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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 2015**

The board (the “Board”) of directors (the “Directors”) of L.K. Technology Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	<i>Note</i>	(Unaudited) Six months ended 30 September	
		2015	2014
		HK\$'000	HK\$'000
Revenue	3	1,563,680	1,710,964
Cost of sales	5	<u>(1,196,613)</u>	<u>(1,258,228)</u>
Gross profit		367,067	452,736
Other income	3	16,486	17,419
Other gains – net	4	1,477	247
Gain on disposal of properties		–	33,320
Selling and distribution expenses	5	(176,774)	(169,616)
General and administration expenses	5	<u>(168,150)</u>	<u>(191,424)</u>
Operating profit		<u>40,106</u>	<u>142,682</u>

		(Unaudited)	
		Six months ended	
		30 September	
	<i>Note</i>	2015	2014
		HK\$'000	HK\$'000
Finance income		1,087	2,340
Finance costs		<u>(43,282)</u>	<u>(30,394)</u>
Finance costs – net	6	<u>(42,195)</u>	<u>(28,054)</u>
Share of profit of an associate		<u>1,119</u>	<u>1,499</u>
(Loss)/profit before income tax		(970)	116,127
Income tax expense	7	<u>(8,588)</u>	<u>(23,016)</u>
(Loss)/profit for the period		<u>(9,558)</u>	<u>93,111</u>
(Loss)/profit attributable to:			
Owners of the parent		(9,139)	93,091
Non-controlling interests		<u>(419)</u>	<u>20</u>
		<u>(9,558)</u>	<u>93,111</u>
		HK cents	HK cents
(Loss)/earnings per share for (loss)/profit attributable to owners of the parent during the period (expressed in HK cents per share)			
– Basic	8(a)	<u>(0.8)</u>	<u>8.2</u>
– Diluted	8(b)	<u>(0.8)</u>	<u>7.8</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	(Unaudited)	
	Six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(9,558)	93,111
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference	(61,945)	30,622
Change in value of available-for-sale financial assets	<u>111</u>	<u>111</u>
Total comprehensive (loss)/income for the period, net of tax	<u>(71,392)</u>	<u>123,844</u>
Attributable to:		
Owners of the parent	(70,973)	123,824
Non-controlling interests	<u>(419)</u>	<u>20</u>
	<u>(71,392)</u>	<u>123,844</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015

	<i>Note</i>	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Non-current assets			
Intangible assets		22,251	21,639
Property, plant and equipment		1,164,214	1,122,042
Investment properties		73,780	69,950
Land use rights		328,373	340,448
Interests in joint ventures		–	–
Interest in an associate		31,635	31,294
Deposits paid		22,192	30,416
Deferred income tax assets		75,338	71,496
Trade and bills receivables	10	9,186	21,813
Available-for-sale financial assets		7,280	7,169
Restricted bank balances		11,807	2,976
Total non-current assets		<u>1,746,056</u>	<u>1,719,243</u>
Current assets			
Inventories		1,151,482	1,335,575
Trade and bills receivables	10	1,009,701	1,016,767
Other receivables, prepayments and deposits		174,371	192,921
Restricted bank balances		83,227	65,876
Cash and cash equivalents		348,908	306,992
Total current assets		<u>2,767,689</u>	<u>2,918,131</u>
Total assets		<u>4,513,745</u>	<u>4,637,374</u>

	<i>Note</i>	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Equity			
Share capital		113,327	113,177
Reserves		921,676	982,660
Retained earnings		<u>738,425</u>	<u>747,564</u>
Equity attributable to owners of the parent		1,773,428	1,843,401
Non-controlling interests		<u>2,208</u>	<u>204</u>
Total equity		<u>1,775,636</u>	<u>1,843,605</u>
Non-current liabilities			
Deferred income tax liabilities		5,659	5,497
Borrowings		725,286	413,987
Other payables		<u>9,087</u>	<u>9,882</u>
Total non-current liabilities		<u>740,032</u>	<u>429,366</u>
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	<i>11</i>	1,074,355	1,179,297
Derivative financial instruments		–	–
Borrowings		883,177	1,139,158
Current income tax liabilities		<u>40,545</u>	<u>45,948</u>
Total current liabilities		<u>1,998,077</u>	<u>2,364,403</u>
Total liabilities		<u>2,738,109</u>	<u>2,793,769</u>
Total equity and liabilities		<u>4,513,745</u>	<u>4,637,374</u>
Net current assets		<u>769,612</u>	<u>553,728</u>
Total assets less current liabilities		<u>2,515,668</u>	<u>2,272,971</u>

