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 2014

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 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		(Unaudited) Six months ended 30 September	
	Note	**2014**	2013
		HK$'000	*HK$'000*
Revenue	*3*	**1,710,964**	1,331,799
Cost of sales	*5*	**(1,258,228)**	(1,018,458)
Gross profit		**452,736**	313,341
Other income	*3*	**17,419**	16,620
Other gains – net	*4*	**247**	19,105
Gain on disposal of properties	*7*	**33,320**	–
Provision for impairment of other receivable		**–**	(63,782)
Selling and distribution expenses	*5*	**(169,616)**	(143,196)
General and administration expenses	*5*	**(191,424)**	(152,667)
Operating profit/(loss)		**142,682**	(10,579)

	Note	(Unaudited) Six months ended 30 September 2014 HK$'000	2013 HK$'000
Finance income		**2,340**	2,151
Finance costs		**(30,394)**	(33,179)
Finance costs – net	*6*	**(28,054)**	(31,028)
Share of profit of joint ventures		**–**	1,788
Share of profit of an associate		**1,499**	1,448
Profit/(loss) before income tax		**116,127**	(38,371)
Income tax expense	*8*	**(23,016)**	(7,973)
Profit/(loss) for the period		**93,111**	(46,344)
Profit/(loss) attributable to:			
Owners of the parent		**93,091**	(45,980)
Non-controlling interests		**20**	(364)
		93,111	(46,344)
		HK cents	*HK cents*
Earnings/(loss) per share for profit/(loss) attributable to owners of the parent during the period *(expressed in HK cents per share)*	*9*		
– Basic		**8.2**	(4.1)
– Diluted		**7.8**	(4.1)
		HK$'000	*HK$'000*
Dividend	*10*	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	(Unaudited) Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
Profit/(loss) for the period	**93,111**	(46,344)
Other comprehensive income for the period:		
Items that may be reclassified to profit or loss		
Currency translation difference	**30,622**	18,476
Change in value of available-for-sale financial assets	**111**	–
Total comprehensive income/(loss) for the period, net of tax	**123,844**	(27,868)
Attributable to:		
Owners of the parent	**123,824**	(27,504)
Non-controlling interests	**20**	(364)
	123,844	(27,868)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2014

	Note	**(Unaudited) 30 September 2014** ***HK$'000***	(Audited) 31 March 2014 *HK$'000*
Non-current assets			
Intangible assets		**24,562**	25,314
Property, plant and equipment		**1,075,391**	1,049,055
Investment properties		**68,880**	66,360
Land use rights		**348,667**	348,173
Interests in joint ventures		**–**	–
Interest in an associate		**30,244**	28,367
Deposits paid		**27,246**	20,307
Deferred income tax assets		**54,714**	46,811
Trade and bills receivables	*11*	**11,882**	8,889
Other receivables		**2,730**	2,695
Available-for-sale financial assets		**7,912**	7,801
Restricted bank balances		**11,390**	18,279
Total non-current assets		**1,663,618**	1,622,051
Current assets			
Inventories		**1,315,234**	1,126,902
Trade and bills receivables	*11*	**1,029,441**	949,775
Other receivables, prepayments and deposits		**164,870**	195,442
Restricted bank balances		**109,528**	79,902
Cash and cash equivalents (excluding bank overdrafts)		**276,392**	353,853
		2,895,465	2,705,874
Non-current assets held-for-sale		**–**	6,358
Total current assets		**2,895,465**	2,712,232
Total assets		**4,559,083**	4,334,283

	Note	(Unaudited) 30 September 2014 HK$'000	(Audited) 31 March 2014 HK$'000
Equity			
Share capital		**113,177**	113,177
Reserves		**1,009,826**	979,093
Retained earnings		**754,701**	661,610
Equity attributable to owners of the parent		**1,877,704**	1,753,880
Non-controlling interests		**299**	279
Total equity		**1,878,003**	1,754,159
Non-current liabilities			
Deferred income tax liabilities		**5,310**	5,183
Borrowings		**327,942**	202,807
Other payables		**10,567**	11,075
Total non-current liabilities		**343,819**	219,065
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*12*	**1,214,590**	1,126,509
Derivative financial instruments		**–**	–
Borrowings		**1,073,360**	1,201,485
Current income tax liabilities		**49,311**	33,065
Total current liabilities		**2,337,261**	2,361,059
Total liabilities		**2,681,080**	2,580,124
Total equity and liabilities		**4,559,083**	4,334,283
Net current assets		**558,204**	351,173
Total assets less current liabilities		**2,221,822**	1,973,224

