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Customers' Success Is Our Top Priority



力勁科技集團有限公司
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)

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Corporate Information

Board of Directors

Executive Directors

Ms. Chong Siw Yin (*Chairperson*)
Mr. Liu Zhuo Ming (*Chief Executive Officer*)
Mr. Tse Siu Sze

Independent Non-executive Directors

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

Company Secretary

Mr. Wong Kin Ming

Authorised Representatives

Ms. Chong Siw Yin
Mr. Wong Kin Ming

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditor

PricewaterhouseCoopers

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit A, 8th Floor
Mai Wah Industrial Building
1-7 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
Intesa Sanpaolo Spa

Stock Code

558

Website

<http://www.lktechnology.com>

Management Discussion and Analysis

Business Review

For the six months ended 30 September 2019 (the "Period under Review"), the Group recorded a revenue of HK\$1,455,201,000, representing a decrease of approximately 24.5% as compared to that of the same period last year. During the Period under Review, the profit attributable to owners of the Company was HK\$15,893,000, representing a substantial decrease as compared to profits of HK\$103,365,000 in the same period last year.

The decrease in revenue was mainly due to the decrease in revenue from the sales of the Group in the China market. During the Period under Review, the Group's revenue from the China market was HK\$1,052,707,000, representing a decrease of 32.8% as compared to that of the same period last year.

During the Period under Review, facing the exceptionally complex and severe international conditions, the PRC's national economy remained on a steady growth trend. According to the data released by the National Bureau of Statistics, China saw a year-on-year growth on its GDP of 6.2% for the first three quarters of 2019 with continuous growth in industrial production, and the increase in residents' income basically in same pace with economic growth. On the whole, the national economy maintained a stable trend, underpinned by continuous optimisation and upgrade of the industrial structure.

According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles in China from January to September 2019 reached 18.15 million and 18.37 million, representing a year-on-year decrease of 11.4% and 10.3%, respectively. The production and sales volume of the new energy vehicles in China reached 888,000 and 872,000, respectively, representing a year-on-year growth of 20.9% and 20.8%, respectively. In the absence of policies introduced or implemented to effectively drive market performance, the overall vehicle sales were lower than industry expectation and subdued at a low level, presenting big challenges to the automobile industry.

In connection with the overseas markets, the Group proactively strengthened its market share by continuing to invest in research and development and closely cooperating with its distributors. During the Period under Review, the Group's overseas revenue was HK\$402,494,000, representing an increase of 11.4% as compared to that of the same period 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\$970,670,000, representing a decrease of 28.7% compared with HK\$1,361,412,000 of the same period last year.

Specifically, the revenue from the PRC market was HK\$638,060,000, representing a decrease of 39.0% as compared to that of the same period last year. Due to ongoing tensions in China-U.S trade dispute and increasing external uncertainties, China's economy faced new downward pressure, resulting that most manufacturers adhered to the "wait-and-see" attitude when making investments in new equipment. The revenue of overseas market was HK\$332,610,000, representing an increase of 5.3% as compared to that of the same period last year, as a result of the Group's continuous investment in a number of oversea markets and its enhanced efforts in expanding its presence in the emerging markets.

Management Discussion and Analysis

Plastic Injection Moulding Machine

During the Period under Review, the revenue of the plastic injection moulding machine of the Group was HK\$437,694,000, representing a decrease of 12.7% as compared to that of the same period last year. Due to the impact of tariffs policy by the U.S., the downstream industries of plastic injection moulding machine such as household electrical appliances and 3C had faced relatively great downward pressure, and the competition among enterprises of the plastic injection moulding machine was exceptionally intense.

Computerised Numerical Controlled (“CNC”) Machining Centre

During the Period under Review, the revenue of the Group's CNC machining centre business was HK\$46,837,000, representing a decrease of 27.9% as compared to that of the same period last year. As investments in new equipment continued to decrease due to the China-U.S. trade war, it is again difficult to make the call on the overall situation.

Financial Review

During the Period under Review, the overall gross profit margin of the business of the Group was 25.6%, generally flat as compared to that of the same period last year.

Selling and distribution expenses was HK\$143,492,000, representing a decrease of 16.4% as compared to that of the same period last year, which was mainly due to lower transportation costs and agency costs.

General and administrative expenses was HK\$171,152,000, representing a decrease of 8.8% as compared to that of the same period last year, which was mainly due to lower staff costs.

