.6**	12.9

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2011

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**146,588**	131,479
Other comprehensive income for the period:		
Currency translation difference	**59,174**	9,224
Total comprehensive income for the period, net of tax	**205,762**	140,703
Attributable to:		
Owners of the parent	**209,483**	142,180
Non-controlling interests	**(3,721)**	(1,477)
	205,762	140,703

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	**(Unaudited) 30 September 2011** *HK$'000*	(Audited) 31 March 2011 *HK$'000*
Non-current assets			
Intangible assets		**14,665**	14,463
Property, plant and equipment		**822,283**	719,408
Investment properties		**33,807**	32,240
Land use rights		**168,086**	142,273
Deposits paid		**6,957**	29,652
Deferred income tax assets		**19,208**	20,553
Trade and bills receivables	*11*	**33,232**	4,069
Restricted bank balances		**19,001**	13,542
Total non-current assets		**1,117,239**	976,200
Current assets			
Inventories		**1,189,192**	861,932
Trade and bills receivables	*11*	**940,635**	787,790
Other receivables, prepayments and deposits		**217,504**	177,094
Derivative financial instruments		**–**	37
Restricted bank balances		**88,092**	66,374
Cash and bank balances		**386,221**	444,303
		2,821,644	2,337,530
Non-current assets held-for-sale		**76,622**	73,918
Total current assets		**2,898,266**	2,411,448
Total assets		**4,015,505**	3,387,648

	Notes	(Unaudited) 30 September 2011 HK$'000	(Audited) 31 March 2011 HK$'000
Equity			
Share capital		**113,177**	113,107
Reserves		**940,582**	880,931
Retained earnings			
– Proposed final dividend		**–**	56,553
– Others		**601,915**	466,406
Equity attributable to owners of the Company		**1,655,674**	1,516,997
Non-controlling interests		**1,711**	3,439
Total equity		**1,657,385**	1,520,436
Non-current liabilities			
Deferred income tax liabilities		**6,755**	4,475
Borrowings		**376,374**	91,765
Other payables		**10,225**	9,513
Total non-current liabilities		**393,354**	105,753
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*12*	**1,196,438**	957,825
Derivative financial instruments		**48,690**	60,347
Borrowings		**693,461**	713,951
Current income tax liabilities		**26,177**	29,336
Total current liabilities		**1,964,766**	1,761,459
Total equity and liabilities		**4,015,505**	3,387,648
Net current assets		**933,500**	649,989
Total assets less current liabilities		**2,050,739**	1,626,189

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011, as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

a. The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 April 2011

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

b. The following amendments and interpretations to existing standards effective for the financial year beginning 1 April 2011 but not relevant to the Group

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – The name of the government and the nature of their relationship;

  – The nature and amount of any individually significant transactions; and

  – The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. The standard does not have significant impact on the disclosure to the condensed consolidated interim financial information.

- Amendment to HK(IFRIC) – Int 14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 1(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

c. **The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:**

- HKAS 1 (Amendment) Presentation of financial statements[3]
- HKAS 12 (Amendment) Deferred tax: recovery of underlying assets[2]
- HKAS 19 (2011) Employee benefits[4]
- HKAS 27 (2011) Separate financial statements[4]
- HKAS 28 (2011) Investments in associates and joint ventures[4]
- HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters[1]
- HKFRS 7 (Amendment) Disclosures – transfers of financial assets[1]
- HKFRS 9 Financial instruments[4]
- HKFRS 10 Consolidated financial statements[4]
  HKFRS 11 Joint arrangements[4]
- HKFRS 12 Disclosures of interests in other entities[4]
- HKFRS 13 Fair value measurement[4]
- HK(IFRIC)-Int 20 Stripping costs in the production phase of a surface mine[4]

Notes:

(1) Effective for financial periods beginning on or after 1 July 2011
(2) Effective for financial periods beginning on or after 1 January 2012
(3) Effective for financial periods beginning on or after 1 July 2012
(4) Effective for financial periods beginning on or after 1 January 2013

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

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

The measure used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs and income taxes. To arrive at the profit from operations, the Group's profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into two main reportable segments.

