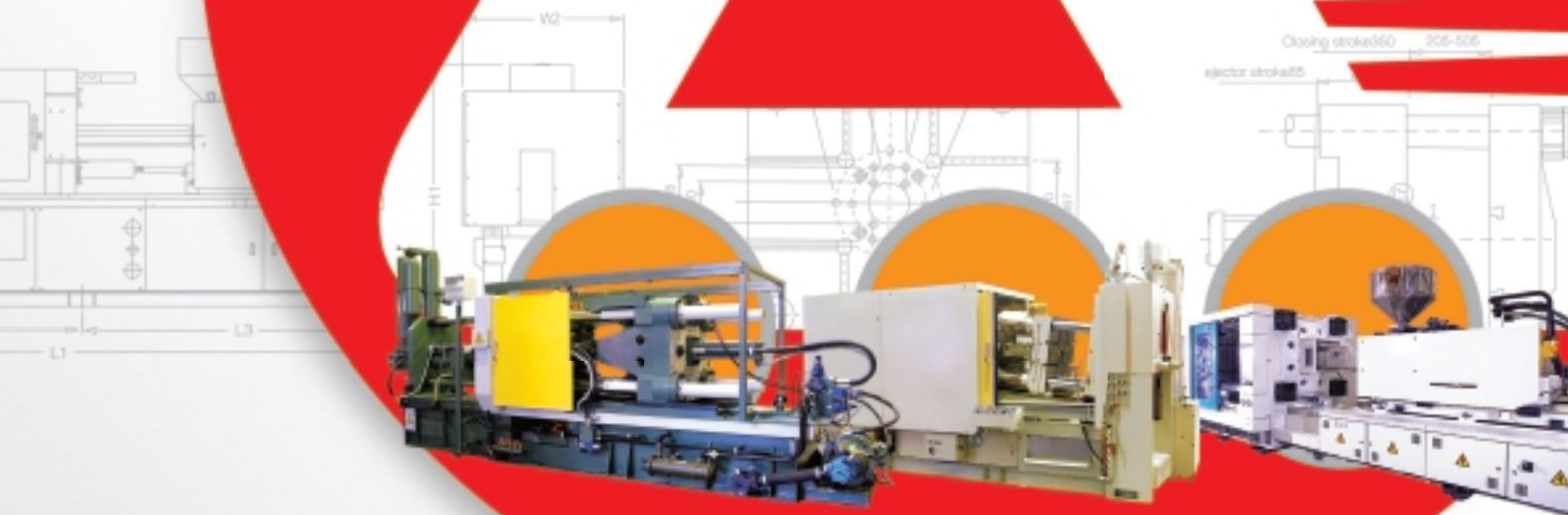




力勁科技集團有限公司
L.K. TECHNOLOGY HOLDINGS LIMITED

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

Interim Report 2006/07





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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 2006 together with the comparative figures for the corresponding period in 2005.

Condensed Consolidated Income Statement

For the six months ended 30 September 2006

		(Unaudited)	
		Six months ended	
		30 September	
		2006	2005
	NOTES	HK\$'000	HK\$'000
Turnover	4	467,073	379,401
Cost of sales		(316,229)	(257,844)
		<hr/>	<hr/>
Gross profit		150,844	121,557
Other revenue	4	7,503	14,695
Distribution costs		(52,856)	(37,000)
Administration expenses		(49,317)	(50,251)
		<hr/>	<hr/>
Profit from operations		56,174	49,001
Finance costs		(6,236)	(6,557)
		<hr/>	<hr/>
Profit before taxation	6	49,938	42,444
Income taxes	7	(5,773)	(3,455)
		<hr/>	<hr/>
Profit for the period attributable to equity holders of the Company		<hr/> 44,165	<hr/> 38,989
Earnings per share	9		
– basic		<hr/> HK5.9 cents	<hr/> HK5.2 cents



Condensed Consolidated Balance Sheet

At 30 September 2006

	NOTES	(Unaudited) 30 September 2006 HK\$'000	(Audited) 31 March 2006 HK\$'000
Non-current assets			
Intangible assets		3,204	3,220
Property, plant and equipment	10	333,633	335,221
Investment properties		17,311	17,219
Land use rights		32,033	31,722
Available-for-sale financial assets		950	1,216
Deferred tax assets		7,109	7,364
Bills and accounts receivable			
– due after one year	11	831	4,148
Restricted bank balances	16(i) and (ii)	3,950	1,969
		<u>399,021</u>	<u>402,079</u>
Current assets			
Inventories		334,882	205,964
Bills and accounts receivable	11	289,717	243,567
Other receivables, prepayments and deposits		47,727	26,664
Amounts due from related entities	18(c)	63,021	95,625
Restricted bank balances	16(i) and (ii)	20,407	18,482
Cash and bank balances		69,714	65,435
		<u>825,468</u>	<u>655,737</u>
Current liabilities			
Bills and accounts payable	12	263,415	142,010
Other payables, deposits and accruals		88,245	83,968
Amounts due to related entities	18(d)	252	109
Bank borrowings – due within one year	13	309,967	261,282
Tax payable		3,664	4,916
		<u>665,543</u>	<u>492,285</u>
Net current assets		<u>159,925</u>	<u>163,452</u>
Total assets less current liabilities		<u>558,946</u>	<u>565,531</u>
Non-current liabilities			
Bank borrowings – due after one year	13	78,775	91,589
Net assets		<u>480,171</u>	<u>473,942</u>
EQUITY			
Share capital	14	65,000	10,000
Reserves		415,171	463,942
Equity attributable to the Company's equity holders		<u>480,171</u>	<u>473,942</u>



Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 September 2006

	Share capital HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000 (Note i)	Exchange fluctuation reserve HK\$'000	Statutory reserve HK\$'000 (Note ii)	Investment revaluation deficit HK\$'000	Property revaluation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2005	10,000	67,809	-	1,469	46,308	(209)	2,200	-	234,234	361,811
Exchange realignment	-	-	-	4,976	-	-	-	-	-	4,976
Loss on available-for-sale financial assets	-	-	-	-	-	(683)	-	-	-	(683)
Gain/(loss) recognised directly in equity	-	-	-	4,976	-	(683)	-	-	-	4,293
Profit for the period	-	-	-	-	-	-	-	-	38,989	38,989
Total recognised income/(expense) for the period	-	-	-	4,976	-	(683)	-	-	38,989	43,282
Capitalisation of statutory reserve of a subsidiary as paid up capital	-	962	-	-	(962)	-	-	-	-	-
	-	962	-	4,976	(962)	(683)	-	-	38,989	43,282
At 30 September 2005 (Unaudited)	10,000	68,771	-	6,445	45,346	(892)	2,200	-	273,223	405,093
At 1 April 2006	10,000	68,771	-	6,440	52,149	(665)	2,200	43,000	292,047	473,942
Exchange realignment	-	-	-	5,330	-	-	-	-	-	5,330
Loss on available-for-sale financial assets	-	-	-	-	-	(266)	-	-	-	(266)
Gain/(loss) recognised directly in equity	-	-	-	5,330	-	(266)	-	-	-	5,064
Profit for the period	-	-	-	-	-	-	-	-	44,165	44,165
Total recognised income/(expense) for the period	-	-	-	5,330	-	(266)	-	-	44,165	49,229
Arising from corporate reorganisation	55,000	(68,771)	13,771	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	-	18	-	-	-	(18)	-
Dividend paid	-	-	-	-	-	-	-	(43,000)	-	(43,000)
	55,000	(68,771)	13,771	5,330	18	(266)	-	(43,000)	44,147	6,229
At 30 September 2006 (Unaudited)	65,000	-	13,771	11,770	52,167	(931)	2,200	-	336,194	480,171

Notes:

- (i) Special reserve represents the difference between the share capital and capital reserve of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of corporate reorganisation.
- (ii) The statutory reserve is reserve of the Company's subsidiaries operating as foreign investment enterprises in the People's Republic of China (the "PRC"). The transfer to this reserve is governed by relevant regulations of the PRC and the articles of association of these subsidiaries. Subject to certain restrictions set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses or be capitalised as paid up capital.



Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	(Unaudited)	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	31,254	(54,225)
Net cash used in investing activities	(17,957)	(63,218)
Net cash (used in)/generated from financing activities	(10,986)	108,198
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	2,311	(9,245)
Cash and cash equivalents at beginning of period	60,843	59,768
Effect of foreign exchange rate changes	1,082	767
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>64,236</u>	<u>51,290</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

1. General information

The Company was incorporated in the Cayman Islands on 18 August 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. Pursuant to a corporate reorganisation (the "Corporate Reorganisation") which was completed on 23 September 2006, in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired all of the equity interests in Best Truth Enterprises Limited, World Force Limited and Cyberbay Pte Ltd.. Details of the Corporate Reorganisation are set out in section 4 headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 29 September 2006 (the "Prospectus").

The Company has issued 250,000,000 new shares pursuant to a public offer. The Company's shares were listed on the Stock Exchange on 16 October 2006.

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the 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 have been prepared on consolidated basis as prescribed by the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 September 2006 include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the six months ended 30 September 2006, or since their respective dates of incorporation/establishment, where this is a shorter period. The condensed consolidated balance sheet of the Group as at 30 September 2006 have been prepared to present the assets and liabilities of the companies now comprising the Group as the current group structure resulting from the Corporate Reorganisation was completed on 23 September 2006.

The comparative figures for the six months ended 30 September 2005 and as at 31 March 2006 are presented on the same basis.



3. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair values. The accounting policies used in the condensed consolidated financial statements are consistent with those used in the preparation of the underlying financial statements of the Group for the three years ended 31 March 2006, as described in the accountants' report set out in Appendix I to the Prospectus.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new standards, amendments or interpretations had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly no prior period adjustment has been made.

The Group has not yet applied the following new or amended Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and interpretations ("INT") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the Group's results of operations and financial position.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-INT 8	Scope of HKFRS 2 ²
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC)-INT 10	Interim Financial Reporting and impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

4. Turnover and other revenue

	(Unaudited)	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Sales of machines and related accessories, net of returns and discounts	467,073	379,401
Rental income	851	910
Bank interest income	521	333
Other subsidies from government	867	898
Value added tax refunded	4,998	8,437
Gain on resale of plant and equipment to related companies	–	2,780
Sundry income	266	1,337
	<u>7,503</u>	<u>14,695</u>
	<u>474,576</u>	<u>394,096</u>



5. Segment information

Primary reporting format – Business segments

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

As the Group has only one business segment, no business segment analysis was presented.

Secondary reporting format – Geographical segments

The Group's operations are principally located in the PRC. As over 90% of the Group's revenue are derived from customers and operations based in the PRC, no analysis of the Group's geographical revenue is presented.

The additions to property, plant and equipment are as follows:

	(Unaudited)	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Location		
The PRC	14,097	61,452
Hong Kong	383	337
Other countries	46	41
	<u>14,526</u>	<u>61,830</u>

There was no addition of land use rights, investment properties and intangible assets during the six months ended 30 September 2005 and 2006.

