



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

2007/2008
Interim Report



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The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2007 together with the comparative figures for the corresponding period in 2006.

Condensed Consolidated Income Statement

For the six months ended 30 September 2007

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



Condensed Consolidated Balance Sheet

At 30 September 2007

	Notes	(Unaudited) 30 September 2007 HK\$'000	(Audited) 31 March 2007 HK\$'000
Non-current assets			
Intangible assets		3,177	3,187
Property, plant and equipment	10	369,070	356,030
Investment properties		21,200	18,700
Land use rights	10	64,656	34,289
Available-for-sale financial assets		1,444	950
Deferred tax assets		9,380	12,096
Bills and accounts receivable – due after one year	11	1,753	932
Restricted bank balances	16(i) and (ii)	4,798	3,943
		<u>475,478</u>	<u>430,127</u>
Current assets			
Inventories		388,618	353,546
Bills and accounts receivable	11	363,388	290,267
Other receivables, prepayments and deposits		40,672	26,315
Restricted bank balances	16(i) and (ii)	32,842	23,243
Cash and bank balances		214,925	259,629
		<u>1,040,445</u>	<u>953,000</u>
Current liabilities			
Bills and accounts payable	12	252,584	219,759
Other payables, deposits and accruals		136,159	100,433
Bank borrowings - due within one year	13	250,315	258,349
Tax payable		5,363	2,570
		<u>644,421</u>	<u>581,111</u>
Net current assets		<u>396,024</u>	<u>371,889</u>
Total assets less current liabilities		<u>871,502</u>	<u>802,016</u>
Non-current liabilities			
Bank borrowings – due after one year	13	34,288	49,402
Net assets		<u>837,214</u>	<u>752,614</u>
EQUITY			
Share capital	14	100,772	100,000
Reserves		736,442	652,614
Equity attributable to the Company's equity holders		<u>837,214</u>	<u>752,614</u>



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve 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 reserve HK\$'000	Property revaluation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2006 (Audited)	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 fair value changes of available-for-sale financial assets	-	-	-	-	-	-	-	(266)	-	-	-	(266)
Gain/(loss) recognised 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)	-
Dividends 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
At 1 April 2007 (Audited)	100,000	222,068	10,281	-	13,771	18,754	64,015	(931)	2,200	20,110	302,346	752,614
Exchange realignment	-	-	-	-	-	25,478	-	-	-	-	-	25,478
Gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	-	-	494	-	-	-	494
Gain recognised in equity	-	-	-	-	-	25,478	-	494	-	-	-	25,972
Profit for the period	-	-	-	-	-	-	-	-	-	-	67,968	67,968
Total recognised income for the period	-	-	-	-	-	25,478	-	494	-	-	67,968	93,940
Issue of shares upon exercise of share options	772	4,368	-	-	-	-	-	-	-	-	-	5,140
Share-based payments	-	-	5,674	-	-	-	-	-	-	-	-	5,674
Transfer to share premium upon exercise of share options	-	3,346	(3,346)	-	-	-	-	-	-	-	-	-
Transfer to retained profits upon lapse of share options	-	-	(87)	-	-	-	-	-	-	-	87	-
Transfer to reserve	-	-	-	-	-	-	1,238	-	-	-	(1,238)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(20,110)	(44)	(20,154)
	772	7,714	2,241	-	-	25,478	1,238	494	-	(20,110)	66,773	84,600
At 30 September 2007 (Unaudited)	100,772	229,782	12,522	-	13,771	44,232	65,253	(437)	2,200	-	369,119	837,214

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 2007

(Unaudited)
Six months ended 30 September

	2007 HK\$'000	2006 HK\$'000
Net cash generated from operating activities	49,215	31,254
Net cash used in investing activities	(59,631)	(17,957)
Net cash used in financing activities	<u>(38,092)</u>	<u>(10,986)</u>
Net (decrease)/increase in cash and cash equivalents	(48,508)	2,311
Cash and cash equivalents at beginning of period	259,629	60,843
Effect of foreign exchange rate changes	<u>3,804</u>	<u>1,082</u>
Cash and cash equivalents at end of period	<u>214,925</u>	<u>64,236</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2007

1. General Information

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

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines and related accessories.