Net finance costs was HK\$39,190,000, representing an increase of 7.2% as compared to that of the same period last year, which was mainly attributable to higher interest expense as a result of the rising interest rates for domestic and overseas loans.

Prospects

Given the relatively pessimistic market expectations due to the persistently sluggish performance of the automobile industry in China coupled with impacts of negative factors such as escalation of the China-U.S. trade war since 2019, the manufacturers adhered to the “wait-and-see” attitude towards investments in new equipment. Due to the far-reaching impact of the sluggish automobile industry, it is expected to bring new challenges to the Group's future performance.

In response to the potential situation of persistently sluggish demand in China, the Group has undergone significant adjustments, and speeded up its decision-making process and enhanced its operational efficiency by optimizing and streamlining its management and sales structure, so as to cope with the current rapidly changing market conditions.

In order to satisfy the changing demands of customers in particular the new energy vehicles and 5G telecommunication products, and establish long-term business relationships with the customers, the Group will strive for major breakthroughs by unwaveringly focusing on researching and developing technologies in relation to the die-casting machine, plastic injection moulding machine and CNC machining centre. Meanwhile, the Group is committed to promoting its products to the world, with a view to lay a new foundation for the sustainable growth 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 2019, the Group's cash and bank balances was HK\$568,054,000 (31 March 2019: HK\$634,699,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 58% (31 March 2019: 52%).

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

As at 30 September 2019, 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\$1,730,817,000 (31 March 2019: HK\$1,751,495,000), approximately 83% of which being short-term loans. Approximately 12% 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 2019, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group was HK\$47,087,000 (31 March 2019: HK\$108,960,000). The Group has also provided guarantees in respect of financial facilities of its customers to leasing finance providers amounting to approximately HK\$2,259,000 (31 March 2019: HK\$13,851,000).

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, insurance policy investments and bills receivables, with aggregate carrying amounts of HK\$631,878,000 (31 March 2019: HK\$671,646,000).

Capital Commitments

As at 30 September 2019, the Group had made capital expenditure commitments amounts of HK\$168,363,000 (31 March 2019: HK\$6,129,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2019, the Group employed approximately 3,700 full time staff. The staff costs for the Period under Review was HK\$277,809,000 (2018: HK\$326,521,000). 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, share option scheme and share award scheme.

Other Information

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporations

As at 30 September 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director/ chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	770,980,000 ⁽¹⁾ Long position	64.72%
	the Company	Beneficial owner	2,550,000 Long position	0.21%
	the Company	Interest of spouse	5,202,500 ⁽²⁾ Long position	0.44%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	770,980,000 ⁽³⁾ Long position	64.72%
Mr. Tse Siu Sze	the Company	Beneficial owner	1,235,000 Long position	0.10%

Notes:

1. These 770,980,000 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siang Song ("Mr. Liu"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed to be interested in the shares held by Girgio through Fullwit and Mr. Liu.
2. These 5,202,500 shares are beneficially owned by Mr. Liu.
3. Mr. Liu Zhuo Ming is deemed to be interested in the 770,980,000 shares held by Girgio as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executives of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company

As at 30 September 2019, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	770,980,000 ⁽¹⁾ Long position	64.72%
Mr. Liu	See Note (2)	770,980,000 ⁽²⁾ Long position	64.72%
		2,550,000 ⁽²⁾ Long position	0.21%
	Beneficial owner	5,202,500 Long position	0.44%
Fullwit	See Note (1)	770,980,000 ⁽¹⁾ Long position	64.72%
HSBC International Trustee Limited	See Note (3)	770,980,000 ⁽³⁾ Long position	64.72%
China High-End Equipment Investment Fund LP	Beneficial owner	67,590,000	5.67%

Notes:

1. These 770,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.
2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.
3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.

Save as disclosed above, the Directors of the Company were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

Other Information

Share Option Scheme

The Company has adopted a new share option scheme ("New Share Option Scheme") on 8 September 2016 which will remain in force for a period of 10 years. Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors and employees of the Group. No options have been granted under the New Share Option Scheme since its date of adoption.

Share Award Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") on 28 October 2015 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognize the contributions of the employees (including without limitation employees who are also directors) of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at their absolute discretion select any employee for participation in the Share Award Scheme as a selected employee. The Board may determine the number of shares of the Company to be awarded to each selected employee and may impose any conditions, restrictions or limitations or waive any such conditions, restrictions or limitations from time to time in relation to the award as it may at its absolute discretion think fit.