The carrying amounts of segment assets by location of assets are as follows:

	(Unaudited)	(Audited)
	As at 30 September	As at 31 March
	2006	2006
	HK\$'000	HK\$'000
Location		
The PRC	1,158,952	973,051
Hong Kong	37,931	48,111
Other countries	20,497	29,290
	<u>1,217,380</u>	<u>1,050,452</u>
Total segment assets	1,217,380	1,050,452
Deferred tax assets	7,109	7,364
	<u>1,224,489</u>	<u>1,057,816</u>
Total assets	1,224,489	1,057,816



6. Profit before taxation

(Unaudited)
Six months ended
30 September
2006 **2005**
HK\$'000 HK\$'000

Profit before taxation has been arrived at after charging/(crediting):

Amortisation of:		
– Trademark	24	24
– Land use rights	311	308
Depreciation of property, plant and equipment	21,971	15,417
	<hr/>	<hr/>
Total amortisation and depreciation	22,306	15,749
	<hr/>	<hr/>
Loss on disposal of property, plant and equipment	416	189
(Reversal of impairment loss)/Impairment loss on bills and accounts receivable	(4,844)	667
Reversal of impairment loss on amount due from a related company	(1,729)	–
Reversal of write down of inventory	(4,718)	(1,259)
Interest on bank borrowings	10,319	5,975
	<hr/>	<hr/>

7. Income taxes

(Unaudited)
Six months ended
30 September
2006 **2005**
HK\$'000 HK\$'000

The tax charge/(credit) for the period represents:

Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	5,417	3,940
Deferred taxation	356	(485)
	<hr/>	<hr/>
	5,773	3,455
	<hr/>	<hr/>

No Hong Kong Profits Tax has been provided for the six months ended 30 September 2005 and 2006 as there were no assessable profits arose for these periods.

In accordance with the applicable Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, the Company's subsidiaries registered in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on the income tax in the following three years. The tax rates applicable to those subsidiaries established and operated in the PRC currently subject to EIT ranged from 7.5% to 13.5% for the six months ended 30 September 2005 and 2006.

No provision for overseas income tax has been made as the Group has no assessable profits subject to overseas income tax for the six months ended 30 September 2005 and 2006.



8. Dividends

		(Unaudited)	
		Six months ended	
		30 September	
		2006	2005
	NOTES	HK\$'000	HK\$'000
Interim dividend declared by the Company	(i)	18,000	–
Final dividend declared and paid by a subsidiary	(ii)	43,000	–
		<hr/>	<hr/>
		61,000	–
		<hr/>	<hr/>

Notes:

- (i) The directors have determined that an interim dividend of HK1.8 cents per share for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 16 January 2007.
- (ii) On 29 September 2006, the final dividend of HK\$43,000,000 of a wholly-owned subsidiary, L.K. Machinery Company Limited, in respect of the year ended 31 March 2006, was approved by its then shareholders and was settled.

9. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company of HK\$44,165,000 for the six months ended 30 September 2006 (six months ended 30 September 2005: HK\$38,989,000) and on the assumption that 750,000,000 shares had been in issue throughout the periods, comprising 650,000,000 shares in issue as at 30 September 2006 and 100,000,000 shares issued pursuant to the capitalisation issue as described more fully in note 14.

No diluted earnings per share have been presented as there were no potential dilutive shares in issue for both periods.

10. Movements in property, plant and equipment

During the six months ended 30 September 2006, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$891,000 (six months ended 30 September 2005: HK\$494,000).

In addition, the Group spent approximately HK\$14,526,000 (six months ended 30 September 2005: HK\$61,830,000) in respect of property, plant and equipment mainly for the purpose of upgrading its manufacturing facilities.



11. Bills and accounts receivable

Goods sold to customers are either made on cash on delivery or on credit. Customers in general are required to pay deposits upon purchases orders are placed, the remaining balances will be payable upon goods are delivered to customers. Some customers are granted a credit term with repayment period ranging from 1 month to 6 months. The Group also sells goods to certain customers with sales proceeds payable by instalments which normally range from 6 months to 12 months.

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Gross accounts receivable	288,213	250,506
Less: Impairment loss	(27,674)	(32,475)
	<hr/>	<hr/>
Accounts receivable, net	260,539	218,031
Bills receivable	30,009	29,684
Less: Balance due within one year included in current assets	(289,717)	(243,567)
	<hr/>	<hr/>
Balance due after one year shown as non-current assets	831	4,148
	<hr/>	<hr/>

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

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Balance with extended credit terms and/or receivable by instalments		
0 – 90 days	45,648	85,972
91 – 180 days	22,651	18,783
181 – 365 days	24,929	6,952
Over one year	7,276	5,311
	<hr/>	<hr/>
	100,504	117,018
	<hr/>	<hr/>
Balance with normal credit terms		
0 – 90 days	81,101	75,094
91 – 180 days	43,765	23,527
181 – 365 days	44,009	14,867
Over one year	18,834	20,000
	<hr/>	<hr/>
	187,709	133,488
	<hr/>	<hr/>
	288,213	250,506
	<hr/>	<hr/>

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



12. Bills and accounts payable

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Accounts payable	254,317	132,921
Bills payable	9,098	9,089
	<u>263,415</u>	<u>142,010</u>

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

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
0 – 90 days	234,234	112,923
91 – 180 days	13,872	13,102
181 – 365 days	4,438	4,526
Over one year	1,773	2,370
	<u>254,317</u>	<u>132,921</u>

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

13. Bank borrowings

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
The bank borrowings comprise:		
Secured:		
Bank loans	183,478	169,240
Trust receipt loans	28,374	5,637
Bank overdrafts	5,478	4,592
	<u>217,330</u>	<u>179,469</u>
Unsecured:		
Bank loans	171,412	173,402
	<u>388,742</u>	<u>352,871</u>



The secured bank borrowings were secured by pledge of assets of the Group as detailed in note 16.

As at 30 September 2006, secured and unsecured bank borrowings amounting to HK\$185,394,000 (31 March 2006: HK\$159,000,000) were guaranteed by related entities, L.K. Industries Limited and/or Mr. Liu Siong Song as mentioned in note 18(b).

The maturity of the bank borrowings is as follows:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Repayable:		
Within one year	309,967	261,282
In the second year	38,898	40,083
In the third to fifth years inclusive	39,877	51,506
	<u>388,742</u>	<u>352,871</u>
Less: Amount due within one year included in current liabilities	<u>(309,967)</u>	<u>(261,282)</u>
Amount due after one year shown as non-current liabilities	<u>78,775</u>	<u>91,589</u>

14. Share capital

	(Unaudited) Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
Incorporation of the Company on 18 August 2004	3,800,000	380
Increase on 16 September 2006	2,996,200,000	299,620
At 30 September 2006	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Issued on 24 August 2004	1	–
Shares issued upon Corporate Reorganisation on 23 September 2006	649,999,999	65,000
At 30 September 2006	<u>650,000,000</u>	<u>65,000</u>



On 18 August 2004, the Company was incorporated with an initial authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.

