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

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

INTERIM REPORT 2011/2012

CONTENTS

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 information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011.

Condensed Consolidated Statement of Financial Position

At 30 September 2011

	Notes	(Unaudited) 30 September 2011 HK$'000	(Audited) 31 March 2011 HK$'000
Non-current assets			
Intangible assets		**14,665**	14,463
Property, plant and equipment	*7*	**822,283**	719,408
Investment properties		**33,807**	32,240
Land use rights	*7*	**168,086**	142,273
Deposits paid		**6,957**	29,652
Deferred income tax assets		**19,208**	20,553
Trade and bills receivables	*8*	**33,232**	4,069
Restricted bank balances		**19,001**	13,542
Total non-current assets		**1,117,239**	976,200
Current assets			
Inventories		**1,189,192**	861,932
Trade and bills receivables	*8*	**940,635**	787,790
Other receivables, prepayments and deposits		**217,504**	177,094
Derivative financial instruments	*9*	**–**	37
Restricted bank balances		**88,092**	66,374
Cash and bank balances		**386,221**	444,303
		2,821,644	2,337,530
Non-current assets held-for-sale	*13*	**76,622**	73,918
Total current assets		**2,898,266**	2,411,448
Total assets		**4,015,505**	3,387,648
Equity			
Share capital	*10*	**113,177**	113,107
Reserves		**940,582**	880,931
Retained earnings			
– Proposed final dividend		**–**	56,553
– Others		**601,915**	466,406
Equity attributable to owners of the Company		**1,655,674**	1,516,997
Non-controlling interests		**1,711**	3,439
Total equity		**1,657,385**	1,520,436

Condensed Consolidated Statement of Financial Position (continued)

At 30 September 2011

	Notes	(Unaudited) 30 September 2011 HK$'000	(Audited) 31 March 2011 HK$'000
Non-current liabilities			
Deferred income tax liabilities		**6,755**	4,475
Borrowings	*12*	**376,374**	91,765
Other payables		**10,225**	9,513
Total non-current liabilities		**393,354**	105,753
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*11*	**1,196,438**	957,825
Derivative financial instruments	*9*	**48,690**	60,347
Borrowings	*12*	**693,461**	713,951
Current income tax liabilities		**26,177**	29,336
Total current liabilities		**1,964,766**	1,761,459
Total equity and liabilities		**4,015,505**	3,387,648
Net current assets		**933,500**	649,989
Total assets less current liabilities		**2,050,739**	1,626,189

The notes on pages 9 to 31 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 September 2011

	Notes	(Unaudited) Six months ended 30 September 2011 HK$'000	2010 HK$'000
Revenue	14	**1,675,963**	1,239,037
Cost of sales	16	**(1,197,084)**	(836,402)
Gross profit		**478,879**	402,635
Other income	14	**19,266**	19,090
Other gains – net	15	**13,802**	2,161
Selling and distribution expenses	16	**(148,705)**	(97,558)
General and administration expenses	16	**(163,898)**	(126,878)
Operating profit		**199,344**	199,450
Finance income		**2,716**	1,034
Finance costs		**(25,993)**	(19,526)
Finance costs – net	18	**(23,277)**	(18,492)
Share of loss of an associate	13	**–**	(10,126)
Profit before income tax		**176,067**	170,832
Income tax expenses	19	**(29,479)**	(39,353)
Profit for the period		**146,588**	131,479
Profit attributable to:			
Owners of the parent		**150,228**	132,905
Non-controlling interests		**(3,640)**	(1,426)
		146,588	131,479
		HK cents	HK cents
Earnings per share for profit attributable to owners of the parent during the period (expressed in HK cents per share)	20		
– Basic		**13.3**	13.0
– Diluted		**12.6**	12.9