The Board shall not make any further award which will result in the total number of shares awarded by the Board under the Scheme exceeding 10 per cent. of the issued share capital of the Company as at the Adoption Date. The total number of shares which may be awarded to a selected employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1 per cent. of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

During the six months ended 30 September 2019, the Company has not purchased any shares of the Company through the trustee in the open market on the Stock Exchange for the purpose of the Share Award Scheme. There were no shares awarded to employees pursuant to the Share Award Scheme during the period.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (2018: HK2.5 cents).

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 September 2019, 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 as set out in Appendix 14 to 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 as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the Period under Review.

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

In accordance with the requirement of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of a facility agreement (the "Facility Agreement") with a covenant relating to specific performance of the controlling shareholder of the Company at 30 September 2019:

On 5 February 2018, L.K. Machinery Company Limited (a wholly-owned subsidiary of the Company) as borrower, and the Company as a guarantor, entered into a facility agreement with a group of banks as lenders for a three-year term loan facilities of up to HK\$372,000,000 and US\$16,450,000.

The Facility Agreement provides that it would constitute an event of default under the Facility Agreement if (i) Mr. Liu Siong Song (a controlling shareholder of the Company held as to approximately 62% of equity interests in the Company as at the date of the Facility Agreement) and his family (the "Major Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right, free from any security; (ii) the Major Shareholders collectively are not or cease to be the single largest shareholder of the Company; (iii) the Major Shareholders collectively do not or cease to have control over the board of directors of the Company; and (iv) Ms. Chong Siw Yin (spouse of Mr. Liu Siong Song) is not or ceases to be the Chairman of the Company.

The aforesaid obligation continued to exist at 30 September 2019.

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 2019. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2019 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.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2019

Report on Review of Interim Financial Information



羅兵咸永道

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

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 11 to 40, which comprises the condensed consolidated statement of financial position of L.K. Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2019 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 November 2019

Condensed Consolidated Statement of Financial Position

At 30 September 2019

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 2019.

	<i>Notes</i>	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Non-current assets			
Intangible assets	7	11,527	11,462
Property, plant and equipment	8	905,736	1,011,716
Right-of-use assets	8	355,422	–
Investment properties	8	312,179	328,614
Land use rights	8	–	340,979
Interest in associates		26,991	32,848
Other receivables and deposits		31,115	12,729
Deferred income tax assets		82,466	83,220
Trade and bills receivables	9	22,469	19,901
Insurance policy investments		12,379	12,147
Financial asset at fair value through other comprehensive income	5.3	5,556	5,882
Restricted bank balances		581	2,364
Total non-current assets		1,766,421	1,861,862
Current assets			
Inventories		1,115,414	1,197,255
Trade and bills receivables	9	1,133,740	1,288,642
Other receivables, prepayments and deposits		156,183	193,841
Restricted bank balances		83,738	44,485
Cash and cash equivalents		568,054	634,699
Total current assets		3,057,129	3,358,922
Total assets		4,823,550	5,220,784
Equity			
Share capital	10	119,127	119,127
Reserves		814,757	961,757
Retained earnings		1,057,361	1,067,676
Total equity		1,991,245	2,148,560

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 30 September 2019

	Notes	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		19,807	20,445
Borrowings	11	296,152	438,174
Lease liabilities		28,973	–
Other payables		7,147	7,818
Total non-current liabilities		352,079	466,437
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	12	1,019,565	1,265,298
Borrowings	11	1,434,665	1,313,321
Lease liabilities		8,372	–
Current income tax liabilities		17,624	27,168
Total current liabilities		2,480,226	2,605,787
Total liabilities		2,832,305	3,072,224
Total equity and liabilities		4,823,550	5,220,784

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 September 2019

		(Unaudited) Six months ended 30 September	
	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	13	1,455,201	1,927,951
Cost of sales	15	(1,082,490)	(1,419,847)
Gross profit		372,711	508,104
Other income	13	30,207	29,622
Other losses – net	14	(9,849)	(9,160)
Selling and distribution expenses	15	(143,492)	(171,650)
General and administrative expenses	15	(171,152)	(187,749)
Operating profit		78,425	169,167
Finance income		2,422	2,680
Finance costs		(41,612)	(39,250)
Finance costs – net	17	(39,190)	(36,570)
Share of (loss)/profit of an associate		(1,926)	628
Profit before income tax		37,309	133,225
Income tax expense	18	(21,416)	(29,860)
Profit for the period attributable to owners of the Company		15,893	103,365
		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	19(a)	1.3	8.7
– Diluted	19(b)	1.3	8.7