Pursuant to the first meeting of the sole director of the Company held on 24 August 2004, 1 share of HK\$0.10 was allotted and issued nil paid ("Nil Paid Share") to a subscriber and the Nil Paid Share was transferred to Ms. Chong Siw Yin ("Ms. Chong"), a director and beneficial shareholder of the Company, on the same day.

Pursuant to the written resolutions of the sole shareholder of the Company passed on 16 September 2006, the authorised share capital of the Company was increased from HK\$380,000 to HK\$300,000,000 by the creation of an additional 2,996,200,000 shares of HK\$0.10 each.

Following a call on the Nil Paid Share on 23 September 2006 by the Company, Ms. Chong has fully paid up the Nil Paid Share which was credited as fully paid for cash at par on the same day.

Pursuant to the Corporate Reorganisation on 23 September 2006, the Company allotted and issued 649,999,999 new shares of HK\$0.10 each in exchange for the shares of the subsidiaries acquired.

For the purpose of these financial statements, the share capital as at 31 March 2006 represent the aggregate of the nominal value of the share capitals of the subsidiaries (Best Truth Enterprises Limited, World Force Limited and Cyberbay Pte Ltd.) to be acquired and directly held by the Company and the share capital of L.K. Machinery Company Limited to be acquired by Best Truth Enterprises Limited pursuant to the Corporate Reorganisation.

Pursuant to the resolutions of the sole shareholder of the Company passed on 23 September 2006 and conditional on the share premium account of the Company being credited as a result of the offer of shares for the issuing of the Company's shares in connection with listing of the Company's shares on 16 October 2006, the directors of the Company were authorised to capitalise HK\$10,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 100,000,000 shares of the Company for allotment and issue to holders of the shares whose names appear on the register of members of the Company at the close of business on 29 September 2006 (or as they may direct), in proportion to their then existing shareholders in the Company. Subsequent to the balance sheet date, the Company issued 100,000,000 shares of HK\$0.10 each by the capitalisation of share premium of HK\$10,000,000.

15. Contingent liabilities

(a) Guarantees

		(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
	NOTES		
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)	15,641	11,808
The amount of banking facilities utilised by a related company for which guarantee had been given by the Group to a bank	(ii)	–	29,729
The amount of credit facility utilised by a related company for which guarantee had been given by the Group	(iii)	–	–
		15,641	41,537



Notes:

- (i) The Group provided guarantees to banks in respect of banking facilities up to the maximum amount of approximately HK\$53,922,000 (31 March 2006: HK\$43,269,000) granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from customers with the banks as mentioned in note 16(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.

The directors consider that in case of default in payments by customers, the net realisable value of the related products should be able to substantially cover the repayment of the outstanding loan principals together with the accrued interest and related costs. Provision has been made in the financial statements for the guarantees to the extent of the estimated liability to be borne by the Group.

- (ii) It represents guarantee provided by the Group to a bank for banking facilities granted to Shanghai Arays Hardware Manufacturing Co., Ltd. ("Shanghai Arays") which was released on 30 June 2006.
- (iii) During the year ended 31 March 2006, the Group entered into a buy back guarantee agreement with a financial institution in respect of a credit facility of approximately HK\$11,538,000 granted to Gaoyao Hongtai Precision Die-casting Co., Ltd. ("Gaoyao Hongtai") to purchase the Group's products. In July 2006, Gaoyao Hongtai fully utilised the credit facilities of approximately HK\$11,538,000. This buyback guarantee was released on 21 September 2006.

(b) Legal claims

A High Court action has been made against a subsidiary by an individual (the "Plaintiff") in relation to the compensation for injury in a traffic accident that happened in December 2005 where the subject car was owned by the subsidiary. The court has ordered damages of approximately HK\$1,531,000 to be paid to the Plaintiff, of which approximately HK\$329,000 has been paid by the subsidiary. The directors, after taking legal advice, consider that the subsidiary should have a reasonable chance of success in appealing against the judgement and have filed an appeal on 22 May 2006. Accordingly, no provision for the damages that might eventually be payable by the subsidiary has been made in the financial statements. The appeal is still pending at the date of this interim report.

16. Pledge of assets

- (i) The Group's banking facilities were secured by guarantees given by related parties as mentioned in note 18(b) below and the following carrying amounts of the Group's assets:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Restricted bank balances	10,958	9,529
Buildings	117,002	77,814
Land use rights	14,784	9,391
Investment properties	6,100	6,100
Plant and machinery	31,363	20,836
Furniture, fixtures and office equipment	570	–
	<u>180,777</u>	<u>123,670</u>



- (ii) As at 30 September 2006, the Group also has restricted bank balances to the extent of HK\$13,399,000 (31 March 2006: HK\$10,922,000) pledged to banks for credit facilities granted to customers to purchase the Group's products as mentioned in note 15(i).
- (iii) The Group's investments in certain subsidiaries with aggregate net asset value of HK\$69,365,000 as at 30 September 2006 (31 March 2006: HK\$74,236,000) are pledged to a bank for banking facilities granted to the Group.

17. Commitments

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
– Authorised but not contracted for	3,858	1,335
– Contracted but not provided for	13,328	12,190
	<u>17,186</u>	<u>13,525</u>
Other commitments:		
– Authorised but not contracted for	9,709	9,615
– Contracted but not provided for	5,000	5,289
	<u>14,709</u>	<u>14,904</u>

The Group had commitments under non-cancellable operating leases in respect of land and buildings which are due for payments as follows:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Leases payable:		
Within one year	2,756	2,258
In the second to fifth year inclusive	2,622	932
	<u>5,378</u>	<u>3,190</u>



18. Related party transactions

(a) Transactions or balances with the following parties are considered as related party transactions.