The notes on pages 9 to 31 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

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

The notes on pages 9 to 31 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

	Attributable to owners of the Company (Unaudited)											
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Statutory reserve HK$'000	Property revaluation reserve HK$'000	Perpetual convertible securities HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	113,107	497,862	1,239	13,771	145,947	134,511	2,200	85,401	522,959	1,516,997	3,439	1,520,436
Profit for the period	-	-	-	-	-	-	-	-	150,228	150,228	(3,640)	146,588
Other comprehensive income												
Currency translation differences	-	-	-	-	59,255	-	-	-	-	59,255	(81)	59,174
Total comprehensive income	-	-	-	-	59,255	-	-	-	150,228	209,483	(3,721)	205,762
Transaction with owners												
Issue of shares upon exercise of share options	70	396	-	-	-	-	-	-	-	466	-	466
Acquisition of remaining equity interest in a subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	(11,784)	(11,784)	1,993	(9,791)
Transfer to share premium upon exercise of share options	-	350	(350)	-	-	-	-	-	-	-	-	-
Dividend relating to 2010/11 paid	-	-	-	-	-	-	-	-	(59,488)	(59,488)	-	(59,488)
At 30 September 2011	113,177	498,608	889	13,771	205,202	134,511	2,200	85,401	601,915	1,655,674	1,711	1,657,385

The notes on pages 9 to 31 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 September 2011

	Attributable to owners of the Company (Unaudited)												
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Share reserve HK$'000	Exchange translation reserve HK$'000	Statutory reserve HK$'000	Available-for-sale investment reserve HK$'000	Property revaluation reserve HK$'000	Perpetual convertible securities HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010	102,146	244,947	5,047	13,771	109,517	83,465	1,327	2,200	–	322,909	885,329	3,443	888,772
Profit for the period	–	–	–	–	–	–	–	–	–	132,905	132,905	(1,426)	131,479
Other comprehensive income													
Currency translation differences	–	–	–	–	9,275	–	–	–	–	–	9,275	(51)	9,224
Total comprehensive income	–	–	–	–	9,275	–	–	–	–	132,905	142,180	(1,477)	140,703
Transaction with owners													
Issue of shares upon exercise of share options	548	3,104	–	–	–	–	–	–	–	–	3,652	–	3,652
Acquisition of additional equity interest in a subsidiary from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	(8,269)	(8,269)	224	(8,045)
Transfer to reserve	–	–	–	–	–	4,754	–	–	–	(4,754)	–	–	–
Transfer to share premium upon exercise of share options	–	2,744	(2,744)	–	–	–	–	–	–	–	–	–	–
At 30 September 2010	102,694	250,795	2,303	13,771	118,792	88,219	1,327	2,200	–	442,791	1,022,892	2,190	1,025,082

The notes on pages 9 to 31 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Cash flows (used in)/generated from operating activities	**(156,412)**	5,042
Cash flows used in investing activities	**(123,769)**	(89,572)
Cash flows generated from/(used in) financing activities	**195,306**	(95,777)
Net decrease in cash and cash equivalents	**(84,875)**	(180,307)
Cash and cash equivalents at the beginning of the period	**444,303**	398,074
Exchange gain	**26,793**	3,476
Cash and cash equivalents at end of period	**386,221**	221,243

The notes on pages 9 to 31 are integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

L.K. Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 October 2006. The address of the registered office is in Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The immediate and ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled ("CNC") machining centre and related accessories. The Group is also engaged in steel casting.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$") unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 November 2011.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

3 Accounting policies

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

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

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

3 Accounting policies *(continued)*

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

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

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

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

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

Notes:

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2011.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2011.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The total fair value of the derivative financial instruments of HK$48,690,000 (31 March 2011: HK$60,310,000, net) that are not traded in an active market, which primarily represented interest rate swap contracts, warrants and option, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As the significant inputs are not based on observable market data, these instruments are included in level 3 (31 March 2011: level 2 and level 3).

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 Segment information

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

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

The Group is organised into two main reportable segments.

