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 2018

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 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

		(Unaudited) Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,927,951**	1,898,063
Cost of sales	*5*	**(1,419,847)**	(1,374,953)
Gross profit		**508,104**	523,110
Other income	*3*	**29,622**	31,622
Other (losses)/gains – net	*4*	**(9,160)**	18,826
Selling and distribution expenses	*5*	**(171,650)**	(177,798)
General and administrative expenses	*5*	**(187,749)**	(186,297)
Operating profit		**169,167**	209,463
Finance income		**2,680**	2,074
Finance costs		**(39,250)**	(33,027)
Finance costs – net	*6*	**(36,570)**	(30,953)
Share of profit of an associate		**628**	1,127
Profit before income tax		**133,225**	179,637
Income tax expense	*7*	**(29,860)**	(51,004)
Profit for the period		**103,365**	128,633

	Note	(Unaudited) Six months ended 30 September **2018** *HK$'000*	2017 *HK$'000*
Profit/(loss) attributable to:			
Owners of the Company		**103,365**	129,304
Non-controlling interests		**–**	(671)
		103,365	128,633
		HK cents	*HK cents*
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
– Basic	*8(a)*	**8.7**	12.1
– Diluted	*8(b)*	**8.7**	11.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	(Unaudited) Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**103,365**	128,633
Other comprehensive income for the period:		
Items that may be reclassified to profit or loss		
Currency translation difference		
(Losses)/gains arising during the period	**(218,138)**	118,770
Change in value of available-for-sale financial assets	**–**	(657)
Item that will not be reclassified to profit or loss		
Change in value of financial assets at fair value through other comprehensive income	**233**	–
Total comprehensive (loss)/income for the period, net of tax	**(114,540)**	246,746
Attributable to:		
Owners of the Company	**(114,540)**	247,417
Non-controlling interests	**–**	(671)
	(114,540)	246,746

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Note	**(Unaudited) 30 September 2018 HK$'000**	(Audited) 31 March 2018 HK$'000
Non-current assets			
Intangible assets		**10,963**	11,015
Property, plant and equipment		**1,034,070**	1,142,119
Investment properties		**336,870**	353,420
Land use rights		**306,031**	301,049
Interest in an associate		**32,446**	34,633
Other receivables and deposits		**5,395**	17,451
Deferred income tax assets		**81,868**	87,980
Trade and bills receivables	*10*	**25,026**	23,672
Financial assets at fair value through other comprehensive income		**17,697**	–
Available-for-sale financial assets		**–**	17,967
Restricted bank balances		**3,367**	11,702
Total non-current assets		**1,853,733**	2,001,008
Current assets			
Inventories		**1,392,112**	1,372,001
Trade and bills receivables	*10*	**1,263,007**	1,309,180
Other receivables, prepayments and deposits		**249,637**	262,870
Restricted bank balances		**85,197**	74,066
Cash and cash equivalents		**573,422**	628,672
Total current assets		**3,563,375**	3,646,789
Total assets		**5,417,108**	5,647,797
Equity			
Share capital		**119,127**	119,127
Reserves		**892,128**	1,110,033
Retained earnings		**1,021,933**	1,011,134
Total equity		**2,033,188**	2,240,294

	Note	(Unaudited) 30 September 2018 HK$'000	(Audited) 31 March 2018 HK$'000
Non-current liabilities			
Deferred income tax liabilities		**16,072**	18,173
Borrowings		**557,640**	592,765
Other payables		**7,968**	8,728
Total non-current liabilities		**581,680**	619,666
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*11*	**1,519,405**	1,651,979
Borrowings		**1,180,145**	1,098,634
Dividend payable		**81,006**	–
Current income tax liabilities		**21,684**	37,224
Total current liabilities		**2,802,240**	2,787,837
Total liabilities		**3,383,920**	3,407,503
Total equity and liabilities		**5,417,108**	5,647,797

NOTES:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2018 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 2018, 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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

a. New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note c and d below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

b. Impact of standards issued but not yet applied by the Group

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$56,957,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

c. Impact of adoption on financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs")

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note d below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated as the Group does not have any hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The total impact on the Group's retained earnings as at 1 April 2018 is as follow:

	As at 1 April 2018 *HK$'000*
Closing balance 31 March 2018 – HKAS 39	1,011,134
Increase in provision for trade receivables	(13,600)
Increase in deferred tax assets relating to impairment provisions	2,040
Opening balance 1 April 2018 – HKFRS 9	999,574