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Profit for the period	15,893	103,365
Other comprehensive loss for the period:		
Item that may be reclassified to profit or loss		
Currency translation difference	(147,232)	(218,138)
Item that will not be reclassified to profit and loss		
Change in value of insurance policy investments	232	233
Total comprehensive loss for the period, net of tax, attributable to owners of the company	(131,107)	(114,540)

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

Attributable to owners of the Company (Unaudited)											
	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Insurance policy investments reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2019	119,127	579,809	13,771	71,607	11,116	240,857	45,118	(889)	368	1,067,676	2,148,560
Profit for the period	-	-	-	-	-	-	-	-	-	15,893	15,893
Other comprehensive loss											
Currency translation difference	-	-	-	(147,232)	-	-	-	-	-	-	(147,232)
Change in value of insurance policy investments	-	-	-	-	-	-	-	232	-	-	232
Total comprehensive (loss)/income	-	-	-	(147,232)	-	-	-	232	-	15,893	(131,107)
Dividend declared	-	-	-	-	-	-	-	-	-	(26,208)	(26,208)
Transaction with owners	-	-	-	-	-	-	-	-	-	(26,208)	(26,208)
At 30 September 2019	119,127	579,809	13,771	(75,625)	11,116	240,857	45,118	(657)	368	1,057,361	1,991,245

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

Attributable to owners of the Company (Unaudited)												
	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Insurance policy investments reserve HK\$'000	Financial assets of fair value through other comprehensive income reserve HK\$'000	Available-for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2018, as previously reported	119,127	579,809	13,771	234,912	11,116	229,070	42,306	(1,319)	-	368	1,011,134	2,240,294
Effect on adoption of HKFRS 9	-	-	-	-	-	-	-	-	368	(368)	(11,560)	(11,560)
At 1 April 2018, as restated	119,127	579,809	13,771	234,912	11,116	229,070	42,306	(1,319)	368	-	999,574	2,228,734
Profit for the period	-	-	-	-	-	-	-	-	-	-	103,365	103,365
Other comprehensive loss												
Currency translation difference	-	-	-	(218,138)	-	-	-	-	-	-	-	(218,138)
Change in value of insurance policy investments	-	-	-	-	-	-	-	233	-	-	-	233
Total comprehensive (loss)/income	-	-	-	(218,138)	-	-	-	233	-	-	103,365	(114,540)
Dividend declared	-	-	-	-	-	-	-	-	-	-	(81,006)	(81,006)
Transaction with owners	-	-	-	-	-	-	-	-	-	-	(81,006)	(81,006)
At 30 September 2018	119,127	579,809	13,771	16,774	11,116	229,070	42,306	(1,086)	368	-	1,021,933	2,033,188

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	(Unaudited)	
	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	62,286	26,491
Interest paid	(41,612)	(39,250)
Income tax paid	(30,993)	(42,865)
Net cash used in operating activities	(10,319)	(55,624)
Cash flows from investing activities		
Payments for intangible assets	(2,013)	(2,085)
Payments for land use rights	–	(32,676)
Purchases of property, plant and equipment	(14,456)	(34,538)
Deposits for purchases of property, plant and equipment	(23,034)	(4,240)
Proceeds from disposals of property, plant and equipment	13,694	1,322
Dividend received from an associate	2,222	–
Payment for interest in an associate	(74)	–
Interest received	2,422	2,680
Net cash used in investing activities	(21,239)	(69,537)
Cash flows from financing activities		
Inception of new bank borrowings	466,910	594,923
Repayment of bank borrowings	(491,986)	(467,994)
Net increase/(decrease) in trust receipt loans	40,625	(21,487)
Payment of lease liabilities	(5,172)	–
Dividend paid	(26,208)	–
Net cash (used in)/generated from financing activities	(15,831)	105,442
Net decrease in cash and cash equivalents	(47,389)	(19,719)
Cash and cash equivalents at beginning of period	634,699	628,672
Exchange losses on cash and cash equivalents	(19,256)	(35,531)
Cash and cash equivalents at end of period	568,054	573,422

The notes on pages 18 to 40 are integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$") unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 November 2019.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2019 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 2019, 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.

