

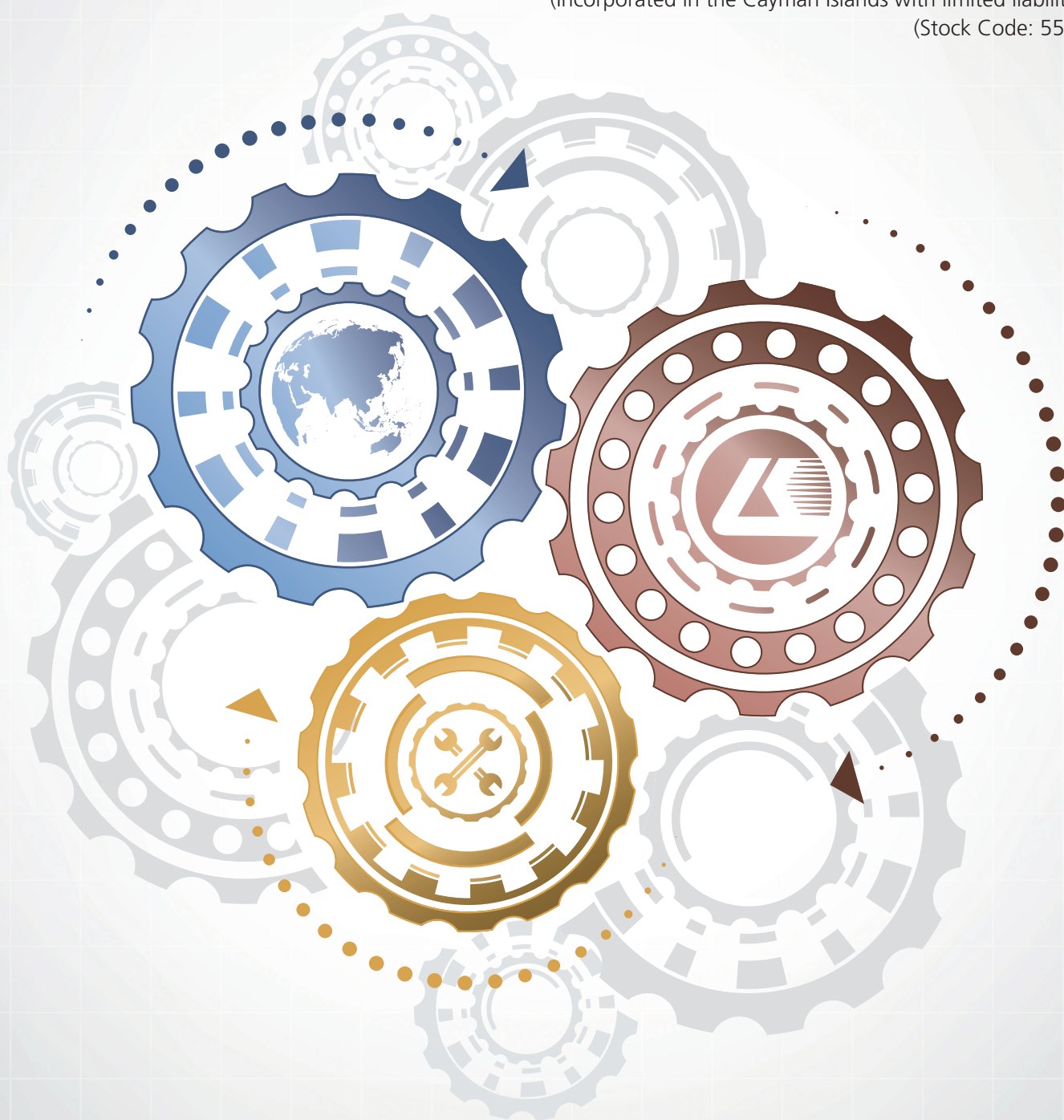


L.K. TECHNOLOGY HOLDINGS LIMITED

力勁科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 558)



INTERIM REPORT 2015/16



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Corporate Information

Board of Directors

Executive Directors

Ms. Chong Siw Yin (*Chairperson*)
Mr. Cao Yang (*Chief executive officer*)
Mr. Liu Zhuo Ming
Mr. Tse Siu Sze
Mr. Wang Xinliang

Non-executive Director

Ms. Han Jie

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*
Ms. Han Jie

Nomination Committee

Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Ms. Han Jie

Remuneration Committee

Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Ms. Han Jie

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

The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Hang Seng Bank Limited
CTBC Bank Co., Ltd
Intesa Sanpaolo Spa

Stock Code

558

Website

<http://www.lktechnology.com>

Management Discussion and Analysis

Business Review

For the six months ended 30 September 2015 (the “Period under Review”), the Group recorded revenue of HK\$1,563,680,000, representing a decrease of 9% as compared to HK\$1,710,964,000 recorded in the same period last year. During the Period under Review, loss attributable to the owners of the Company amounted to HK\$9,139,000, as compared to the profit of HK\$93,091,000 in the same period last year.