(a) Impact on the financial statements

The Group used modified retrospective approach while adopting HKFRS 9 without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Balance sheet (extract)	**31 March 2018 as originally presented** *HK$'000*	**HKFRS 9** *HK$'000*	**1 April 2018 Restated** *HK$'000*
Non-current assets			
Financial assets at fair value through other comprehensive income	–	17,967	17,967
Available-for-sale financial assets	17,967	(17,967)	–
Deferred tax assets	87,980	2,040	90,020
Current assets			
Trade and bills receivables	1,309,180	(13,600)	1,295,580
Equity			
Retained earnings	1,011,134	(11,560)	999,574

(b) *Impairment of financial assets*

The Group has two types of financial assets that are subject to new expected credit loss model under HKFRS 9.

- Trade receivables; and
- Other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note c(i) above.

While short-term deposits, and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected provision for impairment for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the provision for impairment as at 1 April 2018 was determined for trade receivables.

The provision for impairment for trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past histories, existing market conditions as well as forward looking estimates at the end of each reporting period.

The provision for impairment for trade receivables as at 31 March 2018 reconcile to the opening provision for impairment on 1 April 2018 as follows:

	Provision for impairment – trade receivables
	HK$'000
At 31 March 2018 calculated under HKAS 39	112,215
Amount restated through opening retained earnings	13,600
Opening provision for impairment as at 1 April 2018 calculated under HKFRS 9	125,815

The provision for impairment increased by a further HK$5,835,000 for trade receivables during the six months ended 30 September 2018, the increase would have been HK$1,701,000 lower under the incurred loss model of HKAS 39.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 April 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) ***Adoption of HKFRS 15***

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

The Group has adopted HKFRS 15 from 1 April 2018 which do not have any material impact on the Group's condensed consolidated interim financial information.

d. Changes in accounting policies upon adopting of the New HKFRSs

(i) ***HKFRS 9***

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all its debt instruments as amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(c) *Impairment*

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) ***HKFRS 15***

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good to a customer, which is when the customer obtains control of a good, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that good. If the control of the goods and services is transferred over a period of time, the Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provision for impairment of the receivable and the contract asset based on ECL; if the consideration received or receivable exceeds the obligation performed by the Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognising revenue. The incremental cost incurred by the Group of obtaining a contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Group recognises it in profit and loss. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognising revenue. The Group recognises the excess of the carrying amounts of contract costs over the expected remaining consideration less any costs not yet recognised as an impairment loss. As at the balance sheet date, the Group presents the costs to fulfill and of obtaining a contract, in the net amount after deducting relevant asset impairment provisions, as other assets.

The Group recognises revenue for each of its activities in the income statement in accordance with below policies:

(a) *Sales of goods*

Sales of goods are recognised when a group entity has transferred control over products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sales contracts. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) *Rental income*

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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 from operations", i.e. profit before finance income, finance costs and income taxes. To arrive at the profit/(loss) from operations, the Group's 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 2018, none of the customers of the Group individually accounted for 10% or more (2017: Nil) of the Group's total revenue.

The segment results for the six months ended 30 September 2018 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	**1,361,412**	**501,598**	**64,941**	**1,927,951**	**–**	**1,927,951**
Inter-segments sales	**29,763**	**–**	**–**	**29,763**	**(29,763)**	**–**
	1,391,175	**501,598**	**64,941**	**1,957,714**	**(29,763)**	**1,927,951**
Results						
Segment results	**175,998**	**23,391**	**(14,217)**	**185,172**	**–**	**185,172**
Administrative expenses						**(16,005)**
Finance income						**2,680**
Finance costs						**(39,250)**
Share of profit of an associate						**628**
Profit before income tax						**133,225**

The segment results for the six months ended 30 September 2017 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	1,282,264	552,509	63,290	1,898,063	–	1,898,063
Inter-segments sales	63,935	–	–	63,935	(63,935)	–
	1,346,199	552,509	63,290	1,961,998	(63,935)	1,898,063
Results						
Segment results	208,182	43,411	(20,213)	231,380	–	231,380
Administrative expenses						(21,917)
Finance income						2,074
Finance costs						(33,027)
Share of profit of an associate						1,127
Profit before income tax						179,637

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 2018

	Unaudited			
	Die-casting machine ***HK$'000***	**Plastic injection moulding machine** ***HK$'000***	**CNC machining centre** ***HK$'000***	**Total** ***HK$'000***
Assets				
Segment assets	**3,392,381**	**1,432,446**	**527,453**	**5,352,280**
Unallocated assets				**64,828**
Consolidated total assets				**5,417,108**
Liabilities				
Segment liabilities	**2,478,562**	**678,591**	**110,202**	**3,267,355**
Unallocated liabilities				**116,565**
Consolidated total liabilities				**3,383,920**