(i) Manufacture and sales of machinery and equipment

(ii) Steel casting

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 Segment information *(continued)*

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 Segment information *(continued)*

Segment assets and liabilities

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

As at 30 September 2011

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

As at 31 March 2011

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 Segment information *(continued)*

Segment assets and liabilities *(continued)*

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

- all assets are allocated to reportable segments other than corporate assets, non-current assets held-for-sale, derivative financial instruments and deferred income tax assets.
- all liabilities are allocated to reportable segments other than corporate liabilities, derivative financial instruments, current income tax liabilities and deferred income tax liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

7 Property, plant and equipment and land use rights

	Property, plant and equipment HK$'000	Land use rights HK$'000
Six months ended 30 September 2010		
Opening net book amount 1 April 2010	594,210	140,313
Additions	79,058	–
Disposals	(770)	–
Depreciation and amortisation	(41,632)	(1,502)
Exchange difference	5,352	1,612
Closing net book amount 30 September 2010 (unaudited)	636,218	140,423
Six months ended 30 September 2011		
Opening net book amount as at 1 April 2011	**719,408**	**142,273**
Additions	**126,206**	**22,297**
Disposals	**(725)**	**–**
Depreciation and amortisation	**(48,431)**	**(1,668)**
Exchange difference	**25,825**	**5,184**
Closing net book amount as at 30 September 2011 (unaudited)	**822,283**	**168,086**

Notes to the Condensed Consolidated Interim Financial Information (continued)

8 Trade and bills receivables

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

9 Derivative financial instruments

	(Unaudited) As at 30 September 2011 HK$'000	(Audited) As at 31 March 2011 HK$'000
Balance classified as current assets		
Interest rate swap contract (Note a)	–	37
Balance classified as current liabilities		
Warrants (Note b)	3,790	22,569
Subscription options (Note b)	44,900	37,030
Interest rate swap contracts (Note a)	–	748
	48,690	60,347

(a) Interest rate swap contracts

The Group had entered into two interest rate swap contracts to manage its exposure to interest rate movements on its bank borrowings. One interest rate swap contract of notional amount of HK$50,000,000 was entered into to swap floating rate borrowings to fixed rate borrowings at interest rate of 3% per annum. Another interest rate swap contract of notional amount of HK$50,000,000 was entered into to swap its floating-rate borrowings to another floating-rate borrowings which was considered by management to be more favourable under their expectation of future market conditions.

All interest rate swap contracts were matured during the period and no such contract existed at period end date.

Notes to the Condensed Consolidated Interim Financial Information (continued)

9 Derivative financial instruments *(continued)*

(b) Warrants and subscription options

On 26 January 2011, the Company and a third party investor (the "Investor") entered into an investment agreement (the "Investment Agreement"), pursuant to which the Investor agreed to subscribe for the HK$255 million "Subscription Shares" and the HK$145 million "Perpetual Convertible Securities", at a total cash consideration of HK$400 million. The Company has also issued the "Warrants" and the "Subscription Options" to the investor at nil consideration as part of the transaction. Pursuant to the terms of the Warrants and the Subscription Options as stipulated in the Investment Agreement, the Warrants and the Subscription Options are regarded as derivatives in accordance with the Group's accounting policies.

Valuation of Warrants and Subscription Options

At the end of the accounting period, the Warrants and the Subscription Options are measured at their respective fair value estimated by an independent professional valuer in Hong Kong.

10 Share capital

	(Unaudited) Number of ordinary shares of HK$0.1 each	(Unaudited) Amount HK$'000
Authorised:		
At 31 March 2011 and 30 September 2011	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2011	1,131,065,000	113,107
Shares issued upon exercise of share options	700,000	70
At 30 September 2011	1,131,765,000	113,177

Notes to the Condensed Consolidated Interim Financial Information (continued)

11 Trade and bills payables, other payables, deposits and accruals

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

The following is the aging analysis of the trade payable:

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

12 Borrowings

The borrowings of the Group comprise:

	(Unaudited) As at 30 September 2011 HK$'000	(Audited) As at 31 March 2011 HK$'000
Non-current:		
Bank borrowings	376,374	91,765
Current:		
Bank borrowings	633,520	665,592
Trust receipt loans	59,941	48,359
	693,461	713,951
	1,069,835	805,716
Secured – bank and other borrowings	511,952	489,728
Unsecured – bank borrowings	557,883	315,988
	1,069,835	805,716