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

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

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

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

Die-casting Machines

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

Plastic Injection Moulding Machines

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

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

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

Management Discussion and Analysis (Continued)

Computerised Numerical Controlled (CNC) Machining Centres

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

Financial Review

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

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

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

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

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

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

Prospects

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

Management Discussion and Analysis (Continued)

Liquidity and Financial Resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 September 2015, the Group's cash and bank balances amounted to HK\$348,908,000 (31 March 2015: HK\$306,992,000).

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

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

As at 30 September 2015, the capital structure of the Company was constituted exclusively of 1,133,265,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,608,463,000 (31 March 2015: HK\$1,553,145,000), approximately 55% of which being short-term loans. Approximately 15% of the total borrowing was subject to interest payable at fixed rates.

Pledge of Assets

The Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, land use rights, investment properties, property, plant and equipment, available-for-sale financial assets and trade and bills receivables, with aggregate carrying amounts of HK\$678,786,000 (31 March 2015: HK\$748,522,000).

Staff and Remuneration Policies

As at 30 September 2015, the Group employed approximately 3,800 full time staff. The staff costs for the Period under Review amounted to HK\$262,987,000 (2014: HK\$269,651,000). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

Other Information

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 September 2015, the interests and short positions of the Directors and chief executive 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	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin (“Ms. Chong”)	the Company	See Note (1)	645,980,000 ⁽¹⁾ Long position	57.00%
	the Company	Beneficial owner	2,550,000 Long position	0.23%
	the Company	Interest of spouse	4,960,000 ⁽²⁾ Long position	0.44%
Mr. Cao Yang	the Company	Beneficial owner	1,882,500 Long position	0.17%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	645,980,000 ⁽³⁾ Long position	57.00%
Mr. Tse Siu Sze	the Company	Beneficial owner	1,235,000 Long position	0.11%

Notes:

- These 645,980,000 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.
- These 4,960,000 shares are beneficially owned by Mr. Liu.
- Mr. Liu Zhuo Ming is deemed to be interested in the 645,980,000 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 2015, none of the Directors and chief executive 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.

Other Information (Continued)

Interests and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 September 2015, the persons, other than the Directors or chief executive 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	645,980,000 ⁽¹⁾ Long position	57.00%
Mr. Liu	See Note (2)	645,980,000 ⁽²⁾ Long position	57.00%
		2,550,000 ⁽²⁾ Long position	0.23%
		4,960,000 Long position	0.44%
Fullwit	See Note (1)	645,980,000 ⁽¹⁾ Long position	57.00%
HSBC International Trustee Limited	See Note (3)	645,980,000 ⁽³⁾ Long position	57.00%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner See Note (4)	112,000,000 ⁽⁴⁾ 58,000,000 ⁽⁴⁾	9.88% 5.12%
Kui Tang	Investment manager See Note (5)	112,000,000 ⁽⁴⁾ 58,000,000 ⁽⁴⁾	9.88% 5.12%
Munsun Asset Management (Asia) Ltd.	Investment manager	99,797,000	8.81%
China High-End Equipment Investment Fund LP	Beneficial owner	67,590,000	5.96%

Other Information (Continued)

Notes:

1. These 645,980,000 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.
4. On 26 January 2011, the Company and China Machinery Investment Holdings Limited ("China Machinery") entered into an investment agreement relating to, amongst other things, the issue of new subscription shares, the issue of perpetual convertible securities at an aggregate principal amount of HK\$145,000,000 ("Perpetual Convertible Securities") and the issue of warrants entitling China Machinery to subscribe for a maximum 25,600,000 Shares ("Warrants"). China Machinery is wholly owned by FountainVest indirectly. Based on the initial conversion price of HK\$2.50 per Share and assuming full conversion of the Perpetual Convertible Securities at such conversion price, the Perpetual Convertible Securities will be convertible into 58,000,000 Shares (the "Conversion Shares"). The Warrants entitle China Machinery to subscribe for a maximum of 25,600,000 Shares (the "Warrant Shares") at the initial exercise price of HK\$3.125 per Share. The Warrants had expired on 25 August 2013. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to China Machinery.
5. Kui Tang is deemed to be interested in the shares held by FountainVest by virtue of his 34% interest in FountainVest through One Venture Limited.