(i) Manufacture and sales of machinery and equipment

(ii) Steel casting

The segment results for the six months ended 30 September 2011 are as follows:

	Unaudited				
	Manufacture and sales of machinery and equipment *HK$'000*	**Steel casting** *HK$'000*	**Total segments** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
Revenue					
External sales	**1,664,128**	**11,835**	**1,675,963**	**–**	**1,675,963**
Inter-segments sales	**2,266**	**67,430**	**69,696**	**(69,696)**	**–**
Total sales	**1,666,394**	**79,265**	**1,745,659**	**(69,696)**	**1,675,963**
Other income	**19,246**	**20**	**19,266**	**–**	**19,266**
Total revenue and other income	**1,685,640**	**79,285**	**1,764,925**	**(69,696)**	**1,695,229**
Results					
Segment results	**206,175**	**(6,831)**	**199,344**	**–**	**199,344**
Finance income					**2,716**
Finance costs					**(25,993)**
Profit before income tax					**176,067**

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

	Unaudited				
	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Total segments *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue					
External sales	1,232,988	6,049	1,239,037	–	1,239,037
Inter-segments sales	5,325	40,698	46,023	(46,023)	–
Total sales	1,238,313	46,747	1,285,060	(46,023)	1,239,037
Other income	19,062	28	19,090	–	19,090
Total revenue and other income	1,257,375	46,775	1,304,150	(46,023)	1,258,127
Results					
Segment results	196,747	2,703	199,450	–	199,450
Finance income					1,034
Finance costs					(19,526)
Share of loss of an associate					(10,126)
Profit before income tax					170,832

Sales between segments are carried out at arm's length basis. The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated income statement.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

As at 30 September 2011

	Unaudited		
	Manufacture and sales of machinery and equipment *HK$'000*	**Steel casting** *HK$'000*	**Total** *HK$'000*
Assets			
Segment assets	**3,610,642**	**309,033**	**3,919,675**
Unallocated assets			**95,830**
Total assets			**4,015,505**
Liabilities			
Segment liabilities	**2,189,857**	**86,641**	**2,276,498**
Unallocated liabilities			**81,622**
Total liabilities			**2,358,120**

As at 31 March 2011

	Audited		
	Manufacture and sales of machinery and equipment *HK$'000*	Steel casting *HK$'000*	Total *HK$'000*
Assets			
Segment assets	2,996,615	296,525	3,293,140
Unallocated assets			94,508
Total assets			3,387,648
Liabilities			
Segment liabilities	1,676,727	96,327	1,773,054
Unallocated liabilities			94,158
Total liabilities			1,867,212

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than corporate assets, non-current assets held-for-sale, derivative financial instruments and deferred income tax assets.

– all liabilities are allocated to reportable segments other than corporate liabilities, derivative financial instruments, current income tax liabilities and deferred income tax liabilities.

– liabilities for which segments are jointly liable are allocated in proportion to segment assets.

3. REVENUE AND OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sales of machineries and related accessories and equipment net of returns and discounts	**1,664,128**	1,232,988
Steel casting	**11,835**	6,049
	1,675,963	1,239,037
Other income		
Value added taxes refund	**10,572**	12,058
Other subsidies from government	**5,991**	3,649
Rental income	**1,122**	976
Sundry income	**1,581**	2,407
	19,266	19,090
Total revenue and other income	**1,695,229**	1,258,127

4. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Net foreign exchange gains	**1,630**	4,905
Increase in fair value of investment properties	**990**	1,434
Net fair value gain/(loss) on derivative financial instruments	**10,909**	(4,312)
Gains on disposals of property, plant and equipment	**273**	134
	13,802	2,161

5. EXPENSES BY NATURE

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Raw materials and consumables used	**784,696**	585,301
Change in inventories of finished goods and work in progress	**173,909**	99,699
Staff costs	**225,984**	162,102
Contributions to defined contribution retirement plans	**17,642**	12,113
Amortisation of land use rights	**1,668**	1,502
Amortisation of trademarks[1]	**117**	423
Amortisation of patents[1]	**107**	107
Amortisation of development costs and others[2]	**2,380**	2,171
Depreciation of property, plant and equipment	**48,431**	41,632
Research and development costs	**11,907**	9,564
Transportation expenses	**32,735**	26,024
Auditor's remuneration	**1,700**	1,093
Provision for impairment of trade receivables	**4,070**	5,372
Write down of inventories[2]	**4,889**	5,364
Other expenses	**199,452**	108,371
	1,509,687	1,060,838
Represented by		
Cost of sales	**1,197,084**	836,402
Selling and distribution expenses	**148,705**	97,558
General and administration expenses	**163,898**	126,878
	1,509,687	1,060,838

1 Included in general and administration expenses
2 Included in cost of sales

6. FINANCE COSTS – NET

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**2,716**	1,034
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(26,686)**	(20,356)
Less: Capitalised in property, plant and equipment *(note)*	**693**	830
	(25,993)	(19,526)
	(23,277)	(18,492)

Note:

Borrowing costs capitalised during the prior period arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.4% (2010: 4.0%) to expenditure on qualifying assets.