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2014 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 2014, 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.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2014, 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. Amendments and interpretation to existing standards adopted by the Group

The following amendments and interpretation to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2014. The adoption of these amendments and interpretation to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), "Investment Entities";
- Amendments to HKAS 32, "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities";
- Amendments to HKAS 36, "Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets";
- Amendments to HKAS 39, "Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting"; and
- HK(IFRIC) – Int 21, "Levies".

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"[4];

- HKFRS 14, "Regulatory Deferral Accounts"[2];

- HKFRS 15, "Revenue from Contracts with Customers"[3];

- Amendments to HKFRS 10, "Consolidated Financial Statements" and HKAS 28, "Investments in Associates and Joint Ventures" on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2];

- Amendments to HKFRS 11, "Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations"[2];

- Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 38, "Intangible Assets" on Clarification of Acceptable Methods of Depreciation and Amortisation[2];

- Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 41, "Agriculture" on Agriculture: Bearer Plants[2];

- Amendments to HKAS 19 (2011), "Employee Benefits – Defined Benefit Plans: Employee Contributions"[1];

- Amendments to HKAS 27 (2011), "Separate Financial Statements – Equity Method in Separate Financial Statements"[2];

- Annual Improvements to HKFRSs 2010-2012 Cycle[1];

- Annual Improvements to HKFRSs 2011-2013 Cycle[1]; and

- Annual Improvements to HKFRSs 2012-2014 Cycle[2].

[1] Effective for the Group for annual periods beginning on 1 July 2014
[2] Effective for the Group for annual periods beginning on 1 January 2016
[3] Effective for the Group for annual periods beginning on 1 January 2017
[4] 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 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 2014, revenue from a customer accounted for approximately 12% of the Group's total revenue (2013: 13%). The revenue was attributable to the die-casting machine and CNC machining centre segments.

The segment results for the six months ended 30 September 2014 are as follows:

	Unaudited					
	Die-casting machine *HK$'000*	**Plastic injection moulding machine** *HK$'000*	**CNC machining centre** *HK$'000*	**Total segments** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
Revenue						
External sales	**1,133,794**	**305,218**	**271,952**	**1,710,964**	**–**	**1,710,964**
Inter-segments sales	**71,939**	**–**	**–**	**71,939**	**(71,939)**	**–**
	1,205,733	**305,218**	**271,952**	**1,782,903**	**(71,939)**	**1,710,964**
Results						
Segment results	**75,613**	**54,267**	**29,698**	**159,578**	**–**	**159,578**
Administrative expenses						**(16,896)**
Finance income						**2,340**
Finance costs						**(30,394)**
Share of profit of an associate						**1,499**
Profit before income tax						**116,127**

The segment results for the six months ended 30 September 2013 are as follows:

	Unaudited					
	Die-casting machine	**Plastic injection moulding machine**	**CNC machining centre**	**Total segments**	**Eliminations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	838,218	297,527	196,054	1,331,799	–	1,331,799
Inter-segments sales	50,661	–	–	50,661	(50,661)	–
	888,879	297,527	196,054	1,382,460	(50,661)	1,331,799
Results						
Segment results	47,482	21,292	659	69,433	–	69,433
Provision for impairment of other receivable						(63,782)
Administrative expenses						(16,230)
Finance income						2,151
Finance costs						(33,179)
Share of profit of joint ventures						1,788
Share of profit of an associate						1,448
Loss before income tax						(38,371)

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 2014

	Die-casting machine *HK$'000*	**Plastic injection moulding machine** *HK$'000*	**CNC machining centre** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	**2,912,912**	**894,477**	**716,315**	**4,523,704**
Unallocated assets				**35,379**
Consolidated total assets				**4,559,083**
Liabilities				
Segment liabilities	**2,061,185**	**270,719**	**326,257**	**2,658,161**
Unallocated liabilities				**22,919**
Consolidated total liabilities				**2,681,080**