Name of party	Relationship
Girgio Industries Limited ("Girgio")	95% owned by Fullwit Profits Limited as trustee of The Liu Family Unit Trust for the ultimate benefit of Ms. Chong and her son and the daughter. The remaining 5% is owned by Mr. Liu Siong Song, the spouse of Ms. Chong
Full Power Development Limited ("Full Power")	49% owned by Ms. Chong and 51% owned by Fullwit Profits Limited
Supreme Technology Limited ("Supreme Technology")	Wholly-owned by Girgio
L.K. Industries Limited ("LKIL")	Wholly-owned by Supreme Technology
Supreme Mission Limited ("Supreme Mission")	Wholly-owned by Supreme Technology
Windeck Maschinen GmbH ("Windeck")	55% owned by Supreme Mission
Fairview Technology Limited ("Fairview Technology")	Wholly-owned by Supreme Technology
Shanghai Dragon Prosper Limited ("Shanghai Dragon Prosper")	Wholly-owned by Fairview Technology since 30 March 2006
Allied First Technologies ("Allied First")	Wholly-owned by Fairview Technology
Gaoyao Hongtai	40% owned by Broad Rich Limited, which is indirectly wholly-owned by Girgio
Oriental Pan Pacific (Hong Kong) Limited ("OPP (HK)")	33.3% owned by Allied First
Ortal Pan Pacific Metalware Manufacturing (Shenzhen) Company Limited ("OPP (PRC)")	Wholly-owned by OPP (HK)

A director and beneficial shareholder of the Company, Ms. Chong, is in a position to exercise significant influence or control on the above companies.

**Name of party****Relationship**

L.K. Machinery (China) Limited
("LK China") whose name was
changed to Advance Tech Industries
Limited on 10 July 2006

Wholly-owned by Mr. Liu Siong Song

Key Point Limited ("Key Point")

Wholly-owned by LK China

Shanghai Arays

Wholly-owned by LK China

Techno Star Limited ("Techno Star")

Wholly-owned by LK China

Country Well Limited ("Country Well")

Wholly-owned by LK China

Baotou Arays Wheel Co., Ltd.
("Baotou Arays")

80% owned by Key Point

Shanghai Chaosheng Mould Co. Ltd.
("Shanghai Chaosheng")

Wholly-owned by Techno Star

Goodlink Development Limited
("Goodlink")

Wholly-owned by Mr. Liu Siong Song

Shanghai L.K. Machinery Co. Ltd.
("LK Shanghai")

100% beneficially owned by Goodlink

Wheelfit Investment Limited ("Wheelfit")

50% owned by Mr. Liu Siong Song

Arays Auto USA, Inc. ("Arays Auto")

40% owned by Mr. Liu Siong Song
30% owned by the brother-in-law of Mr. Liu Siong Song

Mr. Liu Siong Song, the spouse of Ms. Chong, is in a position to exercise significant influence or control on the above companies.

Name of party**Relationship**

Yin Fat Industrial Company Limited ("Yin Fat")

Wholly-owned by the brother and the sister-in-law of Mr. Liu Siong Song



(b) The Group had the following transactions with its related parties, which are considered by the directors carried out in the ordinary and usual course of the Group's business:

		(Unaudited)	
		Six months ended	
		30 September	
	NOTES	2006 HK\$'000	2005 HK\$'000
Sales of machines and related accessories or provision of services to:			
	(i)		
OPP(HK)		1,822	2,519
OPP (PRC)		–	648
Baotou Arays		–	8,379
Gaoyao Hongtai		548	–
Shanghai Arays		32	1,180
		2,402	12,726
Purchases of valves from:			
	(i)		
Shanghai Arays		759	819
Resales of equipment which were purchased on behalf of:			
	(ii)		
Baotou Arays		–	15,095
Shanghai Arays		–	1,412
Key Point		–	10,282
		–	26,789
Operating lease rentals received from:			
	(i)		
OPP (PRC)		289	337
Yin Fat		223	213
Shanghai Dragon Prosper		21	–
		533	550
Operating lease rentals paid to:			
	(i)		
Wheelfit Investment		558	558
Arays Auto		–	66
Full Power		315	363
		873	987
Recharge of electricity fee to:			
	(i)		
Shanghai Arays		1,644	1,303



		(Unaudited) As at 30 September 2006	(Audited) As at 31 March 2006
	NOTES	HK\$'000	HK\$'000
Guarantees given by the Group for credit facilities granted to:			
Shanghai Arays	(iii)	–	39,000
Gaoyao Hongtai	(iv)	–	11,538
		<hr/>	<hr/>
		–	50,538
		<hr/>	<hr/>
Amount of banking facilities of the Group guaranteed by:			
LKIL		7,647	10,000
Mr. Liu Siong Song and LKIL		222,049	243,015
Mr. Liu Siong Song		103,650	119,708
		<hr/>	<hr/>
		333,346	372,723
		<hr/>	<hr/>

Notes:

- (i) The transactions 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.
- (ii) The equipment were resold to Baotau Arrays and Shanghai Arays at a profit of HK\$2,780,000 and to Key Point at cost.
- (iii) The guarantee given by the Group for the credit facilities utilised by Shanghai Arays as at 31 March 2006 was released on 30 June 2006.
- (iv) The guarantee given by the Group for the credit facilities utilised by Gaoyao Hongtai in July 2006 was released on 21 September 2006.