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

The ultimate holding company of the Company is Girgio Industries Ltd., a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

2. Basis of Preparation

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

The condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 March 2007.

3. Significant Accounting Policies

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

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



**Effective for
accounting periods
beginning on or after**

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

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

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

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



Primary reporting format – Business segments

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

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

Secondary reporting format – Geographical segments

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

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

	(Unaudited)	
	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Turnover and other revenue		
The PRC	658,660	436,550
Other countries	<u>55,333</u>	<u>37,505</u>
	<u>713,993</u>	<u>474,055</u>
	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2007	2007
	HK\$'000	HK\$'000
Location of assets		
The PRC	1,317,842	1,138,385
Hong Kong	142,822	199,186
Other countries	<u>45,879</u>	<u>33,460</u>
Total segment assets	1,506,543	1,371,031
Deferred tax assets	<u>9,380</u>	<u>12,096</u>
Total assets	<u>1,515,923</u>	<u>1,383,127</u>

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



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

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

5. Profit from Operations

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

6. Finance Costs – Net

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



7. Income Taxes

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

In accordance with the applicable Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, certain of the Company's subsidiaries registered in the PRC are exempted from income tax for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on the income tax in the following three years. In addition, certain of these subsidiaries are entitled to additional tax concessions granted by local tax bureau. These subsidiaries are currently subject to income tax at rates ranging from 7.5% to 27% for the period (2006: 7.5% to 13.5%).

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

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

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

8. Interim Dividend

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



9. Earnings Per Share

(a) Basic

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

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

(b) Diluted

Diluted earnings per share for the period ended 30 September 2007 is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes of the Company are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

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



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

During the six months ended 30 September 2007, the Group disposed of property, plant and equipment with carrying amount of approximately HK\$605,000 (2006:HK\$891,000).

In addition, the Group spent approximately HK\$53,099,000 (2006:HK\$14,526,000) in respect of land use rights, property, plant and equipment.

11. Bills and Accounts Receivable

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Gross accounts receivable	353,454	286,721
Less: Impairment losses	<u>(24,850)</u>	<u>(24,066)</u>
Accounts receivable, net	328,604	262,655
Bills receivable	36,537	28,544
Less: Balance due within one year included in current assets	<u>(363,388)</u>	<u>(290,267)</u>
Balance due after one year shown as non-current assets	<u>1,753</u>	<u>932</u>

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

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

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

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



12. Bills and Accounts Payable

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Accounts payable	234,564	202,433
Bills payable	<u>18,020</u>	<u>17,326</u>
	<u>252,584</u>	<u>219,759</u>

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

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

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



13. Bank Borrowings

The bank borrowings comprise:

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Secured:		
Bank loans	98,562	74,500
Trust receipt loans	<u>7,134</u>	<u>14,772</u>
	105,696	89,272
Unsecured:		
Bank loans	<u>178,907</u>	<u>218,479</u>
	<u><u>284,603</u></u>	<u><u>307,751</u></u>

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

The maturity of the bank borrowings is as follows:

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Repayable:		
Within one year	250,315	258,349
In the second year	31,163	32,715
In the third to fifth years inclusive	<u>3,125</u>	<u>16,687</u>
	284,603	307,751
Less: Amount due within one year included in current liabilities	<u>(250,315)</u>	<u>(258,349)</u>
Amount due after one year shown as non-current liabilities	<u><u>34,288</u></u>	<u><u>49,402</u></u>



14. Share Capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Authorised:		
At 31 March 2007 (audited) and 30 September 2007 (unaudited)	3,000,000,000	<u>300,000</u>
Issued and fully paid:		
At 31 March 2007 (audited)	1,000,000,000	100,000
Shares issued upon exercise of share options	<u>7,717,500</u>	<u>772</u>
At 30 September 2007 (unaudited)	<u>1,007,717,500</u>	<u>100,772</u>

15. Financial Guarantees

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks (Note)	<u>45,049</u>	<u>21,233</u>

Note: The Group provided guarantees to banks in respect of banking facilities up to the maximum amount of approximately HK\$119,792,000 (31 March 2007: HK\$55,000,000) granted to the Group's customers to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds from goods sold to customers with the banks as mentioned in note 16(ii)

16. Pledge of Assets

(i) The Group's banking facilities were secured by the assets of the Group as follows:

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Restricted bank balances	14,406	10,067
Buildings	31,986	29,323
Land use rights	16,982	16,893
Investment properties	6,700	6,350
Plant and machinery	68,355	30,576
Furniture, fixtures and office equipment	<u>446</u>	<u>500</u>
	<u>138,875</u>	<u>93,709</u>

(ii) As at 30 September 2007, the Group also has restricted bank balances to the extent of HK\$23,234,000 (31 March 2007: HK\$17,119,000) pledged to banks for credit facilities granted to customers to purchase the Group's products (Note 15).