Save as disclosed above, as at 30 September 2015, the Directors of the Company were not aware of any persons (who were not directors or chief executive 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 (Continued)

Share Option Schemes

A Pre-IPO Share Option Scheme was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 23 September 2006. Movements of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 September 2015 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			
				Outstanding as at 01/04/2015	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/2015
Directors							
Ms. Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	1,500,000	–	1,500,000	–
Others							
An employee	23/09/2006	0.666	16/04/2007 – 15/10/2016	200,000	–	–	200,000
				1,700,000	–	1,500,000	200,000

Each of the grantees to whom options were granted under the Pre-IPO Share Option Scheme would be subject to the following restrictions on the exercise of the options granted to him/her:

Period (as from 16 October 2006, the day on which the shares of the Company commenced trading on the Stock Exchange)	Maximum cumulative percentage of the shares under option exercisable by the grantee
First 6 months	0%
Second 6 months	33%
Third 6 months	66%
For the remaining option period	100%

Save as disclosed above, no further options were granted under the Pre-IPO Share Option Scheme as the right to do so had ended on the day on which the prospectus of the Company dated 29 September 2006 was registered with the Registrar of Companies in Hong Kong.

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption and up to 30 September 2015.

Other Information (Continued)

Share Award Scheme

The Company has adopted the Share Award Scheme (the “Scheme”) on 28 October 2015 (the “Adoption Date”). The purpose of the 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 Scheme, the Board may, from time to time, at their absolute discretion select any employee for participation in the 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 Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Interim Dividend

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

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Period under Review.

Corporate Governance

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

Audit Committee

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

Model Code for Securities Transactions by Directors

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

Other Information (*Continued*)

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

In accordance with the requirements 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 2015.

On 28 August 2015, 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\$316,940,000 and US\$42,700,000.

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 57.6% 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 beneficially 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 2015.

Review of Financial Information

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2015. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2015 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Chong Siw Yin

Chairperson

Hong Kong, 27 November 2015

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 interim financial information set out on pages 13 to 46, 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 2015 and the related condensed consolidated statements of income, 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, 27 November 2015

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 2015.

Condensed Consolidated Statement of Financial Position

At 30 September 2015

	Note	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Non-current assets			
Intangible assets	7	22,251	21,639
Property, plant and equipment	8	1,164,214	1,122,042
Investment properties	8	73,780	69,950
Land use rights	8	328,373	340,448
Interests in joint ventures		–	–
Interest in an associate		31,635	31,294
Deposits paid		22,192	30,416
Deferred income tax assets		75,338	71,496
Trade and bills receivables	9	9,186	21,813
Available-for-sale financial assets		7,280	7,169
Restricted bank balances		11,807	2,976
Total non-current assets		1,746,056	1,719,243
Current assets			
Inventories		1,151,482	1,335,575
Trade and bills receivables	9	1,009,701	1,016,767
Other receivables, prepayments and deposits		174,371	192,921
Restricted bank balances		83,227	65,876
Cash and cash equivalents		348,908	306,992
Total current assets		2,767,689	2,918,131
Total assets		4,513,745	4,637,374
Equity			
Share capital	10	113,327	113,177
Reserves		921,676	982,660
Retained earnings		738,425	747,564
Equity attributable to owners of the parent		1,773,428	1,843,401
Non-controlling interests		2,208	204
Total equity		1,775,636	1,843,605

Condensed Consolidated Statement of Financial Position (Continued)

At 30 September 2015

	Note	(Unaudited) 30 September 2015 HK\$'000	(Audited) 31 March 2015 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		5,659	5,497
Borrowings	11	725,286	413,987
Other payables		9,087	9,882
Total non-current liabilities		740,032	429,366
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	12	1,074,355	1,179,297
Derivative financial instruments	13	–	–
Borrowings	11	883,177	1,139,158
Current income tax liabilities		40,545	45,948
Total current liabilities		1,998,077	2,364,403
Total liabilities		2,738,109	2,793,769
Total equity and liabilities		4,513,745	4,637,374
Net current assets		769,612	553,728
Total assets less current liabilities		2,515,668	2,272,971

The notes on pages 20 to 46 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 September 2015

