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力勁科技集團有限公司

**L.K. Technology Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 558)**

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

The board (the “Board”) of directors (the “Directors”) of L.K. Technology Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

		(Unaudited)	
		Six months ended	
		30 September	
	<i>Note</i>	<b>2016</b>	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>1,631,226</b>	1,563,680
Cost of sales	6	<b>(1,224,151)</b>	(1,196,613)
Gross profit		<b>407,075</b>	367,067
Other income	3	<b>19,011</b>	16,486
Other (losses)/gains – net	4	<b>(3,040)</b>	4,983
Gain/(loss) on disposal of a subsidiary/ subsidiaries	5	<b>45,712</b>	(3,506)
Selling and distribution expenses	6	<b>(152,910)</b>	(176,774)
General and administration expenses	6	<b>(185,709)</b>	(168,150)
Operating profit		<b>130,139</b>	40,106

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2016</b>	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		<b>1,389</b>	1,087
Finance costs		<b>(31,968)</b>	(43,282)
Finance costs – net	7	<b>(30,579)</b>	(42,195)
Share of profit of an associate		<b>878</b>	1,119
Profit/(loss) before income tax		<b>100,438</b>	(970)
Income tax expense	8	<b>(28,821)</b>	(8,588)
Profit/(loss) for the period		<b><u>71,617</u></b>	<b><u>(9,558)</u></b>
Profit/(loss) attributable to:			
Owners of the Company		<b>71,684</b>	(9,139)
Non-controlling interests		<b>(67)</b>	(419)
		<b><u>71,617</u></b>	<b><u>(9,558)</u></b>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company during the period (expressed in HK cents per share)			
– Basic	9(a)	<b><u>6.4</u></b>	<b><u>(0.8)</u></b>
– Diluted	9(b)	<b><u>6.1</u></b>	<b><u>(0.8)</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) for the period	<b>71,617</b>	(9,558)
Other comprehensive income/(loss) for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference		
Losses arising during the period	<b>(49,886)</b>	(61,945)
Transferred from exchange reserve to the condensed consolidated income statement upon disposal of a subsidiary	<b>1,339</b>	–
Change in value of available-for-sale financial assets	<b>113</b>	111
	<u>          </u>	<u>          </u>
Total comprehensive income/(loss) for the period, net of tax	<b><u>23,183</u></b>	<b><u>(71,392)</u></b>
Attributable to:		
Owners of the Company	<b>23,250</b>	(70,973)
Non-controlling interests	<b>(67)</b>	(419)
	<u>          </u>	<u>          </u>
	<b><u>23,183</u></b>	<b><u>(71,392)</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2016**

	<i>Note</i>	<b>(Unaudited)</b> <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>31 March</b> <b>2016</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		<b>10,533</b>	21,064
Property, plant and equipment		<b>1,131,054</b>	1,187,301
Investment properties		<b>139,600</b>	139,100
Land use rights		<b>291,318</b>	301,750
Interests in joint ventures		–	–
Interest in an associate		<b>29,518</b>	29,332
Other receivables and deposits		<b>22,346</b>	7,202
Deferred income tax assets		<b>56,901</b>	60,728
Trade and bills receivables	<i>11</i>	<b>11,630</b>	27,868
Available-for-sale financial assets		<b>7,535</b>	7,422
Restricted bank balances		<b>17,017</b>	8,949
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>1,717,452</b>	1,790,716
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>1,031,640</b>	1,100,119
Trade and bills receivables	<i>11</i>	<b>1,057,400</b>	959,472
Other receivables, prepayments and deposits		<b>163,315</b>	156,456
Restricted bank balances		<b>102,493</b>	67,682
Cash and cash equivalents		<b>396,474</b>	330,404
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,751,322</b>	2,614,133
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>4,468,774</b>	4,404,849
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	<i>Note</i>	(Unaudited) 30 September 2016 HK\$'000	(Audited) 31 March 2016 HK\$'000
<b>Equity</b>			
Share capital		113,327	113,327
Shares held for share award scheme		(10,275)	(973)
Reserves		848,462	898,079
Retained earnings		<u>815,115</u>	<u>742,248</u>
Equity attributable to owners of the Company		1,766,629	1,752,681
Non-controlling interests		<u>2,073</u>	<u>2,140</u>
<b>Total equity</b>		<u>1,768,702</u>	<u>1,754,821</u>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		11,477	6,610
Borrowings		619,133	736,548
Other payables		<u>9,965</u>	<u>9,228</u>
<b>Total non-current liabilities</b>		<u>640,575</u>	<u>752,386</u>
<b>Current liabilities</b>			
Trade and bills payables, other payables, deposits and accruals	12	1,181,387	1,053,348
Borrowings		846,989	820,242
Current income tax liabilities		<u>31,121</u>	<u>24,052</u>
<b>Total current liabilities</b>		<u>2,059,497</u>	<u>1,897,642</u>
<b>Total liabilities</b>		<u>2,700,072</u>	<u>2,650,028</u>
<b>Total equity and liabilities</b>		<u>4,468,774</u>	<u>4,404,849</u>