17. Commitments

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Capital commitments in respect of acquisition of property, plant and equipment:		
– Contracted but not provided for	42,806	2,271
Capital commitments in respect of acquisition of land use rights:		
– Contracted but not provided for	42,128	40,443
Other commitments:		
– Contracted but not provided for	5,990	4,560

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 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Leases payable:		
Within one year	3,696	3,221
In the second to fifth year inclusive	1,435	2,161
	5,131	5,382



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 Siw Yin and her son and the daughter. The remaining 5% is owned by Mr. Liu Siong Song, the spouse of Ms. Chong Siw Yin.
Full Power Development Limited ("Full Power")	49% owned by Ms. Chong Siw Yin and 51% owned by Fullwit Profits Limited.
Shanghai Dragon Prosper Trading Limited ("Shanghai Dragon Prosper")	70% indirectly owned by Girgio since 30 March 2006.
Gaoyao Hongtai Precision Die-Casting Company Limited ("Gaoyao Hongtai")	40% indirectly owned by Girgio. Girgio disposed of the entire interest in Gaoyao Hongtai on 26 April 2007.
Oriental Pan Pacific (Hong Kong) Limited ("OPP (HK)")	33.3% indirectly owned by Girgio up to 31 October 2006. Girgio disposed of the entire interest in OPP(HK) on 1 November 2006.
Oriental Pan Pacific Metalware Manufacturing (Shenzhen) Company Limited ("OPP (PRC)")	Wholly-owned by OPP (HK).

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

Name of party	Relationship
Shanghai Arays Hardware Manufacturing Co. Ltd. ("Shanghai Arays")	Indirectly wholly-owned by Mr. Liu Siong Song.
Wheelfit Investment Limited ("Wheelfit")	50% owned by Mr. Liu Siong Song.

Mr. Liu Siong Song, the spouse of Ms. Chong Siw Yin, 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. The directors considered 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.

	(Unaudited)	
	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Operating lease rentals paid to:		
Wheelfit	558	558
Full Power	–	315
	<u>558</u>	<u>873</u>
Operating lease rentals received from:		
OPP (PRC)	–	289
Yin Fat	–	223
Shanghai Dragon Prosper	–	21
	<u>–</u>	<u>533</u>
Sales of machines and related accessories or provision of services to:		
OPP(HK)	–	1,822
Gaoyao Hongtai	–	548
Shanghai Arays	–	32
	<u>–</u>	<u>2,402</u>
Purchases of valves from:		
Shanghai Arays	–	759
	<u>–</u>	<u>759</u>
Recharge of electricity fee to:		
Shanghai Arays	–	1,644
	<u>–</u>	<u>1,644</u>



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

	(Unaudited)	
	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Short term benefits	9,619	6,010
Share based payments	4,024	–
Retirement fund contributions	222	92
	<u>13,865</u>	<u>6,102</u>

19. Comparative Figures

Certain comparative amounts have been reclassified to conform with current period's presentation.

20. Date of Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 10 December 2007.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2007, the Group has achieved satisfactory performance. Turnover amounted to approximately HK\$698,759,000, representing a significant increase of approximately 50% as compared to the corresponding period last year.

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

Business Review

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

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

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

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

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

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

Die-casting machines business

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

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



Plastic injection moulding machines business

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

CNC machines business

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

Prospects

Die-casting machines and peripheral equipment

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

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

Plastic injection moulding machines and peripheral equipment

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



CNC Machines

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

Conclusion

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

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

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

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

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

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 September 2007, the Group's cash and bank balances amounted to approximately HK\$214.9 million (31 March 2007: HK\$259.6 million).