(c) Details of the amounts due from related entities, which arose from transactions with and/or advances made to these entities, are set out as follows:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Amount due from holding company		
Girgio	3,384	–
Amount due from fellow subsidiary		
LKIL	9,766	9,716
Amounts due from related companies		
OPP(PRC)	3,762	4,561
OPP (HK)	5,878	2,328
LK Shanghai	–	5,695
Shanghai Arays	17,408	28,365
Baotou Arays	22,823	22,858
Country Well	–	9,000
Shanghai Chaosheng	–	73
Gaoyao Hongtai	–	13,029
	<u>49,871</u>	<u>85,909</u>
	<u>63,021</u>	<u>95,625</u>

The balances are unsecured, interest free and repayable on demand. The amounts outstanding as at 30 September 2006 were subsequently fully settled in October 2006.

(d) The particulars of the amounts due to related entities, which arose from transactions with and/or advances from these related entities, are as follows:

	(Unaudited) As at 30 September 2006 HK\$'000	(Audited) As at 31 March 2006 HK\$'000
Amount due to holding company		
Girgio	–	109
Amount due to related company		
LK Shanghai	252	–
	<u>252</u>	<u>109</u>

The balances are unsecured, interest free and repayable on demand. The amounts outstanding as at 30 September 2006 were subsequently fully settled in October 2006.



(e) The remuneration of directors and other members of key management was as follows:

	(Unaudited)	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Short term benefits (mainly include salaries and allowances and bonuses)	6,010	5,719
Retirement fund contributions	92	84
	<hr/>	<hr/>
	6,102	5,803
	<hr/>	<hr/>

19. Subsequent events

- (i) The Company has issued 250,000,000 new shares of HK\$0.10 each at a issue price of HK\$1.11 per share pursuant to a public offer. The Company's shares were listed on the Stock Exchange on 16 October 2006.
- (ii) On 29 November 2006, the Group entered into a sale and purchase agreement with Gaoyao Hongtai for sales of cold chamber die-casting machines and accessories to Gaoyao Hongtai at a consideration of approximately HK\$3,893,000 as disclosed in the Company's announcement dated 1 December 2006.

20. Date of approval of interim financial statements

The unaudited interim financial statements were approved and authorised for issue by the board of directors on 20 December 2006.



Management Discussion and Analysis

Financial Review

The turnover of the Group for the six months ended 30 September 2006 amounted to HK\$467,073,000, representing an increase of 23% as compared to the corresponding period last year. The profit attributable to shareholders amounted to HK\$44,165,000, representing an increase of 13% as compared to the corresponding period last year. The basic earnings per share was HK5.9 cents.

During the results period, the gross profit margin was 32.3%, a slight increase from 32.0% of the corresponding period last year.

The profit margin after taxation was 9.5%, a slight decrease from 10.3% of the corresponding period last year, which was mainly attributable to an increase in the distribution costs. During the results period, the Group doubled its efforts in exploring both mainland and overseas markets while expanded the market coverage by establishing offices for sales and services in various locations in the northern and south western regions of the PRC and sped up in the development of overseas new markets, resulting in the increase of the size of the workforce, the staff salaries, the cost of visiting customers, traveling expenses and commissions, etc.

Business Review

The business of die-casting machines was the main source of revenue of the Group. During the period under review, the Group recorded an increase of 21% in the sales of die-casting machines as compared to the corresponding period last year.

The surge in the price of crude oil led to an increase in the price of plastic raw materials, therefore, the customers were prudent in making purchase of plastic injection moulding machines. Nevertheless, the sales of plastic injection moulding machines continued to increase by 33%, as compared to the corresponding period last year.

In order to enhance the performance in exports, a sales and services company was established in Michigan, USA to explore the North American market. During the period under review, exports sales accounted for 8% of the total sales, representing a growth of 104% from the corresponding period last year.

As for the new products, the Group is currently developing cold chamber die-casting machines with clamping force of 4,000 tons and plastic injection moulding machines with clamping force over 2,000 tons. Meanwhile, the research and development of direct clamp plastic injection moulding machines has also been completed. Function-wise, the Group has successfully developed the real-time control system for die-casting machines and the networking system (電腦連網管理系統) for plastic injection moulding machines to improve the customers' operating efficiency. A number of new series of magnesium alloy die-casting machines has also been launched to cater for the market demand.

At the same time, a research and development office for CNC machines has been established by the Group in Taiwan to facilitate the research and development of such product. The Group also co-operates with a world-renowned CNC machines manufacturer in Germany, and acts as its distributor in the PRC.

Regarding the production, the operations of the new plant at Ningbo has commenced in phrases since June.

The Group's principal raw materials in production are steel and cast. The price of steel remained high during the first half of the year but it began to fall from end of July. A downward trend was also seen in the price of cast, which is expected to alleviate the manufacturing cost.



Prospects

The Group is the largest manufacturer of die-casting machines in the PRC. The cold and hot chamber die-casting machines manufactured by the Group are used extensively in different sectors of the industries such as transport, building materials (lights, locks and bathing products), 3C products (communication products, computer products and consumer electronic products), electrical tools, toys, gifts and clothing. It is expected the demand on the Group's die-casting machines will continue to grow.

Being the manufacturer of the first magnesium alloy die-casting machine as well as the first foreign enterprise selected to participate in technology-related project in the PRC, the Group has been actively involved in the scientific and technology project of the "National Tenth Five Year Plan" and has achieved breakthrough on the application and industrialization of magnesium, and become the showcase for magnesium alloy application and export, as a result, has boosted the rapid development of the magnesium alloy application in the PRC market. Given the superior performance of magnesium, which has been widely applied on various sectors namely automobiles, 3C products and hand tools, etc., has brought along vast opportunities for the future growth of the Group. With the National Development and Reform Commission and the Science & Technology Commission stating the inclusion of the magnesium alloy application into the key development plan during the "Eleventh Five Year Plan" period, it is expected that the prospect of magnesium alloy application in the PRC market will be promising.

The price of petroleum fell from the historical high of about US\$80/barrel in July 2006 to around US\$60/barrel recently. It is expected that the cost of plastic raw materials will decrease, the business of plastic injection moulding machines will be benefitted.