As at 31 March 2014

	Die-casting machine *HK$'000*	**Plastic injection moulding machine** *HK$'000*	**CNC machining centre** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	2,869,259	882,674	549,504	4,301,437
Unallocated assets				32,846
Consolidated total assets				4,334,283
Liabilities				
Segment liabilities	2,108,091	257,400	192,801	2,558,292
Unallocated liabilities				21,832
Consolidated total liabilities				2,580,124

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	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Die-casting machine	**1,133,794**	838,218
Plastic injection moulding machine	**305,218**	297,527
CNC machining centre	**271,952**	196,054
	1,710,964	1,331,799
Other income		
Value added taxes refund	**11,959**	10,396
Other subsidies from government	**1,495**	2,669
Rental income	**2,272**	896
Sundry income	**1,693**	2,659
	17,419	16,620
Total revenue and other income	**1,728,383**	1,348,419

4 OTHER GAINS – NET

	(Unaudited) Six months ended 30 September 2014 HK$'000	2013 HK$'000
Increase in fair value of investment properties	**1,833**	3,447
Net foreign exchange (losses)/gains	**(1,297)**	1,429
Net fair value loss on derivative financial instruments	**–**	(462)
(Losses)/gains on disposals of property, plant and equipment	**(289)**	1,248
Remeasurement gains upon business combination	**–**	13,443
	247	19,105

5 EXPENSES BY NATURE

	(Unaudited) Six months ended 30 September 2014 HK$'000	2013 HK$'000
Raw materials and consumables used	**1,106,115**	828,022
Change in inventories of finished goods and work in progress	**(157,687)**	(40,136)
Staff costs	**246,931**	215,750
Contributions to defined contribution retirement plans	**22,720**	21,753
Amortisation of land use rights	**3,865**	2,866
Amortisation of trademarks[1]	**97**	106
Amortisation of patents[1]	**107**	107
Amortisation of development costs and others[2]	**2,624**	2,387
Depreciation of property, plant and equipment	**59,089**	53,882
Research costs	**13,938**	13,825
Transportation expenses	**38,024**	20,365
Auditor's remuneration	**1,845**	1,770
Provision for impairment of trade receivables	**5,895**	6,948
Write down of inventories[2]	**10,686**	10,795
Loss on financial guarantee contracts	**24,187**	3,488
Other expenses	**240,832**	172,393
	1,619,268	1,314,321
Represented by:		
Cost of sales	**1,258,228**	1,018,458
Selling and distribution expenses	**169,616**	143,196
General and administration expenses	**191,424**	152,667
	1,619,268	1,314,321

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

6 FINANCE COSTS – NET

	(Unaudited) Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**2,340**	2,151
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(31,864)**	(33,519)
Charges on bills receivables discounted without recourse	**(1,763)**	(2,187)
Less: Capitalised in property, plant and equipment *(Note)*	**3,233**	2,527
	(30,394)	(33,179)
	(28,054)	(31,028)

Note: Borrowing costs capitalised during the period arose on general borrowing pool and were calculated by applying a capitalisation rate of 3.8% (2013: 4.0%) to expenditure on qualifying assets.

7 GAIN ON DISPOSAL OF PROPERTIES

As at 30 September 2014, the disposal of land with site area of approximately 11,378 m^2 and all the permanent and temporary buildings erected on this plot of land, together with utility and fire service and other ancillary facilities, with total net book value of HK$6,358,000, has been completed. A gain of HK$33,320,000 has been recognised in the condensed consolidated income statement.

8 INCOME TAX EXPENSE

The income tax expense comprises:

	(Unaudited) Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
– PRC income tax	**22,956**	8,407
– Overseas tax	**7,528**	1,527
– Hong Kong profits tax	**–**	–
– Underprovision in prior year	**–**	6
	30,484	9,940
Deferred income tax	**(7,468)**	(1,967)
Income tax expense	**23,016**	7,973

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% (2013: 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% (2013: 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 either have unutilised tax losses available to set off current period's estimated assessable profit or have no estimated assessable profit for the period (2013: Nil).