## NOTES:

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2016 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 has 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 2016, 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 this condensed consolidated interim financial information.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, 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. Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 April 2016. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- HKFRS 14, “Regulatory Deferral Accounts”;
- Amendments to HKFRS 10, “Consolidated Financial Statements”, HKFRS 12, “Disclosure of Interests in Other Entities” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Investment Entities: Applying the Consolidation Exception;
- Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”;
- Amendments to HKAS 1, “Presentation of Financial Statements – Disclosure Initiative”;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture” on Agriculture: Bearer Plants;
- Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”; and
- Annual Improvements to HKFRSs 2012 – 2014 Cycle.

**b. New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group**

- HKFRS 9, “Financial Instruments”<sup>2</sup>;
- HKFRS 15, “Revenue from Contracts with Customers”<sup>2</sup>;
- HKFRS 16, “Leases”<sup>3</sup>;
- Amendments to HKAS 7, “Cash Flow Statements”<sup>1</sup>;
- Amendments to HKAS 12, “Income Taxes”<sup>1</sup>;
- Amendments to HKFRS 10, “Consolidated Financial Statements” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup>;

<sup>1</sup> Effective for the Group for annual periods beginning on 1 January 2017

<sup>2</sup> Effective for the Group for annual periods beginning on 1 January 2018

<sup>3</sup> Effective for the Group for annual periods beginning on 1 January 2019

<sup>4</sup> The Group intends to adopt the amendments to existing standards when the effective date is determined.

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

## **2 SEGMENT INFORMATION**

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. Segment results represent the profit/(loss) 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/(loss) from operations”, i.e. profit/(loss) before finance income, finance costs and income taxes. To arrive at the profit/(loss) from operations, the Group’s profit/(loss) is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

- (i) Die-casting machine
- (ii) Plastic injection moulding machine
- (iii) Computerized numerical controlled (“CNC”) machining centre

For the six months ended 30 September 2016, none of the customers of the Group individually accounted for 10% or more (2015: Nil) of the Group’s total revenue.

The segment results for the six months ended 30 September 2016 are as follows:

<b>Unaudited</b>						
	<b>Die-casting machine HK\$'000</b>	<b>Plastic injection moulding machine HK\$'000</b>	<b>CNC machining centre HK\$'000</b>	<b>Total segments HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue</b>						
External sales	1,152,056	414,307	64,863	1,631,226	-	1,631,226
Inter-segments sales	<u>53,702</u>	<u>-</u>	<u>-</u>	<u>53,702</u>	<u>(53,702)</u>	<u>-</u>
	<b><u>1,205,758</u></b>	<b><u>414,307</u></b>	<b><u>64,863</u></b>	<b><u>1,684,928</u></b>	<b><u>(53,702)</u></b>	<b><u>1,631,226</u></b>
<b>Results</b>						
Segment results	<u>135,342</u>	<u>33,919</u>	<u>(22,165)</u>	<u>147,096</u>	<u>-</u>	147,096
Administrative expenses						(16,957)
Finance income						1,389
Finance costs						(31,968)
Share of profit of an associate						<u>878</u>
Profit before income tax						<b><u>100,438</u></b>



The segment results for the six months ended 30 September 2015 are as follows:

	Unaudited					
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total segments <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
External sales	1,212,271	272,701	78,708	1,563,680	–	1,563,680
Inter-segments sales	<u>29,559</u>	<u>–</u>	<u>–</u>	<u>29,559</u>	<u>(29,559)</u>	<u>–</u>
	<u>1,241,830</u>	<u>272,701</u>	<u>78,708</u>	<u>1,593,239</u>	<u>(29,559)</u>	<u>1,563,680</u>
<b>Results</b>						
Segment results	<u>70,816</u>	<u>(2,772)</u>	<u>(12,087)</u>	<u>55,957</u>	<u>–</u>	55,957
Administrative expenses						(15,851)
Finance income						1,087
Finance costs						(43,282)
Share of profit of an associate						<u>1,119</u>
Loss before income tax						<u>(970)</u>

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

## Segment assets and liabilities

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

As at 30 September 2016

	Unaudited			Total <i>HK\$'000</i>
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	
<b>Assets</b>				
Segment assets	2,678,657	1,194,243	564,275	4,437,175
Unallocated assets				<u>31,599</u>
Consolidated total assets				<u><u>4,468,774</u></u>
<b>Liabilities</b>				
Segment liabilities	1,871,185	540,920	263,894	2,675,999
Unallocated liabilities				<u>24,073</u>
Consolidated total liabilities				<u><u>2,700,072</u></u>

As at 31 March 2016

	Audited			Total <i>HK\$'000</i>
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	
<b>Assets</b>				
Segment assets	2,735,698	1,038,120	598,623	4,372,441
Unallocated assets				<u>32,408</u>
Consolidated total assets				<u><u>4,404,849</u></u>
<b>Liabilities</b>				
Segment liabilities	1,946,929	413,838	268,066	2,628,833
Unallocated liabilities				<u>21,195</u>
Consolidated total liabilities				<u><u>2,650,028</u></u>

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

- all assets are allocated to reportable segments other than corporate assets and available-for-sale financial assets.
- all liabilities are allocated to reportable segments other than corporate liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

### 3 REVENUE AND OTHER INCOME

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Die-casting machine	1,152,056	1,212,271
Plastic injection moulding machine	414,307	272,701
CNC machining centre	64,863	78,708
	<u>1,631,226</u>	<u>1,563,680</u>
Other income		
Value added taxes refund	8,565	8,925
Other subsidies from government	5,058	2,862
Rental income	4,186	3,079
Sundry income	1,202	1,620
	<u>19,011</u>	<u>16,486</u>
Total revenue and other income	<u><u>1,650,237</u></u>	<u><u>1,580,166</u></u>

### 4 OTHER (LOSSES)/GAINS – NET

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange losses	(5,617)	(89)
Increase in fair value of investment properties	3,442	5,250
Loss on disposals of property, plant and equipment	(865)	(178)
	<u>(3,040)</u>	<u>4,983</u>

## 5 GAIN/(LOSS) ON DISPOSAL OF A SUBSIDIARY/SUBSIDIARIES

During the period ended 30 September 2016, the Group disposed of its entire equity interest in Shanghai Prex Mfg. Co., Ltd. (“Shanghai Prex”) at a consideration of RMB76,000,000 (equivalent to approximately HK\$88,372,000), payable in five instalments. Shanghai Prex is principally engaged in the provision of advisory services, manufacturing and sales of peripheral equipment in the PRC. As a result of the disposal, a gain of approximately HK\$45,712,000 has been recognised in the condensed consolidated income statement. The effect of the disposal is summarised as follows:

	(Unaudited) HK\$'000
Property, plant and equipment	2,250
Deferred tax assets	1,184
Inventories	9,656
Trade and other receivables	25,995
Cash and cash equivalents	6,626
Bank borrowings	(323)
Trade payables, other payables and accruals	(22,328)
Tax payables	(1,131)
	<hr/>
Net assets disposed	21,929
Goodwill	9,606
Expenses attributable to the disposal	199
Exchange translation reserve transferred to the condensed consolidated income statement	1,339
Tax on disposal gain	7,274
Net gain on disposal	45,712
	<hr/>
Total consideration to be satisfied by cash, discounted at present value	86,059
Tax on disposal gain	(7,274)
	<hr/>
Total consideration to be satisfied by cash (after tax)	78,785
Consideration receivable, included in other receivables and deposits as at 30 September 2016	(33,036)
	<hr/>
Consideration received	45,749
	<hr/> <hr/>
Cash and cash equivalents disposed of	6,626
	<hr/> <hr/>
Net proceeds on disposal of a subsidiary	39,123
	<hr/> <hr/>