3 Accounting policies

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 and interpretation as set out below.

Income tax expenses in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New and amended standards and interpretation adopted by the Group

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

Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments

The impact of the adoption of adopting HKFRS 16 Leases is disclosed in Note 3.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.2 Impact of adoption on financial statements – HKFRS 16 Leases

HKFRS 16 has resulted in almost all leases being recognised on the condensed 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 of the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparative figures for the six months ended 30 September 2018 and as of 31 March 2019, as permitted under the simplified transition approach in the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening condensed consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.60%.

Notes to the Condensed Consolidated Interim Financial Information

3 Accounting policies (Continued)

3.2 Impact of adoption on financial statements – HKFRS 16 Leases (Continued)

	As at 31 March 2019 HK\$'000
Operating lease commitments disclosed at 31 March 2019 (Audited)	48,524
Discounted using lessee's incremental borrowing rate as of 1 April 2019	42,255
Less: short-term leases recognised on a straight-line basis as expense	(408)
Less: low value leases recognised on a straight-line basis as expense	(615)
Lease liabilities recognised as at 1 April 2019	41,232
Analysed into:	
Current lease liabilities	4,300
Non-current lease liabilities	36,932
	41,232

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position as at 1 April 2019.

The change in accounting policy affected the following items in the condensed consolidated statement of financial position on 1 April 2019:

- Land use rights – decrease by HK\$340,979,000
- Right-of-use assets – increase by HK\$382,218,000
- Prepayments – decrease by HK\$7,000
- Lease liabilities – increase by HK\$41,232,000

There is no impact on retained earnings on 1 April 2019.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

3 Accounting policies (Continued)

3.2 Impact of adoption on financial statements – HKFRS 16 Leases (Continued)

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

The Group's leasing activities and how these are accounted for

The Group mainly leases various properties and lands. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the 1 April 2019, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments)
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the Condensed Consolidated Interim Financial Information

4 Estimates

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

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
3. Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

**Notes to the Condensed Consolidated
Interim Financial Information**

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's financial asset that is measured at fair value at 30 September 2019 and 31 March 2019.

As at 30 September 2019

	(Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial asset				
Financial asset at fair value through other comprehensive income (Note)	-	-	5,556	5,556

As at 31 March 2019

	(Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial asset				
Financial asset at fair value through other comprehensive income (Note)	-	-	5,882	5,882

Note: As at 30 September 2019, financial asset at fair value through other comprehensive income consist of an unlisted equity investment which is denominated in RMB and determined by reference to its equity value.

There were no transfers of financial assets and liabilities between levels 1 and 2 of the value hierarchy classifications.

Level 3 fair value

Reconciliation of Level 3 fair value measurement of financial asset:

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Financial assets		
Balance at 1 April	5,882	6,250
Exchange difference	(326)	(503)
Balance at 30 September	5,556	5,747

Notes to the Condensed Consolidated Interim Financial Information

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

Level 3 fair value (Continued)

There were no transfers into or out of Level 3 value hierarchy during the period.

The Group's "trade, bills and other receivables", "deposits", "restricted bank balances", "cash and cash equivalents" and "trade, bills and other payables" are financial assets and liabilities not carried at fair value. As at both 30 September 2019 and 31 March 2019, the carrying values of these financial assets and liabilities approximated their respective fair values.

6 Segment information

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. Segment results represent the profit/(loss) for the period before corporate expenses 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 tax expenses. 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) CNC machining centre

For the six months ended 30 September 2019, none of the customers of the Group individually accounted for 10% or more (2018: 10% or more) of the Group's total revenue.

Notes to the Condensed Consolidated Interim Financial Information

6 Segment information (Continued)

The segment results for the six months ended 30 September 2019 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	970,670	437,694	46,837	1,455,201	-	1,455,201
Inter-segments sales	10,331	-	-	10,331	(10,331)	-
	981,001	437,694	46,837	1,465,532	(10,331)	1,455,201
Results						
Segment results	77,633	23,601	(7,891)	93,343	-	93,343
Administrative expenses						(14,918)
Finance income						2,422
Finance costs						(41,612)
Share of loss of an associate						(1,926)
Profit before income tax						37,309

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 revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated income statement.