At 30 September 2011, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	As at 30 September 2011 HK$'000	As at 31 March 2011 HK$'000	As at 30 September 2011 HK$'000	As at 31 March 2011 HK$'000	As at 30 September 2011 HK$'000	As at 31 March 2011 HK$'000
Within 1 year	59,941	48,359	605,386	645,546	665,327	693,905
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	–	–	109,774	36,149	109,774	36,149
After 2 years but within 5 years	–	–	294,734	75,662	294,734	75,662
	–	–	404,508	111,811	404,508	111,811
	59,941	48,359	1,009,894	757,357	1,069,835	805,716

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Notes to the Condensed Consolidated Interim Financial Information (continued)

13 Non-current assets held-for-sale

As at 31 March 2010, the Group had 35% equity interest in Fuxin Li Chang Steel & Iron Foundry Co. Ltd. ("Fuxin Li Chang"), which was accounted for as "interest in an associate" in accordance with the Group's accounting policy.

On 1 April 2010, the directors of the Company decided to dispose of its interest in Fuxin Li Chang and since then, the investment in Fuxin Li Chang has been reclassified as "non-current assets held-for-sale" in the consolidated statement of financial position. On 20 March 2011, the Group entered into a letter of intent with the controlling shareholder of Fuxin Li Chang, pursuant to which, the Group will dispose of its interest in Fuxin Li Chang. It is management's intention to complete the disposal of investment in Fuxin Li Chang within the year ending 31 March 2012.

The details of the investment are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Fuxin Li Chang Steel & Iron Foundry Co., Ltd	Limited liability company	PRC	RMB60,000,000	35%	Iron ore mining and smelting

The carrying amount of the non-current assets held-for-sale as at 30 September 2011 was approximately HK$76,622,000 (31 March 2011: HK$73,918,000).

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

14 Revenue and other income

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

15 Other gains, net

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

16 Expenses by nature

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

17 Employees' benefits costs (including directors' emoluments)

	(Unaudited) Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Wages and salaries	**188,800**	135,159
Retirement scheme contributions	**17,642**	12,113
Other allowances and benefits	**37,184**	26,943
	243,626	174,215

18 Finance costs – net

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

19 Income taxes

The tax charge comprises:

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

19 Income taxes *(continued)*

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

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

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

20 Earnings per share

(a) Basic

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

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

20 Earnings per share *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: perpetual convertible securities and share options. The perpetual convertible securities are assumed to have been converted into ordinary shares. Share issuable under the share option schemes of the Company are the dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	(Unaudited) Six months ended 30 September	
	2011	2010
Profit attributable to owners of the parent (HK$'000)	**150,228**	132,905
Weighted average number of ordinary shares in issue (thousands)	**1,131,315**	1,025,391
Assumed conversion of perpetual convertible securities (thousands)	**58,000**	–
Adjustment for share options (thousands)	**1,571**	4,031
Weighted average number of ordinary shares of diluted earnings per share (thousands)	**1,190,886**	1,029,422
Weighted average number of ordinary shares for diluted earnings per share (HK cents)	**12.6**	12.9

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

21 Interim dividend

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

22 Financial guarantees

	(Unaudited) As at 30 September 2011 HK$'000	(Audited) As at 31 March 2011 HK$'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	276,322	193,610

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$490,775,000 (31 March 2011: HK$302,400,000) which are 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 these customers with the banks. 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 Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$779,247,000 (31 March 2011: HK$730,146,000). The facilities utilized by the subsidiaries as at 30 September 2011 amounted to HK$ 408,977,000 (31 March 2011: HK$515,448,000).