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



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

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

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

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

Staff and Remuneration Policies

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



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

Qualified Accountant

Mr. Ng Wai Lun

Company Secretary

Mr. Wong Kin Ming

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

Auditor

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

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
China Construction Bank
Shenzhen Development Bank Ltd
Commercial Bank of Fuxin

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

As at 30 September 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	750,000,000 ⁽¹⁾ Long position	74.4%
	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.3%
Mr. Cao Yang	the Company	Beneficial owner	1,000,000 Long position	0.1%
			2,000,000 ⁽²⁾ Long position	0.2%
Mr. Liu Zhao Ming	the Company	Beneficial owner	3,000,000 ⁽²⁾ Long position	0.3%
Mr. Chung Yuk Ming	the Company	Beneficial owner	500,000 Long position	0.05%
			2,500,000 ⁽²⁾ Long position	0.25%

Notes:

- These 750,000,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siong Song ("Mr. Liu"). Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed interested in the shares held by Girgio through Fullwit.
- Such interest in shares is held pursuant to options granted under the Pre-IPO Share Option Scheme, details of which are described in the paragraph headed "Share Option Schemes" in this report.

Save as disclosed above, as at 30 September 2007, none of the Directors and chief executive of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



Interests and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 September 2007, the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	750,000,000 ⁽¹⁾ Long position	74.4%
Mr. Liu	See Note (2)	750,000,000 ⁽²⁾ Long position 3,000,000 ⁽²⁾ Long position	74.4% 0.3%
Fullwit	See Note (1)	750,000,000 ⁽¹⁾ Long position	74.4%
HSBC International Trustee Limited	See Note (3)	750,000,000 ⁽³⁾ Long position	74.4%
The Hamon Investment Group Pte Limited	Investment manager	71,055,000 Long position	7.1%

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.

Save as disclosed above, as at 30 September 2007, 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 six months ended 30 September 2007 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			
				Outstanding as at 01/04/07	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/07
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	–	(1,000,000)	2,000,000
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	–	(500,000)	2,500,000
Others							
Employees	23/09/2006	0.666	16/04/2007 – 15/10/2016	24,800,000	(200,000)	(6,217,500)	18,382,500
				<u>36,800,000</u>	<u>(200,000)</u>	<u>(7,717,500)</u>	<u>28,882,500</u>

The weighted average closing price immediately before the dates on which the options were exercised was HK\$1.05.

Each of the grantees to whom options were granted under the Pre-IPO Share Option Scheme would be subject to the following restrictions on the exercise of the options granted to him/her:

Period (as from 16 October 2006, the day on which the shares of the Company commenced trading on the Stock Exchange)	Maximum cumulative percentage of the shares under option exercisable by the grantee
First 6 months	0%
Second 6 months	33%
Third 6 months	66%
For the remaining option period	100%



Save as disclosed above, no further options were granted under the Pre-IPO Share Option Scheme as the right to do so had ended on the day on which the prospectus of the Company dated 29 September 2006 was registered with the Registrar of Companies in Hong Kong.

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. 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 had been granted under the Share Option Scheme.

Interim Dividend

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

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 3 January 2008 to Monday, 7 January 2008, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 January 2008.

Purchase, Sale or Redemption of Listed Securities of the Company

During the period, 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 during the period under review.

Audit Committee

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

Nomination Committee

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



Remuneration Committee

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 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 accounting period covered by the interim report.

Pledging of Shares by the Controlling Shareholder

Included in the Group's total banking facilities as at 30 September 2007 were banking facilities provided by a bank to a subsidiary of the Company in an aggregate amount of approximately HK\$79 million, of which approximately HK\$19.3 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 2007. BDO McCabe Lo Limited, the Group's external auditors also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2007 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Acknowledgement

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

By order of the Board

Chong Siw Yin

Chairperson

Hong Kong, 10 December 2007



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF L.K. TECHNOLOGY HOLDINGS LIMITED

(力勁科技集團有限公司)

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 19, which comprise the condensed consolidated balance sheet of L.K. Technology Holdings Limited as of 30 September 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO McCabe Lo Limited

Certified Public Accountants

25th Floor, Wing On Centre,
111 Connaught Road Central
Hong Kong

Wong Chi Wai

Practising Certificate Number P04945

Hong Kong, 10 December 2007