	Note	(Unaudited)	
		Six months ended 30 September	
		2015 HK\$'000	2014 HK\$'000
Revenue	14	1,563,680	1,710,964
Cost of sales	17	(1,196,613)	(1,258,228)
Gross profit		367,067	452,736
Other income	14	16,486	17,419
Other gains – net	15	1,477	247
Gain on disposal of properties		–	33,320
Selling and distribution expenses	17	(176,774)	(169,616)
General and administration expenses	17	(168,150)	(191,424)
Operating profit		40,106	142,682
Finance income		1,087	2,340
Finance costs		(43,282)	(30,394)
Finance costs – net	19	(42,195)	(28,054)
Share of profit of an associate		1,119	1,499
(Loss)/profit before income tax		(970)	116,127
Income tax expense	20	(8,588)	(23,016)
(Loss)/profit for the period		(9,558)	93,111
(Loss)/profit attributable to:			
Owners of the parent		(9,139)	93,091
Non-controlling interests		(419)	20
		(9,558)	93,111
		HK cents	HK cents
(Loss)/earnings per share for (loss)/profit attributable to owners of the parent during the period (expressed in HK cents per share)	21		
– Basic		(0.8)	8.2
– Diluted		(0.8)	7.8

The notes on pages 20 to 46 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2015

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

The notes on pages 20 to 46 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Attributable to owners of the Company (Unaudited)												Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Perpetual convertible securities HK\$'000	Available-for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2015	113,177	498,607	889	13,771	188,665	191,968	4,747	85,401	(1,388)	747,564	1,843,401	204	1,843,605
Loss for the period	-	-	-	-	-	-	-	-	-	(9,139)	(9,139)	(419)	(9,558)
Other comprehensive loss													
Currency translation differences	-	-	-	-	(61,945)	-	-	-	-	-	(61,945)	-	(61,945)
Change in value of available-for-sale financial assets	-	-	-	-	-	-	-	-	111	-	111	-	111
Total comprehensive loss	-	-	-	-	(61,945)	-	-	-	111	(9,139)	(70,973)	(419)	(71,392)
Issue of shares upon exercise of share options	150	850	-	-	-	-	-	-	-	-	1,000	-	1,000
Transfer to share premium upon exercise of share options	-	751	(751)	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,423	2,423
Transaction with owners	150	1,601	(751)	-	-	-	-	-	-	-	1,000	2,423	3,423
At 30 September 2015	113,327	500,208	138	13,771	126,720	191,968	4,747	85,401	(1,277)	738,425	1,773,428	2,208	1,775,636

The notes on pages 20 to 46 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2015

Attributable to owners of the Company (Unaudited)													
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Perpetual convertible securities HK\$'000	Available- for-sale financial assets reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2014	113,177	498,607	889	13,771	204,130	172,763	4,747	85,401	(1,215)	661,610	1,753,880	279	1,754,159
Profit for the period	-	-	-	-	-	-	-	-	-	93,091	93,091	20	93,111
Other comprehensive income													
Currency translation differences	-	-	-	-	30,622	-	-	-	-	-	30,622	-	30,622
Change in value of available-for-sale financial assets	-	-	-	-	-	-	-	-	111	-	111	-	111
Total comprehensive income	-	-	-	-	30,622	-	-	-	111	93,091	123,824	20	123,844
At 30 September 2014	113,177	498,607	889	13,771	234,752	172,763	4,747	85,401	(1,104)	754,701	1,877,704	299	1,878,003

The notes on pages 20 to 46 are integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	Note	(Unaudited)	
		Six months ended 30 September	
		2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from/(used in) operations		158,697	(16,107)
Interest paid		(49,834)	(33,627)
Income tax paid		(17,671)	(14,546)
Net cash generated from/(used in) operating activities		91,192	(64,280)
Cash flow from investing activities			
Disposal of subsidiaries	16	(24)	–
Payments for intangible assets		(2,852)	(2,565)
Purchases of property, plant and equipment		(101,908)	(69,079)
Deposits for acquisition of property, plant and equipment		(9,235)	(8,745)
Proceeds from disposals of properties		–	68,139
Proceeds from disposals of other property, plant and equipment		995	524
Interest received		1,087	2,340
Net cash used in investing activities		(111,937)	(9,386)
Cash flow from financing activities			
Inception of new bank borrowings		1,067,304	887,309
Repayment of bank borrowings		(962,992)	(946,699)
Net (decrease)/increase in trust receipt loans		(39,772)	54,263
Proceeds from issuance of ordinary shares		1,000	–
Net cash generated from/(used in) financing activities		65,540	(5,127)
Net increase/(decrease) in cash and cash equivalents		44,795	(78,793)
Cash and cash equivalents at beginning of period		297,082	353,853
Exchange (losses)/gains on cash and cash equivalents		(2,951)	1,332
Cash and cash equivalents at end of period		338,926	276,392
Analysis of cash and cash equivalents			
Cash and cash equivalents		348,908	276,392
Bank overdraft	11	(9,982)	–
		338,926	276,392

The notes on pages 20 to 46 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 27 November 2015.