Notes to the Condensed Consolidated Interim Financial Information (continued)

23 Commitments

(a) Capital commitments

	(Unaudited) As at 30 September 2011 HK$'000	(Audited) As at 31 March 2011 HK$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	143,230	85,634
Other commitments	2,970	4,710
	146,200	90,344

(b) Operating lease commitments

At the end of reporting period, the Group had commitments for future minimum lease payments in respect of buildings under non-cancellable operating leases which fall due as follows:

	(Unaudited) As at 30 September 2011 HK$'000	(Audited) As at 31 March 2011 HK$'000
Leases payable:		
Within one year	15,748	13,589
In the second to fifth year inclusive	22,148	28,127
After the fifth year	7,725	7,709
	45,621	49,425

Notes to the Condensed Consolidated Interim Financial Information (continued)

24 Share options

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2011 are as follows:

			Number of shares subject to options		
Category of grantee	Exercise price HK$	Exercise period	Outstanding at 1 April 2011 (Audited)	Exercised during the period	Outstanding at 30 September 2011 (Unaudited)
Directors	0.666	16 April 2007 – 15 October 2016	1,500,000	–	1,500,000
Employees	0.666	16 April 2007 – 15 October 2016	900,000	700,000	200,000
			2,400,000	700,000	1,700,000

25 Related party transactions

The remuneration of directors and other members of key management during the period was as follows:

	(Unaudited) Six months ended 30 September	
	2011 HK$'000	2010 HK$'000
Wages and salaries, other allowances and benefits	**13,318**	7,530
Retirement scheme contributions	**205**	169
	13,523	7,699

Management Discussion and Analysis

Financial review

For the six months ended 30 September 2011 ("First Half Year" or "Period under Review"), following the business growth momentum of last year, the Group achieved a new record in its revenue and profits. Revenue was HK$1,675,963,000, representing an increase of approximately 35% as compared to HK$1,239,037,000 of the corresponding period last year. Profit attributable to the owners of the Company amounted to HK$150,228,000, representing an increase of approximately 13% as compared to the profit of HK$132,905,000 of the corresponding period last year. The smaller increase in net profit than revenue was mainly due to the change of product mix, and the rapid growth of the relatively low margin business of the computerised numerical controlled (CNC) machines which contributed a substantial rise in revenue.

Business review

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

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

Management Discussion and Analysis (continued)

Die-casting machines

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

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

Plastic injection moulding machines

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

Computerised numerical controlled (CNC) machines

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

Management Discussion and Analysis (continued)

Research and Development ("R&D")

R&D of die-casting machines

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

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

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

R&D of plastic injection moulding machines

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

R&D of CNC machines

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

Prospects

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

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

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

Management Discussion and Analysis (continued)

Prospects *(continued)*

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

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

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

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

Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 September 2011, the Group's cash and bank balances amounted to approximately HK$386.2 million (31 March 2011: HK$444.3 million).

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

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

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

Staff and Remuneration Policies

As at 30 September 2011, the Group employed approximately 4,100 full time staff. The staff costs for current period amounted to HK$243.6 million (2010: HK$174.2 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

Corporate Information

Board of Directors

Executive Directors

Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Chung Yuk Ming

Non-executive Director

Mr. Hu Yongmin

Independent non-executive Directors

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

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditor

PricewaterhouseCoopers

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 Citic Bank
Shenzhen Development Bank Ltd
Intesa Sanpaolo Spa

Stock Code

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Website

http://www.lktechnology.com

Other Information

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

As at 30 September 2011, 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)	645,980,000[1] Long position	57.08%
	the Company	Beneficial owner	1,050,000 Long position	0.09%
	the Company	Beneficial owner	1,500,000[2] Long position	0.13%
Mr. Cao Yang	the Company	Beneficial owner	2,000,000 Long position	0.18%
Mr. Chung Yuk Ming	the Company	Beneficial owner	2,000,000 Long position	0.18%

Notes:

1. These 645,980,000 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"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed to be interested in the shares held by Girgio through Fullwit and Mr. Liu.

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.

Save as disclosed above, as at 30 September 2011, 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.

Other Information (continued)

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

As at 30 September 2011, 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	645,980,000[(1)] Long position	57.08%
Mr. Liu	See Note (2)	645,980,000[(2)] Long position	57.08%
		1,050,000[(2)] Long position	0.09%
		1,500,000[(2)] Long position	0.13%
Fullwit	See Note (1)	645,980,000[(1)] Long position	57.08%
HSBC International Trustee Limited	See Note (3)	645,980,000[(3)] Long position	57.08%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner	112,000,000[(4)]	9.90%
	See Note (4)	58,000,000[(4)]	5.12%
		25,600,000[(4)]	2.26%
Kui Tang	Investment manager	112,000,000[(4)]	9.90%
	See Note (5)	58,000,000[(4)]	5.12%
		25,600,000[(4)]	2.26%

Notes:

1. These 645,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.

2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.