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2015 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 2015, 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 2015, 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 2015. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKAS 19 (2011), “Employee Benefits – Defined Benefit Plans: Employee Contributions”;
- Annual Improvements to HKFRSs 2010 – 2012 Cycle; and
- Annual Improvements to HKFRSs 2011 – 2013 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”²;
- HKFRS 14, “Regulatory Deferral Accounts”¹;
- HKFRS 15, “Revenue from Contracts with Customers”²;
- 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 Venture¹;
- 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 Exception¹;
- Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”¹;
- Amendments to HKAS 1, “Presentation of Financial Statements – Disclosure initiative”¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture” on Agriculture: Bearer Plants¹;
- Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”¹; and
- Annual Improvements to HKFRSs 2012 – 2014 Cycle¹.

¹ Effective for the Group for annual periods beginning on 1 January 2016

² Effective for the Group for annual periods beginning on 1 January 2018

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 (loss)/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 “(loss)/profit from operations”, i.e. (loss)/profit before finance income, finance costs and income taxes. To arrive at the (loss)/profit from operations, the Group’s (loss)/profit 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 2015, none of the customers of the Group individually accounted for 10% or more (2014: 1 customer accounted for approximately 12%) of the Group's total revenue. The revenue was attributable to the die-casting machine and CNC machining centre segments.

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

	Unaudited					Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	
Revenue						
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>
Results						
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>

The segment results for the six months ended 30 September 2014 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>
Revenue						
External sales	1,133,794	305,218	271,952	1,710,964	–	1,710,964
Inter-segments sales	<u>71,939</u>	<u>–</u>	<u>–</u>	<u>71,939</u>	<u>(71,939)</u>	<u>–</u>
	<u><u>1,205,733</u></u>	<u><u>305,218</u></u>	<u><u>271,952</u></u>	<u><u>1,782,903</u></u>	<u><u>(71,939)</u></u>	<u><u>1,710,964</u></u>
Results						
Segment results	<u><u>75,613</u></u>	<u><u>54,267</u></u>	<u><u>29,698</u></u>	<u><u>159,578</u></u>	<u><u>–</u></u>	159,578
Administrative expenses						(16,896)
Finance income						2,340
Finance costs						(30,394)
Share of profit of an associate						<u>1,499</u>
Profit before income tax						<u><u>116,127</u></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 2015

	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>	
Assets				
Segment assets	2,829,325	990,661	661,350	4,481,336
Unallocated assets				<u>32,409</u>
Consolidated total assets				<u><u>4,513,745</u></u>
Liabilities				
Segment liabilities	1,990,783	390,500	313,589	2,694,872
Unallocated liabilities				<u>43,237</u>
Consolidated total liabilities				<u><u>2,738,109</u></u>

As at 31 March 2015

	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>	
Assets				
Segment assets	2,968,010	953,870	682,751	4,604,631
Unallocated assets				<u>32,743</u>
Consolidated total assets				<u><u>4,637,374</u></u>
Liabilities				
Segment liabilities	2,157,448	272,229	302,953	2,732,630
Unallocated liabilities				<u>61,139</u>
Consolidated total liabilities				<u><u>2,793,769</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 and derivative financial instruments.
- 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Die-casting machine	1,212,271	1,133,794
Plastic injection moulding machine	272,701	305,218
CNC machining centre	<u>78,708</u>	<u>271,952</u>
	<u>1,563,680</u>	<u>1,710,964</u>
Other income		
Value added taxes refund	8,925	11,959
Other subsidies from government	2,862	1,495
Rental income	3,079	2,272
Sundry income	<u>1,620</u>	<u>1,693</u>
	<u>16,486</u>	<u>17,419</u>
Total revenue and other income	<u><u>1,580,166</u></u>	<u><u>1,728,383</u></u>