## 6 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables used	893,825	783,784
Change in inventories of finished goods and work in progress	67,061	144,201
Staff costs	241,967	239,991
Contributions to defined contribution retirement plans	24,389	22,996
Amortisation of land use rights	3,454	3,817
Amortisation of trademarks <sup>1</sup>	70	68
Amortisation of patents <sup>1</sup>	107	107
Amortisation of development costs and others <sup>2</sup>	2,628	2,352
Depreciation of property, plant and equipment	58,999	56,706
Research costs	10,268	8,715
Transportation expenses	32,357	47,124
Auditor's remuneration	1,961	1,845
Provision for impairment of trade receivables ( <i>Note 11</i> )	19,936	8,002
Write back of provision for impairment of trade receivables	–	(2,414)
Provision for inventories write-down <sup>2</sup>	15,713	8,379
Loss/(reversal of loss) on financial guarantee contracts	1,900	(155)
Other expenses	188,135	216,019
	<u>1,562,770</u>	<u>1,541,537</u>
Represented by:		
Cost of sales	1,224,151	1,196,613
Selling and distribution expenses	152,910	176,774
General and administration expenses	185,709	168,150
	<u>1,562,770</u>	<u>1,541,537</u>

<sup>1</sup> Included in general and administration expenses

<sup>2</sup> Included in cost of sales

## 7 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income:		
Interest income on short-term bank deposits	1,389	1,087
	-----	-----
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	(33,145)	(48,047)
Charges on bills receivables discounted without recourse	(576)	(1,787)
Less: Capitalised in property, plant and equipment ( <i>Note</i> )	1,753	6,552
	-----	-----
	(31,968)	(43,282)
	-----	-----
	<u>(30,579)</u>	<u>(42,195)</u>

*Note:*

Borrowing costs capitalised during the period arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.1% (2015: 4.2%) to expenditure on qualifying assets.

## 8 INCOME TAX EXPENSE

The tax charge comprises:

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– PRC income tax	20,753	3,159
– Overseas tax	395	9,907
– Hong Kong profits tax	–	–
	-----	-----
	21,148	13,066
Deferred income tax	7,673	(4,478)
	-----	-----
Tax charge	<u>28,821</u>	<u>8,588</u>

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 applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at statutory rate of 25% (2015: 25%).

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

Under the Corporate Income Tax Law of the PRC, dividends out of profit earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. The implementation rules of the Corporate Income Tax Law of the PRC provide for the withholding income tax on such dividend to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. 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% (2015: 16.5%) on the estimated assessable profit for the period. No Hong Kong profits tax has been provided for the period as the subsidiaries established in Hong Kong have no estimated assessable profit for the period (2015: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the jurisdiction in which the Group operates.

## 9 EARNINGS/(LOSS) PER SHARE

### (a) Basic

The calculation of the basic earnings/(loss) per share is based on the consolidated earnings attributable to owners of the Company of HK\$71,684,000 (2015: loss of HK\$9,139,000) and on the weighted average number of approximately 1,125,936,000 (2015: 1,132,400,000) ordinary shares in issue excluding own shares held during the period.

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
Profit/(loss) attributable to owners of the Company ( <i>HK\$'000</i> )	<u><b>71,684</b></u>	<u><b>(9,139)</b></u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>1,125,936</b></u>	<u><b>1,132,400</b></u>
Basic earnings/(loss) per share ( <i>HK cents</i> )	<u><b>6.4</b></u>	<u><b>(0.8)</b></u>

**(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 and excluding own shares held during the period. 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. Shares 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.

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>30 September</b> <b>2016</b>
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>71,684</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	1,125,936
Assumed conversion of perpetual convertible securities ( <i>thousands</i> )	58,000
Adjustment for share options ( <i>thousands</i> )	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousands</i> )	<u>1,183,936</u>
Diluted earnings per share ( <i>HK cents</i> )	<u>6.1</u>

During the period ended 30 September 2015, the conversion of all perpetual convertible securities and share options outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on the calculation of the diluted loss per share for the six months ended 30 September 2015.

**10 INTERIM DIVIDEND**

At a meeting held on 29 November 2016, the board of directors has resolved to declare an interim dividend of HK1.8 cents (2015: Nil) per share amounting to HK\$20,398,000. This declared dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in shareholders' equity in the year ending 31 March 2017.