3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.

Other Information (continued)

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

4. On 26 January 2011, the Company and China Machinery Investment Holdings Limited ("China Machinery") entered into an investment agreement relating to, amongst other things, the issue of new subscription shares, the issue of perpetual convertible securities at an aggregate principal amount of HK$145,000,000 ("Perpetual Convertible Securities") and the issue of warrants entitling China Machinery to subscribe for a maximum 25,600,000 Shares ("Warrants"). China Machinery is wholly owned by FountainVest indirectly. Based on the initial conversion price of HK$2.50 per Share and assuming full conversion of the Perpetual Convertible Securities at such conversion price, the Perpetual Convertible Securities will be convertible into 58,000,000 Shares (the "Conversion Shares"). The Warrants entitle China Machinery to subscribe for a maximum of 25,600,000 Shares (the "Warrant Shares") at the initial exercise price of HK$3.125 per Share. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to China Machinery. For further details, please refer to the Company's announcements dated 26 January 2011 and 25 February 2011.

5. Kui Tang is deemed to be interested in the shares held by FountainVest by virtue of his 34% interest in FountainVest through One Venture Limited.

Save as disclosed above, as at 30 September 2011, 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. Movements of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 September 2011 were as follows:

				Number of shares subject to options			
Name/category of participant	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 01/04/2011	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/2011
The Directors							
Ms. Chong	23/09/2006	0.666	16/04/2007–15/10/2016	1,500,000	–	–	1,500,000
Others							
Employees	23/09/2006	0.666	16/04/2007–15/10/2016	900,000	–	700,000	200,000
				2,400,000	–	700,000	1,700,000

Other Information (continued)

Share Option Schemes *(continued)*

The weighted average closing price immediately before the dates on which the options were exercised was HK$2.81.

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

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

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

In addition, a share option scheme (the “Share Option Scheme”) was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption and up to 30 September 2011.

Interim Dividend

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

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the period under review.

Corporate Governance

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the period under review save as disclosed below.

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

Audit Committee

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

Other Information (continued)

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 period under review.

Continuing Disclosure Requirement Under Rule 13.21 of Chapter 13 of the Listing Rules

In accordance with the requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of the facility agreement with a covenant relating to specific performance of the controlling shareholder of the Company at 30 September 2011.

On 2 August 2011, L.K. Machinery Company Limited as borrower, and the Company as a guarantor, entered into a facility agreement with, inter alia, Hang Seng Bank Limited as the mandated coordinating arranger and facility agent and other financial institutions as lenders for a three-year term loan/revolving credit facility of up to HK$475 million (the "Facility Agreement"), the Facility Agreement imposes certain covenants relating to specific performance of the controlling shareholder of the Company.

The Facility Agreement provides that it would constitute an event of default under the Facility Agreement if (i) Mr. Liu Siong Song (a controlling shareholder of the Company held as to approximately 57% of equity interests in the Company as at the date of the Facility Agreement) and his family (the "Major Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficially interest in the Company, carrying at least 40% of the voting right, free from any security; (ii) the Major Shareholders collectively are not or cease to be the single largest shareholder of the company; (iii) the Major Shareholders collectively do not or cease to have control over the board of directors of the Company; and (iv) Ms. Chong Siw Yin (spouse of Mr. Liu Siong Song) is not or ceases to be the Chairman of the Company.

The aforesaid obligation continued to exist at 30 September 2011.

Review of Financial Information

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2011. PricewaterhouseCoopers, the Group's external auditor also reviewed the unaudited condensed consolidated financial information for the six months ended 30 September 2011 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Acknowledgement

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

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2011

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Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF L.K. TECHNOLOGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 31, which comprises the condensed consolidated statement of financial position of L.K. Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review 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.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 November 2011