4 OTHER GAINS – NET

	(Unaudited)	
	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange losses	(89)	(1,297)
Increase in fair value of investment properties	5,250	1,833
Loss on disposals of property, plant and equipment	(178)	(289)
Loss on disposal of subsidiaries	<u>(3,506)</u>	<u>–</u>
	<u>1,477</u>	<u>247</u>

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables used	783,784	1,106,115
Change in inventories of finished goods and work in progress	144,201	(157,687)
Staff costs	239,991	246,931
Contributions to defined contribution retirement plans	22,996	22,720
Amortisation of land use rights	3,817	3,865
Amortisation of trademarks ¹	68	97
Amortisation of patents ¹	107	107
Amortisation of development costs and others ²	2,352	2,624
Depreciation of property, plant and equipment	56,706	59,089
Research costs	8,715	13,938
Transportation expenses	47,124	38,024
Auditor's remuneration	1,845	1,845
Provision for impairment of trade receivables	8,002	6,942
Write back of provision for impairment of trade receivables	(2,414)	(1,047)
Write down of inventories ²	8,379	10,686
(Reversal of loss)/loss on financial guarantee contracts	(155)	24,187
Other expenses	216,019	240,832
	<u>1,541,537</u>	<u>1,619,268</u>
Represented by:		
Cost of sales	1,196,613	1,258,228
Selling and distribution expenses	176,774	169,616
General and administration expenses	168,150	191,424
	<u>1,541,537</u>	<u>1,619,268</u>

¹ Included in general and administration expenses

² Included in cost of sales

6 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Finance income:		
Interest income on short-term bank deposits	1,087	2,340
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	(48,047)	(31,864)
Charges on bills receivables discounted without recourse	(1,787)	(1,763)
Less: Capitalised in property, plant and equipment (<i>Note</i>)	6,552	3,233
	(43,282)	(30,394)
	(42,195)	(28,054)

Note:

Borrowing costs capitalised during the period arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.2% (2014: 3.8%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSE

The tax charge comprises:

	(Unaudited)	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current income tax		
– PRC income tax	3,159	22,956
– Overseas tax	9,907	7,528
– Hong Kong profits tax	–	–
	13,066	30,484
Deferred income tax	(4,478)	(7,468)
Tax charge	8,588	23,016

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 People's Republic of China ("PRC"), the Company's subsidiaries are taxed at statutory rate of 25% (2014: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo and Shanghai 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% (2014: 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 (2014: 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.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of the basic (loss)/earnings per share is based on the consolidated loss attributable to owners of the parent of HK\$9,139,000 (2014: profit of HK\$93,091,000) and on the weighted average number of approximately 1,132,400,000 (2014: 1,131,765,000) ordinary shares in issue during the period.

	(Unaudited)	
	Six months ended 30 September	
	2015	2014
(Loss)/profit attributable to owners of the parent (<i>HK\$'000</i>)	<u>(9,139)</u>	<u>93,091</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,132,400</u>	<u>1,131,765</u>
Basic (loss)/earnings per share (<i>HK cents</i>)	<u>(0.8)</u>	<u>8.2</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. 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.

	(Unaudited) Six months ended 30 September 2014
Profit attributable to owners of the parent (<i>HK\$'000</i>)	<u>93,091</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,131,765
Assumed conversion of perpetual convertible securities (<i>thousands</i>)	58,000
Adjustment for share options (<i>thousands</i>)	<u>352</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>1,190,117</u>
Diluted earnings per share (<i>HK cents</i>)	<u>7.8</u>

During the period ended 30 September 2015, the conversion of all perpetual convertible securities and share options outstanding would have 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.

9 INTERIM DIVIDEND

At a meeting held on 27 November 2015, the Board resolved not to pay an interim dividend for the six months ended 30 September 2015 (2014: Nil).