Taxation on overseas profit has been calculated on the estimated assessable profit 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 profit attributable to owners of the parent of HK$93,091,000 (2013: loss of HK$45,980,000) and on the weighted average number of approximately 1,131,765,000 (2013: 1,131,765,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2014	2013
Profit/(loss) attributable to owners of the parent *(HK$'000)*	**93,091**	(45,980)
Weighted average number of ordinary shares in issue *(thousands)*	**1,131,765**	1,131,765
Basic earnings/(loss) per share *(HK cents)*	**8.2**	(4.1)

(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 *(HK$'000)*	**93,091**
Weighted average number of ordinary shares in issue *(thousands)*	**1,131,765**
Assumed conversion of perpetual convertible securities *(thousands)*	**58,000**
Adjustment for share options *(thousands)*	**352**
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,190,117**
Diluted earnings per share *(HK cents)*	**7.8**

During the period ended 30 September 2013, 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 2013.

10 INTERIM DIVIDEND

At a meeting held on 28 November 2014, the Board resolved not to pay an interim dividend for the six months ended 30 September 2014 (2013: Nil).

11 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2014 *HK$'000*	(Audited) As at 31 March 2014 *HK$'000*
Trade receivables	**1,067,262**	887,876
Less: Provision for impairment	**(77,043)**	(70,914)
	990,219	816,962
Bills receivables	**51,104**	141,702
	1,041,323	958,664
Less: Balance due after one year shown as non-current assets	**(11,882)**	(8,889)
Trade and bills receivables, net	**1,029,441**	949,775

The amount of provision for impaired trade receivables was HK$77,043,000 (31 March 2014: HK$70,914,000). 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 2014 *HK$'000*	(Audited) As at 31 March 2014 *HK$'000*
Within 90 days	**597,834**	459,353
91-180 days	**157,815**	142,942
181-365 days	**90,849**	96,884
Over one year	**220,764**	188,697
	1,067,262	887,876

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. 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 six months to twelve months.

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

	(Unaudited) As at 30 September 2014 *HK$'000*	(Audited) As at 31 March 2014 *HK$'000*
Trade payables	**633,064**	589,499
Bills payables	**97,597**	75,766
Trade and other deposits and receipts in advance	**197,034**	227,425
Accrued salaries, bonuses and staff benefits	**74,180**	66,420
Accrued sales commission	**29,828**	32,057
Value added tax payable	**57,848**	40,117
Others	**125,039**	95,225
	1,214,590	1,126,509

The following is the aging analysis of the trade payables:

	(Unaudited) As at 30 September 2014 *HK$'000*	(Audited) As at 31 March 2014 *HK$'000*
Within 90 days	**530,916**	479,373
91-180 days	**87,577**	93,331
181-365 days	**3,893**	7,610
Over one year	**10,678**	9,185
	633,064	589,499

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2014 (the "Period under Review"), the Group recorded revenue of HK$1,710,964,000, representing an increase of 28% as compared to HK$1,331,799,000 recorded in the same period last year.

During the Period under Review, the Group completed the disposal of the second plot of land (with an area of 11,378 square meters) at its old factory located in Dongsheng Town, Zhongshan City, Guangdong Province, and recognised a gain of HK$33,320,000. After taking into account this gain, profit attributable to the owners of the Company during the Period under Review was HK$93,091,000 as compared to the loss of HK$45,980,000 recorded in the same period last year.

The turnaround from loss to profit as compared to the same period last year was mainly attributable to the increase in the revenue of the Group, especially the remarkable increase in revenue of IDRA, an Italy based wholly-owned subsidiary, by 158% from HK$145,913,000 recorded in the same period last year to HK$376,323,000 during the Period under Review. The turnaround was also attributable to the gain of HK$33,320,000 recognised on the completion of the disposal of the second plot of land at the Group's old factory in Zhongshan City as mentioned above.

As for regional markets, the Group's revenue in China market amounted to HK$1,290,077,000, representing an increase of 13% as compared with the same period last year. Since there was an increase in the revenue of IDRA in the Europe and America markets, revenue contributed by the overseas markets (included IDRA) surged by 119% to HK$420,887,000.

During the Period under Review, the business environment in China market was challenging, due to the continuing slowdown of the economy, excessive production capacity has become evident, the real estate market remained under pressure, coupled with the rising labour cost and liquidity crunch. In overseas markets, the United States market continued to recover though at a slow pace, while the European market was weak in terms of purchasing power as it was still under the shadow of deflation. Meanwhile the Brazilian market and Indian market remained sluggish.