7. SHARE OF LOSS OF AN ASSOCIATE

The share of loss of an associate for the six months ended 30 September 2010 of HK$10,126,000 represented the Group's share of the loss of Fuxin Li Chang Steel & Iron Foundry Co., Ltd.. This share of loss was reversed during the year ended 31 March 2011 as the investment in Fuxin Li Chang Steel & Iron Foundry Co., Ltd. has been reclassified as non-current assets held-for-sale since 1 April 2010.

8. INCOME TAXES

The tax charge comprises:

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Current income tax		
– PRC income tax	**25,278**	23,990
– Underprovision in prior year	**26**	–
	25,304	23,990
Deferred taxation	**4,175**	15,363
Tax charge	**29,479**	39,353

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

In accordance with the Income Tax Law of the PRC and Implementation Regulation of Income Tax Law ("EIT Law"), certain of the Company's subsidiaries registered in the PRC which are entitled to preferential tax treatments under the old Income Tax Law are exempted from income tax for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on the income tax in the following three years. In addition, certain of these subsidiaries are entitled to additional tax concessions granted by local tax bureau. These subsidiaries are subject to income tax at rates ranging from 12.5% to 25% (2010: 12.5% to 25%) during the period.

Certain subsidiaries of the Company which have unexpired tax holdings, continue to be tax exempted. For those subsidiaries, which are still entitled to the 50% relief on income tax, the tax rate for the period is 12.5%. For those subsidiaries with expired tax holidays (other than those approved to be High and New Technology Enterprises as discussed in the next paragraph), the tax rates for the period are 24% or 25%. (2010: 20% or 22% or 25%).

Certain subsidiaries in Shenzhen, Zhongshan and Shanghai were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years commencing from 1 January 2009. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the Income Tax Law of the PRC, 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 interpretation rules provides for the dividend withholding tax to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong are subject to a dividend withholding tax rate of 5%. Provision for withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. No Hong Kong Profits Tax has been provided for the period as the subsidiaries established in Hong Kong either have unutilised tax losses brought forward to set off current period's estimated assessable profits or have no estimated assessable profits for the period. No Hong Kong Profits Tax has been provided for the six months ended 30 September 2010 as there were no estimated assessable profits for that period.

No provision for overseas income tax (other than taxes in the PRC) has been made as the Group has no assessable profits subject to overseas income tax for both periods.

9. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the condensed consolidated profit attributable to owners of the parent of HK$150,228,000 (2010: HK$132,905,000) and on the weighted average number of approximately 1,131,315,000 (2010: 1,025,391,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2011	2010
Profit attributable to owners of the parent *(HK$'000)*	**150,228**	132,905
Weighted average number of ordinary shares in issue *(thousands)*	**1,131,315**	1,025,391
Basic earnings per share *(HK cents)*	**13.3**	13.0

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: perpetual convertible securities and share options. The perpetual convertible securities are assumed to have been converted into ordinary shares. Share issuable under the share option schemes of the Company are the 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 annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the 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 2011	2010
Profit attributable to owners of the Company *(HK$'000)*	**150,228**	132,905
Weighted average number of ordinary shares in issue *(thousands)*	**1,131,315**	1,025,391
Assumed conversion of perpetual convertible securities *(thousands)*	**58,000**	–
Adjustment for share options *(thousands)*	**1,571**	4,031
Weighted average number of ordinary shares of diluted earnings per share *(thousands)*	**1,190,886**	1,029,422
Weighted average number of ordinary shares for diluted earnings per share *(HK cents)*	**12.6**	12.9

The assumed conversion of potential ordinary shares arising from the warrants during the period would be anti-dilutive (2010: Not applicable).

10. INTERIM DIVIDEND

At a meeting held on 29 November 2011, the Board resolved not to pay an interim dividend for the six months ended 30 September 2011 (2010: Nil).

11. TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2011 *HK$'000*	(Audited) As at 31 March 2011 *HK$'000*
Trade receivables	**892,084**	722,434
Less: Provision for impairment	**(42,237)**	(39,604)
	849,847	682,830
Bills receivable	**124,020**	109,029
	973,867	791,859
Less: Balance due after one year shown as non-current assets	**(33,232)**	(4,069)
Trade and bills receivables, net	**940,635**	787,790

The amount of provision for impaired trade receivables was HK$42,237,000 (2010: HK$39,604,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

The aging analysis of the gross trade receivable at the end of reporting period is as follows:

	(Unaudited) As at 30 September 2011 *HK$'000*	(Audited) As at 31 March 2011 *HK$'000*
Within 90 days	**525,543**	459,409
91–180 days	**129,866**	103,039
181–365 days	**144,455**	80,312
Over one year	**92,220**	79,674
	892,084	722,434

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

Goods sold to customers are either made on cash on delivery or on credit. Customers in general are required to pay deposits upon purchase orders are placed, the remaining balances will be payable upon goods delivery 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 installments which normally range from 6 months to 12 months.

12. TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	(Unaudited) As at 30 September 2011 *HK$'000*	(Audited) As at 31 March 2011 *HK$'000*
Trade payable	**702,487**	548,857
Bills payable	**67,150**	43,158
Trade and other deposits and receipts in advance	**156,447**	173,101
Accrued salaries, bonuses and benefits	**49,594**	39,161
Accrued sales commission	**54,001**	40,057
Value added tax payable	**27,468**	8,422
Provision for a legal claim	**–**	701
Others	**139,291**	104,368
	1,196,438	957,825

The following is the aging analysis of the trade payable:

	(Unaudited) As at 30 September 2011 HK$'000	(Audited) As at 31 March 2011 HK$'000
Within 90 days	**631,475**	479,121
91–180 days	**54,769**	54,643
181–365 days	**7,169**	6,366
Over one year	**9,074**	8,727
	702,487	548,857

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 2011 ("First Half Year" or "Period under Review"), following the business growth momentum of last year, the Group achieved a new record in its revenue and profits. Revenue was HK$1,675,963,000, representing an increase of approximately 35% as compared to HK$1,239,037,000 of the corresponding period last year. Profit attributable to the owners of the Company amounted to HK$150,228,000, representing an increase of approximately 13% as compared to the profit of HK$132,905,000 of the corresponding period last year. The smaller increase in net profit than revenue was mainly due to the change of product mix, and the rapid growth of the relatively low margin business of the computerised numerical controlled (CNC) machines which contributed a substantial rise in revenue.

Business review

During the First Half Year, to tackle the soaring inflation in China, the PRC government implemented tight monetary policies, as a result, many small-to-medium size companies are incapable to invest in equipment due to failure in securing bank facilities. Meanwhile, the deteriorating European debt crisis and the prolonging weak U.S. economy fetched another disaster to those export-oriented companies. Despite the volatile external environment and the austerity macro-economic measures imposed by China, the Group implemented timely adjustment to its strategies and captured opportunities arising from the blooming development of the consumer goods like smart phones and tablet personal computers. Besides, keeping abreast of the market trend of using automatic equipment by the manufacturers, the Group placed large effort in promoting its CNC machines, plastic injection moulding machines and large tonnage automatic die-casting machine cells, resulting to an increase in the revenue of these three core business sectors, namely die-casting machines, plastic injection moulding machines and CNC machines, and achieved a record performance. The revenue of the Group burst the cap of HK$1,600,000,000 to HK$1,675,963,000 in the First Half Year, representing an increase of approximately 35% as compared to that of the corresponding period last year.

During the Period under Review, revenue from China realized the first-ever break through of HK$1,400,000,000 to HK$1,444,160,000, up 38% as compared to that of corresponding period last year. The improvement of Idra in both the European market and the emerging market albeit the overall sluggish recovery of the European economy, caused revenue from overseas market of the Group to reach HK$231,803,000, representing a growth of 19% over the corresponding period last year.

Die-casting machines

Leveraging on the leading position of the Group in the global die-casting machine industry, revenue from the die-casting machines and the peripheral equipment achieved an increase of 16% in the First Half Year despite the overall poor economic environment. However, due to the faster growth of the CNC machine business of the Group, the proportion of the revenue of the die-casting machines and the peripheral equipment to the total revenue of the Group decreased to less than 60%.