10 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2015 <i>HK\$'000</i>	(Audited) As at 31 March 2015 <i>HK\$'000</i>
Trade receivables	957,494	991,246
Less: Provision for impairment	<u>(73,760)</u>	<u>(79,043)</u>
	883,734	912,203
Bills receivables	<u>135,153</u>	<u>126,377</u>
	1,018,887	1,038,580
Less: Balance due after one year shown as non-current assets	<u>(9,186)</u>	<u>(21,813)</u>
Trade and bills receivables, net	<u><u>1,009,701</u></u>	<u><u>1,016,767</u></u>

As at 30 September 2015, the amount of provision for impaired trade receivables was HK\$73,760,000 (31 March 2015: HK\$79,043,000). In the current interim period, the Group has written off trade receivables against provision made in prior years of HK\$9,978,000 (31 March 2015: nil). The provision for impairment of trade receivables was HK\$8,002,000 for the current interim period (30 September 2014: HK\$6,942,000). 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 2015 <i>HK\$'000</i>	(Audited) As at 31 March 2015 <i>HK\$'000</i>
Within 90 days	476,648	478,375
91-180 days	135,126	187,388
181-365 days	153,235	129,532
Over one year	<u>192,485</u>	<u>195,951</u>
	<u><u>957,494</u></u>	<u><u>991,246</u></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.

11 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	482,711	578,974
Bills payables	94,025	56,782
Trade and other deposits and receipts in advance	160,254	230,926
Accrued salaries, bonuses and staff benefits	74,344	75,694
Accrued sales commission	29,936	27,695
Value added tax payable	53,276	45,013
Provision for loss on financial guarantee contracts	202	6,193
Amount due to a related party	22,830	41,405
Others	156,777	116,615
	<u>1,074,355</u>	<u>1,179,297</u>

The following is the aging analysis of the trade payables:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	370,599	456,869
91-180 days	90,181	96,732
181-365 days	10,034	16,708
Over one year	11,897	8,665
	<u>482,711</u>	<u>578,974</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 2015 (the “Period under Review”), the Group recorded revenue of HK\$1,563,680,000, representing a decrease of 9% as compared to HK\$1,710,964,000 recorded in the same period last year. During the Period under Review, loss attributable to the owners of the Company amounted to HK\$9,139,000, as compared to the profit of HK\$93,091,000 in the same period last year.

The loss was mainly due to the economic slowdown and the market downturn, resulting in weak demand for machinery and equipment, which in turn led to reduced sales revenue of the Group in the China market.

At the same time, the continued decline in exports of China, excessive production capacity and rising wage costs had an unfavourable impact on the machinery and equipment industry.

During the Period under Review, the Group’s revenue from the China market amounted to HK\$1,051,012,000, representing a decrease of 19% compared with HK\$1,290,077,000 for the same period last year.

In terms of overseas market, the United States market continued to improve while the European market gradually recovered. However, the emerging markets such as Brazil and India were prudent in investing in equipment quoted in US dollars due to the substantial depreciation in their currencies. During the Period under Review, the revenue of the Group from overseas market amounted to HK\$512,668,000, representing an increase of 22% compared with HK\$420,887,000 for the same period last year. The increase was mainly due to the increase in the revenue of IDRA, our Italy-based wholly owned subsidiary, and this was mainly driven by the growth in the US market and the European market.

Die-casting Machines

During the Period under Review, the Group’s revenue from the die-casting machine and peripheral equipment business amounted to HK\$1,212,271,000, representing an increase of 7% as compared to HK\$1,133,794,000 recorded in the same period last year; out of which HK\$736,865,000 were generated from the China market, representing a decrease of 3% as compared to HK\$762,145,000 recorded in the same period last year; and the overseas markets (including IDRA) recorded a revenue of HK\$475,406,000, representing an increase of 28% as compared to HK\$371,649,000 recorded in the same period last year.

Plastic Injection Moulding Machines

During the Period under Review, the Group’s revenue from the plastic injection moulding machine business amounted to HK\$272,701,000, representing a decrease of 11% as compared to HK\$305,218,000 recorded in the same period last year.