As at 31 March 2018

	Audited			
	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC machining centre *HK$'000*	Total *HK$'000*
Assets				
Segment assets	3,407,537	1,572,075	600,650	5,580,262
Unallocated assets				67,535
Consolidated total assets				5,647,797
Liabilities				
Segment liabilities	2,406,585	846,073	117,260	3,369,918
Unallocated liabilities				37,585
Consolidated total liabilities				3,407,503

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

- all assets are allocated to reportable segments other than corporate assets and financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets);
- all liabilities are allocated to reportable segments other than corporate liabilities; and
- 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	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of die-casting machine	**1,361,412**	1,282,264
Sales of plastic injection moulding machine	**501,598**	552,509
Sales of CNC machining centre	**64,941**	63,290
	1,927,951	1,898,063
Other income		
Value added taxes refund	**11,543**	14,037
Other subsidies from government	**5,090**	7,806
Rental income	**8,164**	6,738
Sundry income	**4,825**	3,041
	29,622	31,622
Total revenue and other income	**1,957,573**	1,929,685

4 OTHER (LOSSES)/GAINS – NET

	(Unaudited) Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange (losses)/gains	**(18,298)**	6,160
Increase in fair value of investment properties	**10,938**	12,800
(Loss)/gain on disposals of property, plant and equipment	**(1,800)**	40
Others	**–**	(174)
	(9,160)	18,826

5 EXPENSES BY NATURE

	(Unaudited) Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Raw materials and consumables used	**1,163,989**	1,167,539
Change in inventories of finished goods and work in progress	**(56,503)**	(67,252)
Staff costs	**299,179**	273,082
Contributions to defined contribution retirement plans	**27,342**	25,876
Amortisation of land use rights	**3,638**	3,376
Amortisation and impairment of intangible assets	**1,700**	3,389
Depreciation of property, plant and equipment	**65,991**	62,027
Research costs	**13,510**	16,398
Transportation expenses	**36,128**	42,986
Auditor's remuneration	**2,093**	1,937
Provision for impairment of trade receivables	**5,835**	8,892
Provision for inventories write-down	**8,323**	10,051
Reversal of loss on financial guarantee contracts	**(2,176)**	(785)
Other expenses	**210,197**	191,532
	1,779,246	1,739,048
Represented by:		
Cost of sales	**1,419,847**	1,374,953
Selling and distribution expenses	**171,650**	177,798
General and administrative expenses	**187,749**	186,297
	1,779,246	1,739,048

6 FINANCE COSTS – NET

	(Unaudited) Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**2,680**	2,074
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(38,053)**	(32,608)
Charges on bills receivables discounted without recourse	**(1,197)**	(419)
	(39,250)	(33,027)
	(36,570)	(30,953)

7 INCOME TAX EXPENSE

The tax charge comprises:

	(Unaudited) Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Current income tax		
– PRC income tax	**22,281**	51,828
– Overseas tax	**6,326**	–
– Hong Kong profits tax	**1,599**	–
	30,206	51,828
Deferred income tax	**(346)**	(824)
Tax charge	**29,860**	51,004

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% (2017: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai, Kunshan and Fuxin have been 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.

As at 30 September 2018, deferred income tax liabilities of HK$47,802,000 (31 March 2018: HK$41,766,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings that are subject to withholding tax totalled HK$956,042,000 at 30 September 2018 (31 March 2018: HK$943,285,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China. For the subsidiary that we have an intention to distribute its respective retained earnings, we have recognised deferred tax liabilities of HK$5,050,000 (31 March 2018: HK$5,400,000) for the withholding tax as at 30 September 2018 that would be payable upon such distribution.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

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 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the consolidated earnings attributable to owners of the Company of HK$103,365,000 (2017: HK$129,304,000) and on the weighted average number of approximately 1,191,265,000 (2017: 1,066,922,000) ordinary shares in issue excluding own shares held during the period.

	(Unaudited) Six months ended 30 September	
	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**103,365**	129,304
Weighted average number of ordinary shares in issue *(thousands)*	**1,191,265**	1,066,922
Basic earnings per share *(HK cents)*	**8.7**	12.1

(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 and excluding own shares held during the period. The Company does not have any dilutive potential ordinary shares for the six months ended 30 September 2018.