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 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing this condensed consolidated interim financial information.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described therein.

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

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 April 2015. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKAS 19 (2011), “Employee Benefits – Defined Benefit Plans: Employee Contributions”;
- Annual Improvements to HKFRSs 2010 – 2012 Cycle; and
- Annual Improvements to HKFRSs 2011 – 2013 Cycle.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3 Accounting policies (Continued)

- (b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group
- HKFRS 9, “Financial Instruments”²;
 - HKFRS 14, “Regulatory Deferral Accounts”¹;
 - HKFRS 15, “Revenue from Contracts with Customers”²;
 - Amendments to HKFRS 10, “Consolidated Financial Statements” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹;
 - Amendments to HKFRS 10, “Consolidated Financial Statements”, HKFRS 12, “Disclosure of Interests in Other Entities” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Investment Entities: Applying the Consolidation Exception¹;
 - Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”¹;
 - Amendments to HKAS 1, “Presentation of Financial Statements – Disclosure initiative”¹;
 - Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
 - Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture” on Agriculture: Bearer Plants¹;
 - Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”¹; and
 - Annual Improvements to HKFRSs 2012 – 2014 Cycle¹.

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, 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 2015.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 2015.

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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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)
- 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 (Continued)

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 September 2015 and 31 March 2015.

As at 30 September 2015

	(Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Available-for-sale financial assets (Note 1)	–	–	7,280	7,280
Financial liabilities				
Derivative financial instruments:				
Subscription Options (Note 2)	–	–	–	–

As at 31 March 2015

	(Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Available-for-sale financial assets (Note 1)	–	–	7,169	7,169
Financial liabilities				
Derivative financial instruments:				
Subscription Options (Note 2)	–	–	–	–

Note 1: Available-for-sale financial assets are unlisted insurance policy investments which are denominated in US dollars. The fair value of unlisted insurance policy investments that is not traded in an active market is determined by reference to the expected return from the insurance policy investments which in turn is mainly derived from cash surrender value of the insurance policy.

Note 2: The estimate of the fair value of the Subscription Options is measured using the lattice model (Note 13).

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

Level 3 fair value

Reconciliation of Level 3 fair value measurements of financial assets and liabilities:

	(Unaudited)	
	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Financial assets		
Balance at 1 April	7,169	7,801
Gains recognised in the condensed consolidated statement of comprehensive income	111	111
Balance at 30 September	7,280	7,912
Total unrealised gains recognised in the condensed consolidated statement of comprehensive income relating to those instruments held at the end of the reporting period	111	111

	(Unaudited)	
	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Financial liabilities		
Balance at 1 April and 30 September	–	–
Total unrealised losses recognised in the condensed consolidated income statement relating to those instruments held at the end of the reporting period	–	–

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 2015 and 31 March 2015, the carrying values of these financial assets and liabilities approximated their respective fair values. For such fair value determination, except for "restricted bank balances" and "cash and cash equivalents" which are under Level 1 of the fair value hierarchy, all the other financial assets and liabilities as mentioned above are under Level 3 of the fair value hierarchy.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 (loss)/profit for the period in each reportable segment. This is the measure reported to the Group’s management for the purpose of resource allocation and assessment of segment performance.

The measure used for reporting segment results is “(loss)/profit from operations”, i.e. (loss)/profit before finance income, finance costs and income taxes. To arrive at the (loss)/profit from operations, the Group’s (loss)/profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

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

For the six months ended 30 September 2015, none of the customers of the Group individually accounted for 10% or more (2014: 1 customer accounted for approximately 12%) of the Group’s total revenue. The revenue was attributable to the die-casting machine and CNC machining centre segments.

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

	Unaudited					
	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	1,212,271	272,701	78,708	1,563,680	–	1,563,680
Inter-segments sales	29,559	–	–	29,559	(29,559)	–
	1,241,830	272,701	78,708	1,593,239	(29,559)	1,563,680
Results						
Segment results	70,816	(2,772)	(12,087)	55,957	–	55,957
Administrative expenses						(15,851)
Finance income						1,087
Finance costs						(43,282)
Share of profit of an associate						1,119
Loss before income tax						(970)

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Segment information (Continued)

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

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

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2015

	Unaudited			Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	
Assets				
Segment assets	2,829,325	990,661	661,350	4,481,336
Unallocated assets				32,409
Consolidated total assets				4,513,745
Liabilities				
Segment liabilities	1,990,783	390,500	313,589	2,694,872
Unallocated liabilities				43,237
Consolidated total liabilities				2,738,109