The Group acquired 3 plots of land with a total site area of 88,000 square meters in Dongsheng Town, Zhongshan City, Guangdong Province in 2013 for the construction of a new factory for the plastic injection moulding machine business in Southern China. The construction work for the foundation and the infrastructure of this new factory was commenced in October 2014 and has been completed now. It is expected to be put into operation in the first half of 2016.

The Group will continue to produce plastic injection moulding machines in the old factory under a sale and leaseback arrangement, until moving to the new factory.

Computerised Numerical Controlled (CNC) Machining Centres

During the Period under Review, the Group's revenue from the CNC machining centre business amounted to HK\$78,708,000, representing a significant decline of 71% as compared to HK\$271,952,000 recorded in the same period last year, mainly due to the reduction in customer demand.

Financial review

During the Period under Review, the overall gross profit margin of the business of the Group was 23%, representing a decrease as compared to 26% for the same period last year, which was mainly due to the decrease in the overall revenue from the China market, particularly the significant decrease in CNC machining centre business.

Selling and distribution expenses amounted to HK\$176,774,000, representing an increase of 4% as compared to HK\$169,616,000 recorded in the same period last year, which was mainly due to the increase in related selling expenses such as transportation costs and advertising exhibition fees as a result of the increase in the revenue of IDRA.

General and administration expenses amounted to HK\$168,150,000, representing a decrease of 12% compared with HK\$191,424,000 for the same period last year. Decrease in administration expenses was mainly due to reduction of loss on financial guarantee contracts.

Research and development related expenses amounted to HK\$35,788,000, representing an increase of 5% as compared to HK\$33,965,000 recorded in the same period last year.

Research and development mainly focuses on energy saving, environmental protection, efficiency and automation etc..

Net finance costs amounted to HK\$42,195,000, representing an increase of 50% as compared to HK\$28,054,000 recorded in the same period last year. The main reason for the increase was the Group restructured the syndicated loan facility during the Period under Review and had to accelerate the amortisation of the related borrowing costs in a sum of HK\$11,742,000 prepaid during the year ended 31 March, 2015.

Prospects

Looking forward to the second half of the year, global economy remains uncertain, and the business environment will be tough and challenging. First of all, growth of Chinese economy slowed down and demand remained weak. Although the economies of United States and Eurozone have improved, the economies of emerging countries remained sluggish, and their currencies against United States dollars depreciated substantially, which directly affected their intention of investment in machinery and equipment. However, the Chinese government has stepped up efforts to implement reform measures in different industries and different business sectors, so as to stimulate the economy of China to maintain medium-to-high speed growth. The Group will grasp the opportunity of China's reform and development, fully act in concert with the development of "high-end manufacturing", and is committed to promote the R&D, innovation, high value added, automation and marketing of the three main products of the Group, namely die casting machines, plastic injection moulding machines and CNC machining centres. Meanwhile, the Group will adopt a prudent fiscal strategy, to ensure the healthy, stable and sustainable development of the Group.

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 2015, the Group's cash and bank balances amounted to HK\$348,908,000 (31 March 2015: HK\$306,992,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 71% (31 March 2015: 68%).

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

As at 30 September 2015, 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\$1,608,463,000 (31 March 2015: HK\$1,553,145,000), approximately 55% of which being short-term loans. Approximately 15% 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 2015, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$294,905,000 (31 March 2015: HK\$317,048,000).

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, investment properties, property, plant and equipment, available-for-sale financial assets and trade and bills receivables, with aggregate carrying amounts of HK\$678,786,000 (31 March 2015: HK\$748,522,000).

Capital commitments

As at 30 September 2015, the Group had made capital expenditure commitments amounts of HK\$84,229,000 (31 March 2015: HK\$109,613,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2015, the Group employed approximately 3,800 full time staff. The staff costs for the Period under Review amounted to HK\$262,987,000 (2014: HK\$269,651,000). 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

At a meeting held on 27 November 2015, the Board resolved not to pay an interim dividend for the six months ended 30 September 2015 (2014: 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 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 2015. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2015 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2015/16 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, 27 November 2015

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang, 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.