The Company had one category of dilutive potential ordinary shares: perpetual convertible securities for the six months ended 30 September 2017. The perpetual convertible securities were assumed to have been converted into ordinary shares. 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	
	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**103,365**	129,304
Weighted average number of ordinary shares in issue *(thousands)*	**1,191,265**	1,066,922
Assumed conversion of perpetual convertible securities *(thousands)*	**–**	58,000
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,191,265**	1,124,922
Diluted earnings per share *(HK cents)*	**8.7**	11.5

9 INTERIM DIVIDEND

At a meeting held on 29 November 2018, the board of directors has resolved to declare an interim dividend of HK2.5 cents (2017: HK3.2 cents) per share amounting to HK$29,781,000 (2017: HK$36,264,000). 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 2019.

10 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2018 *HK$'000*	(Audited) As at 31 March 2018 *HK$'000*
Trade receivables	**1,073,834**	1,097,168
Less: Provision for impairment	**(124,114)**	(112,215)
	949,720	984,953
Bills receivables	**338,313**	347,899
	1,288,033	1,332,852
Less: Balance due after one year shown as non-current assets	**(25,026)**	(23,672)
Trade and bills receivables, net	**1,263,007**	1,309,180

As at 30 September 2018, the amount of provision for impaired trade receivables was HK$124,114,000 (31 March 2018: HK$112,215,000). The provision for impairment of trade receivables made during the current interim period was HK$5,835,000 (30 September 2017: HK$8,892,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

The ageing analysis of the gross trade receivables based on invoice date at the end of reporting period is as follows:

	(Unaudited) As at 30 September 2018 *HK$'000*	(Audited) As at 31 March 2018 *HK$'000*
Within 90 days	**526,943**	549,281
91–180 days	**159,929**	215,778
181–365 days	**194,866**	135,913
Over one year	**192,096**	196,196
	1,073,834	1,097,168

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) **As at** **30 September** **2018** ***HK$'000***	(Audited) As at 31 March 2018 *HK$'000*
Trade payables	**714,783**	849,374
Bills payables	**232,752**	221,143
Trade and other deposits and receipts in advance	**261,595**	256,581
Accrued salaries, bonuses and staff benefits	**77,538**	87,182
Accrued sales commission	**46,857**	52,664
Value added tax payable	**16,221**	22,071
Others	**169,659**	162,964
	1,519,405	1,651,979

The following is the ageing analysis of the trade payables based on invoice date:

	(Unaudited) **As at** **30 September** **2018** ***HK$'000***	(Audited) As at 31 March 2018 *HK$'000*
Within 90 days	**580,492**	699,592
91–180 days	**89,977**	107,980
181–365 days	**34,707**	32,627
Over one year	**9,607**	9,175
	714,783	849,374

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 2018 (the "Period under Review"), the Group recorded a revenue of HK$1,927,951,000, generally flat compared with that of the same period last year. During the Period under Review, the profit attributable to owners of the Company was HK$103,365,000, representing a decrease of approximately 20.1% compared with that of last year.

During the Period under Review, the Group's revenue in the PRC market was HK$1,566,646,000, representing an increase of 1.1% compared with that of the same period last year.

During the Period under Review, facing the exceptionally complex and challenging international conditions, the PRC's national economy remained robust and demonstrated a steady upward trend. According to the data released by the National Bureau of Statistics, China saw a year-on-year growth on its GDP of 6.7% and 6.5% for the second and third quarters of 2018, respectively. With the upgrade and optimisation of industrial structure, the growth of the tertiary industries recorded a relatively rapid growth rate. The income of people grew steadily, and the employment was stable and favourable. According to the statistics from China Association of Automobile Manufacturers, from January to September 2018, the production and sales volume of vehicles in China reached 20.49 million, representing an increase of 0.9% and 1.5%, respectively. During the first half of 2018, China continued to implement relevant policies, aiming at reducing the import tariffs on certain finished automobiles and components, while easing the shareholding restriction for the automobile industry during transition. Reflecting its openness and inclusivity towards the international market, the PRC's automobile industry was driven to a higher position and better direction with the market force. From January to September 2018, the production and sales volume of the new energy vehicles reached 730,000 and 720,000, respectively, representing a year-on-year increase of 73% and 81%, respectively. The rapid and continuous growth of new energy vehicles has formed a strong driving force for the development of the aluminium alloy die-casting in automobile industry.

As for overseas markets, the American market underwent significant adjustment with a slowdown in corporate investment demand after a substantial growth in the past two years. However, the Group continued to explore other markets. During the Period under Review, the Group's overseas revenue was HK$361,305,000, representing an increase of 3.7% compared with that of last year.