As at 31 March 2015

	Audited			Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	
Assets				
Segment assets	2,968,010	953,870	682,751	4,604,631
Unallocated assets				32,743
Consolidated total assets				4,637,374
Liabilities				
Segment liabilities	2,157,448	272,229	302,953	2,732,630
Unallocated liabilities				61,139
Consolidated total liabilities				2,793,769

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

7 Intangible assets

	Trademarks, patents, development cost and others HK\$'000	Goodwill HK\$'000	Total HK\$'000
Six months ended 30 September 2014			
Opening net book amount as at 1 April 2014	12,908	12,406	25,314
Additions	2,565	–	2,565
Amortisation	(2,828)	–	(2,828)
Exchange difference	(489)	–	(489)
Closing net book amount as at 30 September 2014 (unaudited)	12,156	12,406	24,562
Six months ended 30 September 2015			
Opening net book amount as at 1 April 2015	9,233	12,406	21,639
Additions	2,852	–	2,852
Amortisation	(2,527)	–	(2,527)
Exchange difference	287	–	287
Closing net book amount as at 30 September 2015 (unaudited)	9,845	12,406	22,251

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8 Property, plant and equipment, Investment properties and Land use rights

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
Six months ended 30 September 2014			
Opening net book amount as at 1 April 2014	1,049,055	66,360	348,173
Additions	74,319	–	–
Disposals	(813)	–	–
Depreciation and amortisation	(59,089)	–	(3,865)
Increase in fair value	–	1,833	–
Exchange difference	11,919	687	4,359
Closing net book amount as at 30 September 2014 (unaudited)	1,075,391	68,880	348,667
Six months ended 30 September 2015			
Opening net book amount as at 1 April 2015	1,122,042	69,950	340,448
Additions	125,266	–	–
Disposals	(1,164)	–	–
Depreciation and amortisation	(56,706)	–	(3,817)
Increase in fair value	–	5,250	–
Exchange difference	(25,224)	(1,420)	(8,258)
Closing net book amount as at 30 September 2015 (unaudited)	1,164,214	73,780	328,373

As at both 30 September 2015 and 31 March 2015, the fair values of the investment properties have been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor and valuer. LCH (Asia-Pacific) Surveyors Limited is a member of the Hong Kong Institute of Surveyors (“HKIS”), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8 Property, plant and equipment, Investment properties and Land use rights (Continued)

Description	Fair value measurements at 30 September 2015 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)	–	–	73,780

Description	Fair value measurements at 31 March 2015 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)	–	–	69,950

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

Fair value measurements using significant unobservable inputs (Level 3)

	(Unaudited) Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Balance at 1 April	69,950	66,360
Increase in fair value	5,250	1,833
Exchange difference	(1,420)	687
Balance at 30 September	73,780	68,880
Total unrealised gains recognised in the condensed consolidated income statement for assets held at the end of the reporting period	5,250	1,833

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8 Property, plant and equipment, Investment properties and Land use rights (Continued)

The valuations, which conform to the HKIS valuation standards, 2012 Edition, were based on the income approach which largely used unobservable inputs (e.g. unit rate, yield, etc.) and taking into account the significant adjustment on yield 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
Yield	The higher the yield, the lower the fair value

9 Trade and bills receivables

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

As at 30 September 2015, the amount of provision for impaired trade receivables was HK\$73,760,000 (31 March 2015: HK\$79,043,000). In the current interim period, the Group has written off trade receivables against provision made in prior years of HK\$9,978,000 (31 March 2015: nil). The provision for impairment of trade receivables was HK\$8,002,000 for the current interim period (30 September 2014: HK\$6,942,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9 Trade and bills receivables (Continued)

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

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Within 90 days	476,648	478,375
91-180 days	135,126	187,388
181-365 days	153,235	129,532
Over one year	192,485	195,951
	957,494	991,246

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.