## 11 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Trade receivables	921,582	903,507
Less: Provision for impairment	<u>(92,373)</u>	<u>(74,781)</u>
	<b>829,209</b>	828,726
Bills receivables	<u>239,821</u>	<u>158,614</u>
	<b>1,069,030</b>	987,340
Less: Balance due after one year shown as non-current assets	<u>(11,630)</u>	<u>(27,868)</u>
Trade and bills receivables, net	<u><b>1,057,400</b></u>	<u><b>959,472</b></u>

As at 30 September 2016, the amount of provision for impaired trade receivables was HK\$92,373,000 (31 March 2016: HK\$74,781,000). The provision for impairment of trade receivables was HK\$19,936,000 for the current interim period (30 September 2015: HK\$8,002,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Within 90 days	524,115	467,060
91-180 days	121,359	109,456
181-365 days	101,776	138,980
Over one year	<u>174,332</u>	<u>188,011</u>
	<u><b>921,582</b></u>	<u><b>903,507</b></u>

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

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. Majority of customers are granted with credit term 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 six months to twelve months.

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

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	546,086	527,495
Bills payables	156,354	52,497
Trade and other deposits and receipts in advance	182,467	195,988
Accrued salaries, bonuses and staff benefits	74,962	77,732
Accrued sales commission	27,536	28,443
Value added tax payable	49,698	39,029
Provision for loss on financial guarantee contracts	39	75
Others	144,245	132,089
	<u>1,181,387</u>	<u>1,053,348</u>

The following is the aging analysis of the trade payables:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	442,615	394,052
91-180 days	83,743	102,213
181-365 days	10,010	22,480
Over one year	9,718	8,750
	<u>546,086</u>	<u>527,495</u>

The maturity dates of the bills payables are generally between one to six months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2016 (“The Period under Review”), the Group has recorded a turnover of HK\$1,631,226,000, representing an increase of approximately 4% compared to the same period last year. During the Period under Review, the profit attributable to equity holders of the Company was HK\$71,684,000, compared to the loss of HK\$9,139,000 recorded over the same period last year.

The growth of turnover was mainly attributable to the substantial rise of the Group’s sales income in the PRC market. During the Period under Review, the Group’s turnover in the PRC market was HK\$1,228,438,000, representing an increase of 17% compared with the turnover of HK\$1,051,012,000 over the same period last year.

During the Period under Review, the momentum of development of the PRC’s national economy remained robust as a whole as evidenced by the statistics released by the National Bureau of Statistics which showed a stable GDP growth of 6.7% for the first half of 2016 compared to last year. In the fourth quarter of 2015, the PRC government introduced a policy to reduce purchase tax by half on low-emission vehicles. While the income level of citizens hiked continually, the policy spurred a favorable overall growth for the automobile market in the PRC in 2016. Benefitted from the general recovery of the economy of the PRC, the manufacturing industry had a strengthening demand for machinery and equipment, resulting in a surge in the Group’s sales income in the PRC market.

As for overseas markets, the American and European markets are currently under adjustment after having experienced economic revival in recent years, resulting in a skid in demand. For emerging markets like Brazil and India, the demand remained sluggish. The Group’s overseas turnover was HK\$402,788,000, reduced sharply by 21% as compared with HK\$512,668,000 over the same period last year.

In June 2016, the Group disposed of a subsidiary, recording a gain of HK\$45,712,000.

### *Die-Casting Machine*

During the Period under Review, the turnover of the Group's die-casting machine and peripheral equipment business was HK\$1,152,056,000, shrinking 5% as compared with HK\$1,212,271,000 over the same period last year, in which the turnover from the PRC market amounted to HK\$769,836,000, representing a growth of 4% as compared with HK\$736,865,000 over the same period last year while the turnover of overseas market has plunged considerably from HK\$475,406,000 over the same period last year to HK\$382,220,000 in the Period under Review, representing a drop of 20%. Our subsidiary IDRA is currently under adjustment in the American and European markets, resulting in a sliding demand and a fall back in turnover during the Period under Review.

### *Plastic Injection Moulding Machine*

During the Period under Review, the turnover of the Group's plastic injection moulding machine business was HK\$414,307,000, increased by 52% compared to HK\$272,701,000 over the same period last year. In view of the recovery of PRC domestic market and the increased demand, the Group continued to launch new products and made further efforts in marketing, which contributed to a remarkable growth in the performance of results.