Notes to the Condensed Consolidated Interim Financial Information

6 Segment information (Continued)

Segment assets and liabilities

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

As at 30 September 2019

	Unaudited			
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
Assets				
Segment assets	3,074,424	1,178,307	536,716	4,789,447
Unallocated assets				34,103
Total assets				4,823,550
Liabilities				
Segment liabilities	2,206,285	489,265	107,671	2,803,221
Unallocated liabilities				29,084
Total liabilities				2,832,305

As at 31 March 2019

	Audited			
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
Assets				
Segment assets	3,309,284	1,309,635	556,275	5,175,194
Unallocated assets				45,590
Total assets				5,220,784
Liabilities				
Segment liabilities	2,347,928	576,134	117,073	3,041,135
Unallocated liabilities				31,089
Total liabilities				3,072,224

Notes to the Condensed Consolidated Interim Financial Information

6 Segment information (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to reportable segments except for corporate assets, financial assets at fair value through other comprehensive income and insurance policy investments (2018: same);
- 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.

7 Intangible assets

	Trademarks, patents, development cost and others HK\$'000	Goodwill HK\$'000	Total HK\$'000
Six months ended 30 September 2018			
Opening net book amount as at 1 April 2018	8,215	2,800	11,015
Additions	2,085	–	2,085
Amortisation (<i>Note 15</i>)	(1,700)	–	(1,700)
Exchange difference	(437)	–	(437)
Closing net book amount as at 30 September 2018 (unaudited)	8,163	2,800	10,963
Six months ended 30 September 2019			
Opening net book amount as at 1 April 2019	8,662	2,800	11,462
Additions	2,013	–	2,013
Amortisation (<i>Note 15</i>)	(1,788)	–	(1,788)
Exchange difference	(160)	–	(160)
Closing net book amount as at 30 September 2019 (unaudited)	8,727	2,800	11,527

**Notes to the Condensed Consolidated
Interim Financial Information**

8 Property, plant and equipment, investment properties, land use rights and right-of-use assets

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000	Right-of-use assets HK\$'000
Six months ended				
30 September 2018				
Opening net book amount as at 1 April 2018	1,142,119	353,420	301,049	–
Additions	45,860	–	32,676	–
Disposals	(3,122)	–	–	–
Depreciation and amortisation	(65,991)	–	(3,638)	–
Increase in fair value (Note 14)	–	10,938	–	–
Exchange difference	(84,796)	(27,488)	(24,056)	–
Closing net book amount as at 30 September 2018 (unaudited)	1,034,070	336,870	306,031	–

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000	Right-of-use assets HK\$'000
Six months ended				
30 September 2019				
Opening net book amount as at 1 April 2019	1,011,716	328,614	340,979	–
Effect of adoption of HKFRS 16 (Note 3.2)	–	–	–	41,239
Reclassification to right-of-use asset (Note 3.2)	–	–	(340,979)	340,979
Additions	18,396	–	–	694
Disposals	(12,865)	–	–	–
Depreciation and amortisation	(60,391)	–	–	(8,705)
Increase in fair value (Note 14)	–	855	–	–
Exchange difference	(51,120)	(17,290)	–	(18,785)
Closing net book amount as at 30 September 2019 (unaudited)	905,736	312,179	–	355,422

As at 30 September 2019 and 31 March 2019, the fair values of the investment properties have been arrived at on the basis of valuations carried out by LCH (Asia-Pacific) Surveyors Limited ("LCH") and Valor Appraisal & Advisory Limited ("Valor"), independent professional surveyor and valuer. LCH and Valor are members of the Hong Kong Institute of Surveyors ("HKIS"), and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

**Notes to the Condensed Consolidated
Interim Financial Information**

8 Property, plant and equipment, investment properties, land use rights and right-of-use assets (Continued)

The fair value measurement information for these investment properties are given below.

Description	Fair value measurements at 30 September 2019 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties (unaudited)	–	–	312,179

Description	Fair value measurements at 31 March 2019 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties (audited)	–	–	328,614

There were no transfers between Levels 1, 2 and 3 during the period.