10 Share capital

	(Unaudited) Number of ordinary shares of HK\$0.1 each	(Unaudited) Amount HK\$'000
Authorised:		
At 31 March 2015 and 30 September 2015	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2015	1,131,765,000	113,177
Share issued upon exercise of share options	1,500,000	150
At 30 September 2015	1,133,265,000	113,327

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11 Borrowings

The borrowings of the Group comprise:

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Non-current:		
Bank borrowings	725,286	413,987
Current:		
Bank borrowings	797,036	1,012,508
Bank overdrafts	9,982	9,910
Trust receipt loans	76,159	116,740
	883,177	1,139,158
	1,608,463	1,553,145
	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Secured:		
Bank borrowings	370,032	334,677
Trust receipt loans	29,420	39,922
	399,452	374,599
Unsecured:		
Bank borrowings	1,152,290	1,091,818
Trust receipt loans	46,739	76,818
Bank overdrafts	9,982	9,910
	1,209,011	1,178,546
	1,608,463	1,553,145

The borrowings of approximately HK\$477,298,000 and HK\$434,226,000 as at 30 September 2015 and 31 March 2015, respectively, were borrowed from banks in The People's Republic of China ("PRC") by subsidiaries of the Group that are incorporated or established in the PRC.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11 Borrowings (Continued)

At 30 September 2015, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings and overdrafts		Total	
	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Within 1 year	76,159	116,740	803,424	1,015,634	879,583	1,132,374
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	–	–	139,306	164,171	139,306	164,171
After 2 years but within 5 years	–	–	578,745	227,790	578,745	227,790
After 5 years	–	–	10,829	28,810	10,829	28,810
	–	–	728,880	420,771	728,880	420,771
	76,159	116,740	1,532,304	1,436,405	1,608,463	1,553,145

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

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

The following is the aging analysis of the trade payables:

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Within 90 days	370,599	456,869
91-180 days	90,181	96,732
181-365 days	10,034	16,708
Over one year	11,897	8,665
	482,711	578,974

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Derivative financial instruments

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Balance classified as current liabilities:		
Subscription options	–	–

On 26 January 2011, the Company and a third party investor (the “Investor”) entered into an investment agreement (the “Investment Agreement”), pursuant to which the Investor agreed to subscribe for the HK\$255 million “Subscription Shares” and the HK\$145 million “Perpetual Convertible Securities”, at a total cash consideration of HK\$400 million. The Company has also issued the “Warrants” and the “Subscription Options” to the investor at nil consideration as part of the transaction. Pursuant to the terms of the Warrants and the Subscription Options as stipulated in the Investment Agreement, the Warrants and the Subscription Options are regarded as derivatives in accordance with the Group’s accounting policies. The Warrants expired on 25 August 2013. The Subscription Options will expire on 24 February 2016.

At the end of the accounting period, the fair values of the Subscription Options are estimated by an independent professional valuer in Hong Kong using the lattice model. There were no changes in valuation techniques 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 the valuation of Subscription options
Discount rate	The higher the discount rate, the lower the value
Gross margin	The higher the gross margin, the higher the value
Long term average growth rate	The higher the long term average growth rate, the higher the value

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14 Revenue and other income

	(Unaudited)	
	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Revenue		
Die-casting machine	1,212,271	1,133,794
Plastic injection moulding machine	272,701	305,218
CNC machining centre	78,708	271,952
	1,563,680	1,710,964
Other income		
Value added taxes refund	8,925	11,959
Other subsidies from government	2,862	1,495
Rental income	3,079	2,272
Sundry income	1,620	1,693
	16,486	17,419
Total revenue and other income	1,580,166	1,728,383

15 Other gains – net

	(Unaudited)	
	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Net foreign exchange losses	(89)	(1,297)
Increase in fair value of investment properties	5,250	1,833
Loss on disposals of property, plant and equipment	(178)	(289)
Loss on disposal of subsidiaries (Note 16)	(3,506)	–
	1,477	247

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Loss on disposal of subsidiaries

During the period ended 30 September 2015, the Group disposed of its 53.5% equity interest in Espresso Satellite Navigation Limited at a consideration of HK\$1. Espresso Satellite Navigation Limited had a 100% equity interest in Espresso Satellite Navigation Inc., a company principally engaged in sales of global positioning system devices. As a result of the disposal, a loss of approximately HK\$3,506,000 has been recognised in the condensed consolidated income statement. The effect of the disposal is summarised as follows:

	(Unaudited) HK\$'000
Inventories	504
Trade and other receivables	586
Cash and cash equivalents	24
Trade payables, other payables and accruals	(62)
Net assets disposed	1,052
Non-controlling interest	2,423
Expenses attributable to the disposal	31
Loss on disposal	(3,506)
Total consideration to be satisfied by cash (before netting of income tax)	–
Income tax	–
	–
Cash and cash equivalents disposed	24

Notes to the Condensed Consolidated Interim Financial Information (Continued)