### *Computerized Numerical Controlled ("CNC") Machining Center*

During the Period under Review, the turnover of the CNC machining center business of the Group was HK\$64,863,000, representing a 18% cut compared with HK\$78,708,000 over the same period last year. The CNC machining center industry remained sluggish under the pressure of stronger market competition, the difficulty as faced by the business as a whole.

## **Financial Review**

During the Period under Review, the overall gross profit margin of the business of the Group was 25.0%, representing an increase of approximately 1.5% as compared to the same period last year which was mainly due to the sustained improvements in operational efficiencies of the Group, among which the improvement in plastic injection moulding machine business was more satisfactory.

Selling and distribution expenses amounted to HK\$152,910,000, representing a decrease of 14% as compared to HK\$176,774,000 for the same period last year, which was mainly due to improvement in transportation costs and other relevant costs over the Period under Review.

General and administration expenses amounted to HK\$185,709,000, representing an increase of 10% as compared to HK\$168,150,000 recorded in the same period last year, which was mainly due to the increase in the provision of receivables for individual customers.

Net finance costs amounted to HK\$30,579,000, representing a decrease of 28% as compared to HK\$42,195,000 recorded in the same period last year. The Group restructured the syndicated loan in the same period last year, which accelerated the amortization of the related borrowing costs of approximately HK\$11,742,000 in prepayments which was one-off in nature in the same period last year.

## **Prospects**

The overall rebound of China's Manufacturing Purchasing Managers' Index in the past several months, which reinforced the recovery of the manufacturing industry, indicated that the Chinese economy would remain a trend of stability and betterment in the fourth quarter. However, the relatively strong performance of the manufacturing industry may not be sustained because the measures of adjustments of the real estate market may discourage future demand.

After having experienced substantial growth in recent years, the overseas market is currently under adjustment. The Group will strengthen its efforts in the promotion of new products, the implementation of stringent cost control, and the opening up of new markets with growth potentials.

The Group will continue to increase investments in research and development and improve product quality to satisfy the rising customer demands.

## **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 2016, the Group's cash and bank balances amounted to HK\$396,474,000 (31 March 2016: HK\$330,404,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 60% (31 March 2016: 70%).

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

As at 30 September 2016, the capital structure of the Company was constituted exclusively of 1,133,265,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,466,122,000 (31 March 2016: HK\$1,556,790,000), approximately 58% of which being short-term loans. Approximately 18% of the total borrowing was subject to interest payable at fixed rates.

### **Financial Guarantees**

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 30 September 2016, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$264,145,000 (31 March 2016: HK\$231,962,000). The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers amounted to approximately HK\$52,632,000 (31 March 2016: HK\$32,274,000).

### **Pledge of Assets**

The Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, land use rights, an investment property, property, plant and equipment, available-for-sale financial assets and bills receivables, with aggregate carrying amounts of HK\$691,866,000 (31 March 2016: HK\$550,441,000).

### **Capital Commitments**

As at 30 September 2016, the Group had made capital expenditure commitments of HK\$12,846,000 (31 March 2016: HK\$19,318,000) in respect of acquisition of property, plant and equipment.

### **Staff and Remuneration Policies**

As at 30 September 2016, the Group employed approximately 3,700 full time staff. The staff costs for the Period under Review amounted to HK\$266,356,000 (2015: HK\$262,987,000). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK1.8 cents (2015: Nil) per share for the six months ended 30 September 2016 to the shareholders whose names appear on the register of members of the Company on Friday, 23 December 2016. The interim dividend will be paid on or about 9 January 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 21 December 2016 to Friday, 23 December 2016, 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 Tuesday, 20 December 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased an aggregate of 18,370,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of approximately HK\$9,300,000.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Period under Review.

## **AUDIT COMMITTEE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the Period under Review.

## **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.lktechnology.com](http://www.lktechnology.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2016/17 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board  
**Chong Siw Yin**  
*Chairperson*

Hong Kong, 29 November 2016

*As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Liu Zhuo Ming, Mr. Tse Siu Sze and Mr. Wang Xinliang; the non-executive Director is Ms. Han Jie; and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, and Mr. Tsang Yiu Keung, Paul.*