**Notes to the Condensed Consolidated
Interim Financial Information**

**8 Property, plant and equipment, investment properties, land use rights and
right-of-use assets (Continued)**

Fair value measurements using significant unobservable inputs (Level 3)

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Balance at 1 April	328,614	353,420
Increase in fair value (Note 14)	855	10,938
Exchange difference	(17,290)	(27,488)
Balance at 30 September	312,179	336,870
Total unrealised gains recognised in the condensed consolidated income statement for assets held at the end of the reporting period (Note 14)	855	10,938

The valuations, which conform to the HKIS valuation standards, 2017 Edition, were based on the income approach which largely used unobservable inputs (e.g. unit rate, discount rate, etc.) and taking into account the significant adjustment on discount rate to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

There were no changes to the valuation technique during the period.

The key assumptions used for the valuation and their relationships to fair value are as follows:

Unobservable input	Relationship of unobservable inputs to fair value
Unit rate	The higher the unit rate, the higher the fair value
Discount rate	The higher the discount rate, the lower the fair value

**Notes to the Condensed Consolidated
Interim Financial Information**

9 Trade and bills receivables

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Trade receivables	1,084,243	1,118,530
Less: Provision for impairment	(126,133)	(118,790)
Bills receivables	958,110	999,740
	198,099	308,803
Less: Balance due after one year shown as non-current assets	1,156,209	1,308,543
	(22,469)	(19,901)
Trade and bills receivables, net	1,133,740	1,288,642

As at 30 September 2019, the amount of provision for impaired trade receivables was HK\$126,133,000 (31 March 2019: HK\$118,790,000). The provision for impairment of trade receivables made during the current interim period was HK\$12,164,000 (30 September 2018: HK\$5,835,000). 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 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within 90 days	486,814	564,181
91 – 180 days	152,402	163,829
181 – 365 days	191,838	154,172
Over one year	253,189	236,348
	1,084,243	1,118,530

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 terms 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.

Notes to the Condensed Consolidated Interim Financial Information

11 Borrowings (Continued)

At 30 September 2019 and 31 March 2019, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within 1 year	122,827	74,317	1,277,350	1,208,966	1,400,177	1,283,283
Amounts due for repayment after one year (Note):						
After 1 year but within 2 years	-	-	321,698	452,005	321,698	452,005
After 2 years but within 5 years	-	-	8,942	16,207	8,942	16,207
	-	-	330,640	468,212	330,640	468,212
	122,827	74,317	1,607,990	1,677,178	1,730,817	1,751,495

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

At 30 September 2019 borrowings of approximately HK\$529,644,000 (31 March 2019: HK\$591,332,000), were borrowed from banks in The People's Republic of China ("PRC") by subsidiaries of the Group that are established in the PRC.

**Notes to the Condensed Consolidated
Interim Financial Information**

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

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Trade payables	429,733	568,958
Bills payables	164,052	145,204
Other deposits	3,225	5,199
Trade deposits and receipts in advance	147,789	224,587
Accrued salaries, bonuses and staff benefits	75,604	92,845
Accrued sales commission	40,489	49,876
Value added tax payable	11,790	17,737
Others	146,883	160,892
	1,019,565	1,265,298

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

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Within 90 days	293,645	414,752
91 – 180 days	90,103	123,262
181 – 365 days	30,539	13,693
Over one year	15,446	17,251
	429,733	568,958

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

**Notes to the Condensed Consolidated
Interim Financial Information**

13 Revenue and other income

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Revenue		
Die-casting machine	970,670	1,361,412
Plastic injection moulding machine	437,694	501,598
CNC machining centre	46,837	64,941
	1,455,201	1,927,951
Other income		
Value added taxes refund	5,493	11,543
Other subsidies from government	9,720	5,090
Rental income	10,826	8,164
Sundry income	4,168	4,825
	30,207	29,622
Total revenue and other income	1,485,408	1,957,573

14 Other losses – net

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Net foreign exchange losses	(11,534)	(18,298)
Increase in fair value of investment properties (Note 8)	855	10,938
Gain/(loss) on disposals of property, plant and equipment	830	(1,800)
	(9,849)	(9,160)