There was clear distinction between the business of small tonnage and medium-to-large tonnage die-casting machines during the First Half Year. With small enterprises being affected by the credit crunch, and the severe hit to the traditional cell phone components manufacturers by the new generation electronic consumer goods like smart phones and tablet personal computers, the business of the small tonnage die-casting machines suffered a decline. Although the overall growth pace of the automobile industry in China had slow down, the medium-to-large tonnage die-casting machines of the Group enjoyed a distinct competitive advantage in the China market and recorded a significant growth in the business of the medium-to-large tonnage die-casting machines and the peripheral equipment during the First Half Year. The increase was also attributable to the following reasons: (1) most of the customers of the medium-to-large tonnage die-casting machines were large-scaled enterprises and their financing abilities were less affected by the tight monetary policies; (2) due to the increasing labour cost in China, the demand on automatic die-casting equipment of the sizeable customers had been lifted which resulted to simultaneous growth of the medium-to-large tonnage die-casting machines and the peripheral equipment; (3) Idra, whose principle business involving medium-to-large tonnage die-casting machines, recorded a remarkable improvement in its operation in the First Half Year with an increase of over 130% in its revenue.

Plastic injection moulding machine

The Group has achieved good performance in four types of plastic injection moulding machines, namely large tonnage plastic injection moulding machines, servo control energy saving plastic injection moulding machines, sophisticated direct-clamp plastic injection moulding machines and micro-injection moulding machines. Coupled with the recovery of the electric appliances and toy business sectors in China, the revenue of plastic injection moulding machine business of the Group in the First Half Year amounted to approximately HK$300,000,000, representing an increase of 18% as compared to the corresponding period last year.

Computerised numerical controlled (CNC) machines

The CNC machine is one of the business focuses of the Group. With the flourishing business of the processing enterprises for smart phones and tablets personal computers, various models of the CNC machines of the Group continued to be well-received in the market due to its good value and outstanding performance, and had successfully secured bulk orders from a number of renowned customers. The revenue of the Group's CNC machines amounted to approximately HK$300,000,000 for the First Half Year representing a significant increase of approximately 270% as compared to the corresponding period last year.

Research and Development ("R&D")

R&D of die-casting machines

During the Period under Review, the Group completed the design and R&D on the 4,500-tonne super-large cold chamber die-casting machine, and the 4,000-tonne and 3,500-tonne super-large die-casting machines were produced and successfully delivered to the customers.

The two-platen energy-saving die-casting machine developed by the Group was the first-ever innovation in Mainland China. With more energy saving and room saving features, this series of die-casting machine enables customers to reduce cost and enhance competitive strength. During the Period under Review, the Group has the capability to produce the large tonnage two-platen energy-saving die-casting machine in a series of clamping force from 900-tonne to 4,500-tonne.

Apart from the above, the Group has continued to enhance the provision of integrated service which is in a leading position in China to its die casting machine customers, it has also reaped tangible progress in the integrated service of hardware and software. On top of providing high end die casting machines to its customers, the Group also provides peripheral accessories such as sprayers, ladles, extractors, trim presses, component conveyers and dedusting facilities, as well as specialised die casting software control systems.

R&D of plastic injection moulding machines

The Group has continued to invest in the R&D of plastic injection moulding machines and has achieved major breakthrough in large-tonnage plastic injection moulding machines. Some large tonnage plastic injection moulding machines with clamping force of over 1,000-tonnes had successfully been delivered to the customers. Large tonnage plastic injection moulding machines can be used in the production of large plastic accessories such as automobile instrument panels, large home appliances and large logistic containers, helping the Group to satisfy the requirement of different customers from various industries.

R&D of CNC machines

During the Period under Review, the R&D center of the Group in Taiwan has been focusing on the perfection and enhancement of the functions and efficiency of the existing models in addition to the R&D of new models. The "TC510" and "TC710" series of small size vertical drilling CNC machines specialised for post die-casting processing has already gained a strong competitive edge in the market, while the MV Series for fine processing of automobile components namely "MV650", "MV850", "MV1050" and "MV-1680" has been consistently improved. Meanwhile, for the horizontal CNC machines, the Group has extended the customers' application coverage of the HT series including "HT400", "HT500", "HT630" and "HT800". The diversification of CNC machines will strengthen the performance of the business in the market.