With the continuing upgrade of the manufacturing industry in the PRC, the market of CNC machines, commonly used by mould fabrication and machining industries, has been rapidly developing. Leveraging fully on the edge of sales and service networks in the PRC, the Group has accelerated the launch of the CNC machines so as to capture the market share of this new product and to become one of the growing business sectors of the Group in the future.

In order to remain competitive, the Group continued to enhance the research and development of new products. The new series of magnesium alloy die-casting machines, newly developed real-time control system for die-casting machines, direct clamp injection moulding machines and injection moulding machine networking system (電腦連網管理系統) are all well received in the market. As these kinds of new products offer a higher added-value, they will give a positive impact to the business of the Group.

Meanwhile, preliminary results have been achieved in the research and development of large-scaled die-casting machines, large-scaled plastic injection moulding machines and all electric injection moulding machines. It is expected the respective trial production will commence in 2007.

The Group has made incessant effort in enhancing staff training and offer appropriate incentive and remuneration packages with a view to establish an effective team spirit. With the endeavour of the staff, an ongoing development of the business is made possible.



In order to cater for the business growth in the next three to five years, a contract will be entered into in the near future with Kunshan Municipal Government of Jiangsu Province for the acquisition of a parcel of land with an area of 475.8 acres for a total consideration of approximately HK\$47,580,000, which will be funded from internal resources.

As for the overseas markets, the Group has stepped up its efforts in the development of new markets. The overseas markets sales is targeted to increase to 25% of the total sales of the Group in the next three years.

In respect of vertical and horizontal integration, the Group will continue to identify partners for collaboration so as to achieve cost saving and enhance the efficiency, with the ultimate purpose to make positive contribution to the Group.

The Group was listed on The Stock Exchange of Hong Kong Limited on 16 October 2006 and raised a net proceeds of HK\$252,500,000. Upon listing, the gearing ratio of the Group decreased to 44%. It also provides additional funds for development in different aspects, such as the expansion of plants, acquisition of additional production facilities, research and development, sales and promotion. It has also been used to repay part of the bank borrowings and the finance costs is expected to be reduced as a result.

Owing to the price fluctuation of the raw materials of zinc alloy and plastic raw material, the customers tend to be prudent in the purchase of machinery and equipment. Meanwhile, the government has recently refined the policy on tax rebate rates under export trade, together with the appreciation of RMB, increase in interest rate and the surge in labour cost, have created uncertainties to the businesses of customers. The competition in the plastic injection moulding machines market is relatively strong, posting certain level of pressure to the selling prices.

The business environment is full of challenges. However, the Group believes as the economy of the PRC continues to grow stronger, the demand for metal parts will continue to grow, and the demand for the die-casting machines which are capable of manufacturing metal parts of different shapes will grow accordingly. With the Group's leading market position, strong brand recognition, strong research and development ability and economies of scale, enable the Group to provide its customers with quality products, value-added services and total solutions. Continuous efforts have also been made towards cost saving in order to enhance its competitiveness. Looking forward, the Group remains prudently optimistic about the operations in the second half of the year.



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 2006, the Group's cash and bank balances amounted to approximately HK\$69.7 million (31 March 2006: HK\$65.4 million).

The gearing ratio (a ratio of total interest bearing liabilities to total equity) was approximately 81% (31 March 2006: 74%). The increase was mainly due to the increase in bank borrowings to HK\$388.7 million as at 30 September 2006 (31 March 2006: HK\$352.9 million) primarily for the purpose of financing the acquisition of production facilities during the period. Most of the new loans incepted in current period mature within one year.

The bank borrowings comprise:

	As at 30 September 2006	As at 31 March 2006
	HK\$'000	HK\$'000
Fixed rate borrowings	125,980	165,192
Floating rate borrowings	262,762	187,679
	<u>388,742</u>	<u>352,871</u>

Most of the new loans incepted in current period are floating rate borrowings.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	As at 30 September 2006	As at 31 March 2006
	HK\$'000	HK\$'000
RMB	212,255	185,385
Hong Kong dollars	168,957	157,395
Other currencies	7,530	10,091
	<u>388,742</u>	<u>352,871</u>



Most of the new loans incepted in current period are denominated in RMB and Hong Kong dollars.

As at 30 September 2006, the Group's average trade receivable turnover was 104 days (31 March 2006: 83 days). The Group had offered customers with longer credit terms in current period which lead to the increase in average trade receivable turnover days.

As at 30 September 2006, the Group's average inventory turnover was 156 days (31 March 2006: 141 days). The Group maintained a larger quantity of raw materials to ensure steady supply in September 2006.

As at 30 September 2006, the Group's average trade payables turnover was 117 days (31 March 2006: 96 days). As the Group maintained a larger quantity of raw materials in September 2006, the average trade payables turnover increased.

During the period ended 30 September 2006, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered such exposure will not be significant.

Staff and remuneration policies

As at 30 September 2006, the Group employed approximately 3,480 full time staff. The staff costs for current period amounted to HK\$69.6 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. Liu Zhao Ming
Mr. Chung Yuk Ming

Independent non-executive Directors

Dr. Low Seow Chay
Dr. Hon. Lui Ming Wah, SBS, JP
Mr. Tsang Yiu Keung, Paul
Mr. Chan Wah Tip, Michael
Mr. Liu Chee Ming

Company Secretary and Qualified Accountant

Mr. Lai Hau Yin

Authorised Representatives

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee

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

Nomination Committee

Mr. Chan Wah Tip, Michael
Dr. Low Seow Chay
Mr. Liu Chee Ming

Remuneration Committee

Mr. Liu Chee Ming
Dr. Hon. Lui Ming Wah, SBS, JP
Mr. Tsang Yiu Keung, Paul

Compliance Adviser

Taifook Capital Limited

Auditors

BDO McCabe Lo Limited

Registered Office

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

Principal Place of Business in Hong Kong

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China
China Construction Bank
Industrial and Commercial Bank of China
China Merchants Bank
Shenzhen Development Bank Ltd
DBS Bank (Hong Kong) Limited
Mizuho Corporate Bank, Ltd
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Public Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd

Stock Code

558

Website

<http://www.lktechnology.com>



Other Information

Interest and short positions of the directors in shares, underlying shares and debentures of the Company and its associated corporations

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2006 (the "Listing Date"). As at 16 October 2006, 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 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	75%
	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.3%
			37,500,000 ⁽³⁾ Short position	3.75%
Mr. Cao Yang	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.3%
Mr. Liu Zhao Ming	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.3%
Mr. Chung Yuk Ming	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.3%

Notes:

1. These 750,000,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siang Song ("Mr. Liu"). Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed interested in the shares held by Girgio through Fullwit.
2. Such interest in shares is held pursuant to options granted under the Pre-IPO Share Option Scheme, details of which are described in the paragraph headed "Share option schemes" in this report.
3. The short position of the 37,500,000 shares arises as a result of the entering into of the stock borrowing agreement dated 28 September 2006 by Girgio with Taifook Securities Limited.



Save as disclosed above, as at 16 October 2006, 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 16 October 2006, 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	75%
		37,500,000 Short position	3.75%
Mr. Liu	See Note (2)	750,000,000 ⁽²⁾ Long position	75%
		3,000,000 ⁽²⁾ Long position	0.3%
		37,500,000 Short position	3.75%
Fullwit	See Note (1)	750,000,000 ⁽¹⁾ Long position	75%
		37,500,000 Short position	3.75%
HSBC International Trustee Limited	See Note (3)	750,000,000 ⁽³⁾ Long position	75%
		37,500,000 Short position	3.75%



Name	Capacity	Number of shares held	Approximate percentage of shareholding
Taifook Securities Group Limited	See Note (4)	69,702,500 ⁽⁴⁾ Long position	6.97%
		37,500,000 Short position	3.75%
Taifook (BVI) Limited	See Note (4)	69,702,500 ⁽⁴⁾ Long position	6.97%
		37,500,000 Short position	3.75%
Taifook Finance Company Limited	See Note (4)	69,702,500 ⁽⁴⁾ Long position	6.97%
		37,500,000 Short position	3.75%
Taifook Securities Company Limited	Beneficial owner	58,502,500 Long position	5.85%
		37,500,000 Short position	3.75%

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 deemed 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.
4. Of the 69,702,500 shares in long position and the 37,500,000 shares in short position, 11,200,000 shares in long position were held by Taifook Finance Company Limited and 58,502,500 shares in long position and 37,500,000 shares in short position were held by Taifook Securities Company Limited. Taifook Securities Company Limited is a wholly-owned subsidiary of Taifook Finance Company Limited, which was in turn wholly-owned by Taifook (BVI) Limited, which was in turn wholly-owned by Taifook Securities Group Limited. Therefore, Taifook Finance Company Limited, Taifook (BVI) Limited and Taifook Securities Group Limited were deemed to be beneficially interested in the said shares held by Taifook Securities Company Limited for the purposes of the SFO.



Save as disclosed above, as at 16 October 2006, 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. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group.

Details of the options granted under the Pre-IPO Share Option Scheme during the period from 23 September 2006 (being the date of adoption of the Pre-IPO Share Option Scheme) to 30 September 2006 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options		
				As at 23/09/06	Lapsed/ exercised during the period	Outstanding as at 30/09/06
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	3,000,000	–	3,000,000
Mr. Liu Zhao Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	–	3,000,000
Mr. Chung Yuk Ming	23/09/2006	0.666	16/04/2007 – 15/10/2016	3,000,000	–	3,000,000
Others						
Employees	23/09/2006	0.666	16/04/2007 – 15/10/2016	24,800,000	–	24,800,000



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.

The fair value of the options granted under the Pre-IPO Share Option Scheme are determined at the Listing Date under the Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of the options:

Exercise price:	HK\$0.666
Risk-free interest rate:	4.046%
Expected volatility:	47%
Dividend yield:	4%
Suboptimal exercise factor:	1.5
Life of options:	10 years

At the Listing Date, the market value of the options granted under the Pre-IPO Share Option Scheme is HK\$18,480,000, and is expensed over the respective vesting periods.

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. The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. No options has been granted under the Share Option Scheme.

Interim dividend

The Board has resolved to declare an interim dividend of HK1.8 cents per share for the six months ended 30 September 2006 payable on or about 23 January 2007, to the shareholders whose names appear on the register of members of the Company on 16 January 2007.



Closure of register of members

The register of members of the Company will be closed from Friday, 12 January 2007 to Tuesday, 16 January 2007, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 11 January 2007.

Purchase, sale or redemption of listed securities of the company

Since the shares of the Company were listed on the main board of the Stock Exchange on the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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 Listing Rules since the Listing Date.

Audit committee

The Company established the Audit Committee in February 2005. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, namely Dr. Hon. Lui Ming Wah, *SBS, JP*, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee.

Nomination committee

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

Remuneration committee

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

Model code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code since the Listing Date.



Pledging of shares by the controlling shareholder

Included in the Group's total banking facilities as at 30 September 2006 were banking facilities provided by a bank to a subsidiary of the Company in an aggregate amount of approximately HK\$93.6 million, of which approximately HK\$41.2 million was utilised. The credit facilities are subject to review at any time by the bank and require an undertaking from Mr. Liu Siong Song not to pledge 37,500,000 shares indirectly owned by him in the Company after its successful public listing in the stock market to other financial institutions without the bank's consent.

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 2006. BDO McCabe Lo Limited, the Group's external auditors also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2006 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" 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.

By order of the Board

Chong Siw Yin

Chairperson

Hong Kong, 20 December 2006



INDEPENDENT INTERIM REVIEW REPORT

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 been instructed by the Company to review the interim financial report set out on pages 2 to 22.

Directors' Responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquires of the Group's management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 September 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

BDO McCabe Lo Limited

Certified Public Accountants

Lesley Yeung Kit Kam

Practising Certificate Number P04342

Hong Kong, 20 December 2006