Die-casting Machines

During the Period under Review, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK$1,133,794,000, representing an increase of 35% as compared to HK$838,218,000 recorded in the same period last year; out of which HK$762,145,000 were generated in China market, representing an increase of 13% as compared to HK$673,120,000 recorded in the same period last year; and the overseas markets (including IDRA) recorded a revenue of HK$371,649,000, representing an increase of 125% as compared to HK$165,098,000 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$305,218,000, representing an increase of 3% as compared to HK$297,527,000 recorded in the same period last year, which is mainly due to the breakthrough in the sales of medium and large tonnage plastic injection molding machines in the overseas markets.

The Group had two plots of land with a total site area of 21,182 square meters in Dongsheng Town, Zhongshan City, Guangdong Province. In March 2014, the Group entered into a sale and purchase agreement with Zhongshan Huifeng Property Development Company Limited (中山市慧峰房地產開發有限公司), a local real estate developer, to sell these 2 plots of land to this property developer for an aggregate consideration of RMB70,000,000. The assignment procedures of the first plot of land with a site area of 9,804 square meters was completed by 31 March 2014, the assignment procedures of the second plot of land with a site area of 11,378 square meters was also completed during the Period under Review.

Meanwhile, 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 of the plastic injection moulding machines. The foundation and infrastructure work of this new factory has been launched in October 2014 and is expected to be completed by the end of 2015. When the new factory is completed, it will become the Group's Southern China plastic injection molding machine production headquarters. The Group will continue to produce plastic injection molding 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 CNC machining centre business amounted to HK$271,952,000, representing an increase of 39% as compared to HK$196,054,000 recorded in the same period last year, mainly due to the increase in demand for smart phones.

Financial Review

During the Period under Review, the overall gross profit margin of the business of the Group was 26%, representing a growth as compared to 24% for the same period last year, which was mainly due to the increase in the revenue of the die-casting machine business (included IDRA) and the CNC machining centre business, and particularly the significant growth of the revenue of IDRA, that allowed improvement in economy of scale.

Selling and distribution expenses amounted to HK$169,616,000, representing an increase of 18% as compared to HK$143,196,000 recorded in the same period last year, which was mainly due to the increase in wages and other related expenses such as sales commission, transportation and travelling expenses as a result of the increase in the revenue of the die-casting machine business and the CNC machining centre business.

General and administration expenses amounted to HK$191,424,000, representing an increase of 25% as compared to HK$152,667,000 recorded in the same period last year, one of the reasons was the increase in wages. The Group has also provided guarantees relating to equipment mortgage loans for individual customers and during the Period under Review, one of these customers entered into bankruptcy proceedings, the Group has to settle the outstanding mortgage loan balance with bank on its behalf and corresponding provision has been made. The Group has, together with that bank, instructed lawyers to recover the mortgaged equipment.

Research and development related expenses amounted to HK$33,965,000, representing an increase of 3% as compared to HK$33,082,000 recorded in the same period last year.

In September 2013, the Group made impairment provision for the receivable outstanding from Fuxin Jin Da Steel Casting Company Limited (阜新金達鋼鐵鑄造有限公司) of HK$59,869,000, and has instituted legal proceedings to recover the outstanding amount.

Research and Development ("R&D")

R&D of Die-Casting Machines

During the Period under Review, the Group continued to optimize the third-generation high-end mid-tonnage die-casting machines "IMPRESS III PLUS+" series and large-tonnage two-platen die-casting machines "FORTECH" series, all of which have been well received by the market due to their energy conservation, environmental protection and efficiency.

Meanwhile, the acquisition of the remaining equity interest in Shanghai Prex Mfg. Co., Ltd. in June 2013 has enabled the Group to improve its capability in the development and deployment of automated peripheral equipment, provide one-stop service solutions to customers, and enable the customers to enhance their competitiveness.

R&D of Plastic Injection Moulding Machines

During the Period under Review, the Group's two-platen "FORZA" plastic injection moulding machines series has been expanded to the 4,500-ton super large plastic injection moulding machines. The Group will continue to develop even larger tonnage two-platen plastic injection moulding machines to meet the demand for high precision, super-large-tonnage injection moulding machines in the market, in particular the automobile component market. The "FORZA" plastic injection moulding machine series has the good features of high precision, high efficiency and energy saving.