17 Expenses by nature

	(Unaudited)	
	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Raw materials and consumables used	783,784	1,106,115
Change in inventories of finished goods and work in progress	144,201	(157,687)
Staff costs (Note 18)	239,991	246,931
Contributions to defined contribution retirement plans (Note 18)	22,996	22,720
Amortisation of land use rights	3,817	3,865
Amortisation of trademarks ¹	68	97
Amortisation of patents ¹	107	107
Amortisation of development costs and others ²	2,352	2,624
Depreciation of property, plant and equipment	56,706	59,089
Research costs	8,715	13,938
Transportation expenses	47,124	38,024
Auditor's remuneration	1,845	1,845
Provision for impairment of trade receivables	8,002	6,942
Write back of provision for impairment of trade receivables	(2,414)	(1,047)
Write down of inventories ²	8,379	10,686
(Reversal of loss)/loss on financial guarantee contracts (Note 23)	(155)	24,187
Other expenses	216,019	240,832
	1,541,537	1,619,268
Represented by:		
Cost of sales	1,196,613	1,258,228
Selling and distribution expenses	176,774	169,616
General and administration expenses	168,150	191,424
	1,541,537	1,619,268

¹ Included in general and administration expenses

² Included in cost of sales

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18 Employees' benefits costs (including directors' emoluments)

	(Unaudited)	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Wages and salaries	228,516	233,083
Retirement scheme contributions	22,996	22,720
Other allowances and benefits	11,475	13,848
	262,987	269,651

19 Finance costs – net

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

Note:

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20 Income tax expense

The tax charge comprises:

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

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at statutory rate of 25% (2014: 25%).

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

Under the Corporate Income Tax Law of the PRC, dividends out of profit earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. The implementation rules of the Corporate Income Tax Law of the PRC provide for the withholding income tax on such dividend to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. Provision for withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. No Hong Kong profits tax has been provided for the period as the subsidiaries established in Hong Kong have no estimated assessable profit for the period (2014: Nil).

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21 (Loss)/earnings per share

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: perpetual convertible securities and share options. The perpetual convertible securities are assumed to have been converted into ordinary shares. Shares issuable under the share option schemes of the Company are the dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22 Interim dividend

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

23 Financial guarantees

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 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	294,905	317,048

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$1,116,653,000 (31 March 2015: HK\$1,261,407,000) 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 2015, the Group recognised a reversal of loss of approximately HK\$155,000 (30 September 2014: recognised a loss of approximately HK\$24,187,000), as a result of the net change in default positions of certain of these customers. As at 30 September 2015, the Group's provision for loss on financial guarantee contracts amounted to approximately HK\$202,000 (31 March 2015: HK\$6,193,000).

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK\$1,687,023,000 (31 March 2015: HK\$1,720,517,000). The facilities utilised by the subsidiaries as at 30 September 2015 amounted to HK\$1,141,066,000 (31 March 2015: HK\$1,080,095,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

24 Commitments

(a) Capital commitments

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	83,985	109,363
Other commitments	244	250
	84,229	109,613

(b) Operating lease commitments

At the end of reporting period, the Group had commitments for future minimum lease payments in respect of buildings under non-cancellable operating leases which fall due as follows:

	(Unaudited) As at 30 September 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Leases payable:		
Within one year	12,847	12,624
In the second to fifth year inclusive	34,724	32,235
After the fifth year	30,176	32,338
	77,747	77,197

The Group leases a number of properties under operating leases. The leases generally run for an initial period of one to five years, and the majority of lease agreements are renewable at the end of the lease period at market rate. None of the leases includes contingent rentals.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

24 Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group as lessor

The Group leases out certain properties, plant, investment properties and machineries 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 2015 HK\$'000	(Audited) As at 31 March 2015 HK\$'000
Leases receivable:		
Within one year	7,274	7,005
In the second to fifth year inclusive	13,153	13,333
After the fifth year	1,353	1,736
	21,780	22,074

25 Share options

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2015 are as follows:

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding at 1 April 2015 (Audited)	Exercised during the period	Outstanding at 30 September 2015 (Unaudited)
Directors	0.666	16 April 2007 – 15 October 2016	1,500,000	(1,500,000)	–
Employees	0.666	16 April 2007 – 15 October 2016	200,000	–	200,000
			1,700,000	(1,500,000)	200,000

Notes to the Condensed Consolidated Interim Financial Information (Continued)

26 Related party transactions

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

	(Unaudited)	
	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Wages and salaries, other allowances and benefits	9,034	7,937
Retirement scheme contributions	748	710
	9,782	8,647

27 Event occurring after the date of statement of financial position

On 28 October 2015, the Board of Directors of the Company has approved the adoption of the Share Award Scheme, details of which are disclosed in the Company's announcement published on 28 October 2015.