Die-Casting Machine

During the Period under Review, the revenue of the Group's die-casting machine and peripheral equipment business was HK$1,361,412,000, representing an increase of 6.2% compared with HK$1,282,264,000 of the same period last year.

Specifically, the revenue from the PRC market was HK$1,045,421,000, representing an increase of 8.4% compared with HK$964,490,000 of the same period last year. As the automobile industry was undergoing structural optimisation and upgrade in PRC, the growth of the industry was in a relatively ideal speed. The revenue of overseas market was HK$315,991,000, generally flat compared with HK$317,774,000 of the same period last year. Our subsidiary, IDRA, is currently affected by the adjustment in the American market, resulting in a reduced demand.

Plastic Injection Moulding Machine

During the Period under Review, the revenue of the plastic injection moulding machine was HK$501,598,000, representing a decrease of 9.2% compared with HK$552,509,000 of the same period last year. With the implementation of tariffs policy in the U.S. coming into effect since July, the downstream industries of plastic injection moulding machine such as household electrical appliances and 3C had faced relatively great downward pressure, the competition among enterprises of the plastic injection moulding machine was exceptionally intense.

Computerized Numerical Controlled ("CNC") Machining Centre

During the Period under Review, the revenue of the CNC machining centre business of the Group was HK$64,941,000, generally flat compared with that of the same period last year. The Group endeavoured to lower operating costs, enhancing its liquidity position and improving its management processes. Therefore, the loss was manageable during the Period under Review.

Financial Review

During the Period under Review, the overall gross profit margin of the business of the Group was 26.4%, representing a decrease of approximately 1.2% compared with that of the same period last year, which was mainly due to the influence of the factors such as the intense market competition and the increase in the price of the raw materials.

Selling and distribution expenses amounted to HK$171,650,000, representing a decrease of 3.5% compared with HK$177,798,000 of the same period last year, which was mainly due to the decrease in transportation costs and agency costs for the year.

General and administrative expenses amounted to HK$187,749,000, roughly flat compared with that of the same period last year.

Net finance costs amounted to HK$36,570,000, representing an increase of 18.1% compared with HK$30,953,000 of the same period last year, which was mainly attributable to the increase in funding costs as a result of the increase in the working capital loans and the rising interest rates in domestic and overseas debt market.

Prospects

Following by the imposition of tariffs on the products exported to the U.S., tensions on the trade between China and the U.S. started to escalate. Such escalating trade tension has created a great pressure on the depreciation of exchange rate of RMB, which accelerated the extent and speed of the tumbling stock market. It has also affected investors' confidence as well as the consumers' purchasing behaviour, which could in turn materially and adversely affect the PRC economy and market.

The uncertainties of the development of manufacturing industry in the PRC increased significantly with the downward pressure becoming greater, more and more enterprises will experience difficulties in their operations. After experiencing the rapid development in the industrial equipment industry, the current overall demand decreased with the reduction of orders. The competition among enterprises was intense.

Facing various difficulties and challenges, with a good foundation for a talent pool and excellent professional quality of production and technical staff, the Group will continue to allocate more resources for research and development, and improve product quality to cater for the ever-increasing demand of customers.

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 2018, the Group's cash and bank balances amounted to HK$573,422,000 (31 March 2018: HK$628,672,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 57% (31 March 2018: 47%).

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

As at 30 September 2018, the capital structure of the Company was constituted exclusively of 1,191,265,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$1,737,785,000 (31 March 2018: HK$1,691,399,000), approximately 68% of which being short-term loans. Approximately 13% 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 2018, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK$169,325,000 (31 March 2018: HK$262,468,000). The Group has also provided guarantees in respect of financial facilities of its customers to leasing finance providers amounting to approximately HK$28,072,000 (31 March 2018: HK$34,608,000).

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, financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) and bills receivables, with aggregate carrying amounts of HK$840,395,000 (31 March 2018: HK$929,126,000).

Capital Commitments

As at 30 September 2018, the Group had made capital expenditure commitments amounts of HK$5,104,000 (31 March 2018: HK$6,576,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2018, the Group employed approximately 4,000 full time staff. The staff costs for the Period under Review amounted to HK$326,521,000 (2017: HK$298,958,000). 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 benefits such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 30 September 2018 (2017: HK3.2 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 21 December 2018. The interim dividend will be paid on or about Friday, 18 January 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 20 December 2018 to Friday, 21 December 2018, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions 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.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Dr. Low Seow Chay. 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 2018. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2018 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 2018/19 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 2018

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