In order to meet the market demand for multi-color plastic injection moulding machines, the Group has developed the 3-colour plastic injection moulding machines specialized for automobile lighting covers. In the meantime, the Group has developed small and medium sized 2-colour plastic injection moulding machines. The Group has also developed micro-structure plastic injection moulding machines jointly with Beijing University of Chemical Technology, featured with extreme precision and high injection speed, and is primarily used for the production of sophisticated electronic components, biomedical, optics, micro-optics and genetic engineering fields.

R&D of Computerized Numerical Controlled (CNC) Machining Centres

During the Period under Review, the Group has strengthened the product lines for the high-speed vertical bridge type CNC machining centre. At the same time, the Group has also developed the high-speed small-sized "BTC" machining centre series. The advantages of this series are high production capacity, 3-axis high-speed machining, pallet changer and full 5-axis application, to meet multi-faceted customer needs. The Group's CNC machining centres are widely used for the post-processing of 3C products, processing of automobile components, manufacturing of dies, and processing of other high precision components.

Prospects

Looking forward to the second half of the year, the economy of China has slowed down after several years of rapid growth, and is now in the process of structural adjustment, while the initial value of HSBC Purchasing Managers Index (PMI) in November decreased to 50, the watershed between growth and recession, while the third quarter GDP growth was only 7.3%. This indicates that the economy continues to face serious downward pressure and it is expected that the target growth rate of 7.5% cannot be reached. The Chinese Government will continue to intensify its reform with prudence and adjust the economic structure from export to domestic consumption. The State Council will launch the directed monetary easing policy more aggressively and reduce the benchmark lending rate, so as to relieve the financing cost of the enterprises, promote economic activities and preserve employment. It is expected that the economy of China will grow steadily but will see different degree of fluctuation as a result of the intensification of the reform during this period.

In respect of the overseas markets, the United States economy has recovered moderately, and the PMI has rebounded from 51.3 in January this year to 59 in October. However, the Federal Reserve has stopped buying bonds, will put pressure on the money supply and push up the financing cost. On the other hand, the oil price dropped to a new two-year low. The lower energy prices will further promote consumer confidence and the corporate profitability, as well as easing the inflationary pressure. Brazilian market remains weak. The Government of India has set a new round of economic packages after the presidential election and these are generally welcomed by the market. The European market is still weak, EU economy staggered, and the initial value of integrated PMI new order index dropped to 49.9 in November, below the bench mark for growth and recession of 50, for the first time since July 2013, and may possibly slide into deflation. Therefore, the EU leaders would be forced to do everything possible to save their economies, and could launch further quantitative easing monetary policies.

In all, the economy in the second half of the year remains volatile, complex and uncertain, the business environment remains difficult. With the sound brand reputation and excellent customer base built over 30 years, the Group will continue on research and development, optimizing product designs, improving service quality, and enhancing its operational efficiency, and will adopt a prudent policy to address possible challenges ahead, so as to allow the Group to achieve sound and sustainable growth.

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 2014, the Group's cash and bank balances amounted to HK$276,392,000 (31 March 2014: HK$353,853,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 60% (31 March 2014: 60%).

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

As at 30 September 2014, 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 HK$1,401,302,000 (31 March 2014: HK$1,404,292,000), approximately 77% of which being short-term loans. Approximately 10% 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 2014, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK$364,299,000 (31 March 2014: HK$342,103,000).

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$774,333,000 (31 March 2014: HK$771,042,000).

Capital commitments

As at 30 September 2014, the Group had made capital expenditure commitments amounts of HK$143,349,000 (31 March 2014: HK$25,728,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2014, the Group employed approximately 4,000 full time staff. The staff costs for current year amounted to HK$269,651,000 (2013: HK$237,503,000). 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 28 November 2014, the Board resolved not to pay an interim dividend for the six months ended 30 September 2014 (2013: 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 Rules Governing the Listing of Securities on the Stock Exchange (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 two independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul and Dr. Lui Ming Wah 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.

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 2014. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2014 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 2014/15 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, 28 November 2014

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 Mr. Hu Yongmin; and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP and Mr. Tsang Yiu Keung, Paul.