Prospects

Due to the considerable competitive advantage of the die-casting machines of the Group, General Motors of the U.S.A. has again ordered four 3,000-tonne large tonnage die-casting machines during the Period under Review. Such order will be delivered in the next few months.

The phase one of the new factory in Shenzhen and phase one of the new factory in Kunshan City, Jiangsu Province have commenced operations and will further increase the productivity of the three core businesses of the Group. During the Period under Review, the Group also expanded the production facilities in Taiwan with a new factory which is expected to commence production in the beginning of 2012, after which, the current production capacity of the CNC machine business of the Group will be further increased.

On the other hand, the gradual increase in labour cost and labour shortage issues in China will push the manufacturers to have broader use of automatic equipment, which is beneficial to sustain the continuing businesses growth of the peripheral equipment of the die-casting machines and CNC machines of the Group. At the same time, it is expected that equipment manufacturing industry will continue be supported as pillar industry under the "12th Five Year Plan" of China, thus delivering opportunities to the equipment manufacturers including the Group.

The management still believes that the three major products of the Group are widely used in the manufacture of consumer goods which have strong demand in China markets. Besides, given the leading position of the Group in the die-casting machine industry, the significant improvement in the plastic injection moulding machine and CNC machine businesses, together with the extensive customer base, comprehensive sales and service network, strong R&D capability, the management is confident to the long term growth of the Group.

Looking forward to the second half year, the world economy is still full of uncertainties, the European debt crisis may be further deteriorated and there are still serious concern about the indebtedness and economic development in the U.S.A. Therefore, the orders from the export-oriented customers may further slow down. Meanwhile, the negative impact to the manufacturing enterprises by the tight monetary policies imposed by the PRC government could surface gradually, and the continued strong repression on the property sector by the PRC government is unlikely to ease. All these factors will further drag the economic growth of China, consequently dampening the sentiment of investment in equipment of the customers and in turn affecting the overall performance of the Group.

Notwithstanding the above, preliminary results from the tight monetary policies have been seen, inflation has been under control and the consumer price index is falling slowly. Minor adjustments have been made to the monetary policies in China, and upon further improvement in inflation, gradual relaxation of the monetary policies such as reduction of the deposit reserve rate, may be probable in next few months. Therefore, the difficulty of financing by small enterprises could, to some extent, may be relieved, though we believe there will be a slow process.

As the European debt crisis may be further deteriorated, the US economy may be further weakened, the economy growth in China may further be slackened, all of which may cause volatility to the world economy, and could bring new challenges to the Group's operations. The management will closely monitor any changes in the macro-economy and in the market, and will adopt cautious measures in a timely manner, so as to cope with the new challenges.

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 2011, the Group's cash and bank balances amounted to approximately HK$386.2 million (31 March 2011: HK$444.3 million).

The gearing ratio (a ratio of net debt to total equity) was approximately 41% (31 March 2011: 24%).

Note: Net debt is calculated as total borrowings less cash and cash equivalents.

As at 30 September 2011, the capital structure of the Company was constituted exclusively of 1,131,765,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$1,069.8 million (31 March 2011: HK$805.7 million), approximately 65% of which being short-term loans. Approximately 20% of the total borrowing was subject to interest payable at fixed rates. During the period, the Group used interest rate swap to manage risks associated with interest rate risks.

Financial Guarantees

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 2011, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$276.3 million (31 March 2011: HK$193.6 million).

Pledge of Assets

The Group's banking facilities or financial guarantees were secured by the assets of the Group, including restricted bank balances, land use rights, investment properties and property, plant and machinery, with aggregate carrying amounts of HK$476.8 million (31 March 2011: HK$372.1 million).

Capital commitments

As at 30 September 2011, the Group had made capital expenditure commitments of approximately HK$146.2 million (31 March 2011: HK$90.3 million) in respect of acquisition of land use rights, property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2011, the Group employed approximately 4,100 full time staff. The staff costs for current period amounted to HK$243.6 million (2010: HK$174.2 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 share option schemes.

INTERIM DIVIDEND

At a meeting held on 29 November 2011, the Board resolved not to pay an interim dividend for the six months ended 30 September 2011 (2010: Nil).

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 as set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review save as disclosed below.

The Company does not fully comply with code provision A.4.1 in the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election, Mr. Hu Yongmin, being a non-executive Director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to 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 information of the Group for the six months ended 30 September 2011. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed consolidated financial information for the six months ended 30 September 2011 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2011/12 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

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

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2011

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