**Notes to the Condensed Consolidated
Interim Financial Information**

15 Expenses by nature

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Raw materials and consumables used	795,959	1,163,989
Change in inventories of finished goods and work in progress	43,868	(56,503)
Staff costs (Note 16)	254,059	299,179
Contributions to defined contribution retirement plans (Note 16)	23,750	27,342
Amortisation of right-of-use assets (Note 8)	8,705	–
Amortisation of land use rights (Note 8)	–	3,638
Amortisation of intangible assets (Note 7)	1,788	1,700
Depreciation of property, plant and equipment (Note 8)	60,391	65,991
Research costs	10,486	13,510
Transportation expenses	25,765	36,128
Auditor's remuneration	2,111	2,093
Provision for impairment of trade receivables (Note 9)	12,164	5,835
(Reversal of)/provision for inventories write-down	(14,757)	8,323
Reversal of loss on financial guarantee contracts (Note 21)	(2,297)	(2,176)
Other expenses	175,142	210,197
	1,397,134	1,779,246
Represented by:		
Cost of sales	1,082,490	1,419,847
Selling and distribution expenses	143,492	171,650
General and administrative expenses	171,152	187,749
	1,397,134	1,779,246

16 Employees' benefits costs (including directors' emoluments)

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Wages and salaries	246,648	292,719
Retirement scheme contributions	23,750	27,342
Other allowances and benefits	7,411	6,460
	277,809	326,521

**Notes to the Condensed Consolidated
Interim Financial Information**

17 Finance costs – net

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Finance income:		
Interest income on short-term bank deposits	2,422	2,680
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	(40,181)	(38,053)
Interest on lease liabilities	(591)	–
Charges on bills receivables discounted without recourse	(840)	(1,197)
	(41,612)	(39,250)
	(39,190)	(36,570)

18 Income tax expense

	(Unaudited) Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Current income tax		
– PRC income tax	21,449	22,281
– Overseas tax	–	6,326
– Hong Kong profits tax	–	1,599
Deferred income tax	21,449 (33)	30,206 (346)
Tax charge	21,416	29,860

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% (2018: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai 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.

Notes to the Condensed Consolidated Interim Financial Information

18 Income tax expense (Continued)

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 2019, deferred income tax liabilities of HK\$41,480,000 (31 March 2019: HK\$52,348,000) 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 of HK\$830,480,000 at 30 September 2019 (31 March 2019: HK\$1,046,944,000). 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\$4,500,000 (31 March 2019: HK\$5,253,000) for the withholding tax as at 30 September 2019 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% (2018: 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.

19 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\$15,893,000 (2018: HK\$103,365,000) and on the weighted average number of approximately 1,191,265,000 (2018: 1,191,265,000) ordinary shares in issue.

	(Unaudited) Six months ended 30 September	
	2019	2018
Profit attributable to owners of the Company (HK\$'000)	15,893	103,365
Weighted average number of ordinary shares in issue (thousands)	1,191,265	1,191,265
Basic earnings per share (HK cents)	1.3	8.7

(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 2019.

Notes to the Condensed Consolidated Interim Financial Information

20 Interim dividend

At a meeting held on 29 November 2019, the board of directors has resolved not to declare an interim dividend for the period ended 30 September 2019 (2018: HK2.5 cents).

21 Financial guarantees

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	47,087	108,960

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$291,721,000 (31 March 2019: HK\$329,843,000) which are granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks. Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products. The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

During the six months period ended 30 September 2019, the Group recognised a reversal of loss of approximately HK\$2,297,000 (30 September 2018: HK\$2,176,000), as a result of repayment by customers of certain loans that defaulted in repayments in the prior years.

The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 30 September 2019 was approximately HK\$2,259,000 (31 March 2019: HK\$13,851,000).

The Company has provided guarantees in respect of banking facilities of its subsidiaries of approximately HK\$2,113,442,000 (31 March 2019: HK\$2,009,791,000). The facilities utilised by the subsidiaries as at 30 September 2019 amounted to HK\$1,146,146,000 (31 March 2019: HK\$1,219,316,000).

Notes to the Condensed Consolidated Interim Financial Information

22 Commitments

(a) Capital commitments

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	168,363	6,129

(b) Operating lease commitments – the Group as lessor

The Group leases out the investment properties and certain machinery under operating leases. The leases generally run for an initial period of one to five years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	(Unaudited) As at 30 September 2019 HK\$'000	(Audited) As at 31 March 2019 HK\$'000
Leases receivable:		
Within one year	7,701	10,341
In the second to fifth year	1,540	4,275
	9,241	14,616

23 Related party transactions

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

	(Unaudited) Six months ended 30 September 2019 HK\$'000	2018 HK\$'000
Wages and salaries, other allowances and benefits	12,005	10,542
Compensation for loss of office	2,230	–
Retirement scheme contributions	755	496
	14,990	11,038

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