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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 558)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		(Unaudited) Six months ended 30 September	
	Note	**2012**	2011
		HK$'000	*HK$'000*
Revenue	*3*	**1,268,312**	1,675,963
Cost of sales	*5*	**(945,163)**	(1,197,084)
Gross profit		**323,149**	478,879
Other income	*3*	**15,072**	19,266
Other gains – net	*4*	**4,861**	13,802
Selling and distribution expenses	*5*	**(134,736)**	(148,705)
General and administration expenses	*5*	**(156,825)**	(163,898)
Operating profit		**51,521**	199,344
Finance income		**2,102**	2,716
Finance costs		**(32,130)**	(25,993)
Finance costs – net	*6*	**(30,028)**	(23,277)

	Note	(Unaudited) Six months ended 30 September 2012 HK$'000	2011 HK$'000
Profit before income tax		**21,493**	176,067
Income tax expense	*7*	**(6,901)**	(29,479)
Profit for the period		**14,592**	146,588
Profit attributable to:			
Owners of the parent		**15,330**	150,228
Non-controlling interests		**(738)**	(3,640)
		14,592	146,588
		HK cents	*HK cents*
Earnings per share for profit attributable to owners of the parent during the period (expressed in HK cents per share)	*8*		
– Basic		**1.4**	13.3
– Diluted		**1.3**	12.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	(Unaudited) Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**14,592**	146,588
Other comprehensive (loss)/income for the period:		
Currency translation difference	**(27,310)**	59,174
Total comprehensive (loss)/income for the period, net of tax	**(12,718)**	205,762
Attributable to:		
Owners of the parent	**(11,980)**	209,483
Non-controlling interests	**(738)**	(3,721)
	(12,718)	205,762

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012

	Note	(Unaudited) 30 September 2012 HK$'000	(Audited) 31 March 2012 HK$'000
Non-current assets			
Intangible assets		**14,844**	14,828
Property, plant and equipment		**932,240**	848,608
Investment properties		**25,730**	34,090
Land use rights		**248,229**	254,016
Deposits paid		**48,296**	45,459
Deferred income tax assets		**36,237**	33,705
Trade and bills receivables	*10*	**33,047**	26,855
Other receivables		**65,262**	64,160
Restricted bank balances		**11,352**	12,493
Total non-current assets		**1,415,237**	1,334,214
Current assets			
Inventories		**1,010,323**	1,191,188
Amount due from a jointly controlled entity		**13,483**	13,483
Trade and bills receivables	*10*	**932,294**	819,614
Other receivables, prepayments and deposits		**182,735**	211,150
Restricted bank balances		**68,754**	66,372
Cash and cash equivalents (excluding bank overdrafts)		**432,199**	439,231
		2,639,788	2,741,038
Non-current assets held-for-sale		**9,750**	–
Total current assets		**2,649,538**	2,741,038
Total assets		**4,064,775**	4,075,252

	Note	(Unaudited) 30 September 2012 HK$'000	(Audited) 31 March 2012 HK$'000
Equity			
Share capital		**113,177**	113,177
Reserves		**932,334**	959,644
Retained earnings			
– Proposed final dividend		**–**	56,588
– Others		**601,612**	586,282
Equity attributable to owners of the parent		**1,647,123**	1,715,691
Non-controlling interests		**538**	1,276
Total equity		**1,647,661**	1,716,967
Non-current liabilities			
Deferred income tax liabilities		**5,673**	7,572
Borrowings		**470,588**	305,225
Other payables		**10,229**	10,313
Total non-current liabilities		**486,490**	323,110
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*11*	**897,383**	1,017,228
Derivative financial instruments		**2,427**	3,909
Borrowings		**1,002,552**	973,359
Current income tax liabilities		**28,262**	40,679
Total current liabilities		**1,930,624**	2,035,175
Total liabilities		**2,417,114**	2,358,285
Total equity and liabilities		**4,064,775**	4,075,252
Net current assets		**718,914**	705,863
Total assets less current liabilities		**2,134,151**	2,040,077

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2012 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2012, 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. The following new amendment to standard is mandatory for the first time for the financial year beginning 1 April 2012

- Amendment to HKAS 12, 'Income taxes', on deferred tax is effective for annual period beginning on or after 1 January 2012.

  Currently HKAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes - recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is accordingly withdrawn.

b. **The following amendments and interpretations to existing standards effective for the financial year beginning 1 April 2012 but not relevant to the Group (although they may affect the accounting for future transactions and events)**

- Amendment to HKFRS 1, 'First time adoption', on hyperinflation and fixed dates is effective for financial period beginning on or after 1 July 2011.

  The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to HKFRSs', thus eliminating the need for companies adopting HKFRSs for the first time to restate derecognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to HKFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets is effective for financial period beginning on or after 1 July 2011.

  These amendments are as part of the IASBs comprehensive review of off balance sheet activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

c. **The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted:**

- HKFRS 1 (Amendment) Government Loans[2]
- HKFRS 7 (Amendment) Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
- HKFRS 9 Financial Instruments[4]
- HKFRS 7 and HKFRS 9 (Amendment) Mandatory Effective Date and Transition Disclosures[4]
- HKFRS 10 Consolidated Financial Statements[2]
- HKFRS 11 Joint Arrangements[2]
- HKFRS 12 Disclosure of Interests in Other Entities[2]
- HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
- HKFRS 13 Fair Value Measurement[2]
- HKAS 1 (Amendment) Presentation of Items of Other Comprehensive Income[1]
- HKAS 19 (2011) Employee Benefits[2]
- HKAS 27 (2011) Separate Financial Statements[2]
- HKAS 28 (2011) Investments in Associates and Joint Ventures[2]
- HKAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities[3]
- HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine[2]
- Annual Improvements Project – Annual Improvements 2009-2011 Cycle[2]

Notes:

(1) Effective for financial periods beginning on or after 1 July 2012
(2) Effective for financial periods beginning on or after 1 January 2013
(3) Effective for financial periods beginning on or after 1 January 2014
(4) Effective for financial periods beginning on or after 1 January 2015

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

2. SEGMENT INFORMATION

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. Segment results represent the profit/(loss) for the period in each reportable segment. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

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

The Group is organised into three main reportable segments.

(i) Die-casting machine

(ii) Plastic injection moulding machine

(iii) Computerized numerical controlled ("CNC") machining centre

The Group has changed the internal reporting structure effective from the period ended 30 September 2012. Accordingly, the comparative segment information has been restated to reflect the current reporting structure.

The segment results for the six months ended 30 September 2012 are as follows:

	Unaudited					
	Die-casting machine *HK$'000*	**Plastic injection moulding machine** *HK$'000*	**CNC** *HK$'000*	**Total segments** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
Revenue						
External sales	**902,522**	**262,521**	**103,269**	**1,268,312**	**–**	**1,268,312**
Inter-segments sales	**88,717**	**–**	**–**	**88,717**	**(88,717)**	**–**
	991,239	**262,521**	**103,269**	**1,357,029**	**(88,717)**	**1,268,312**
Results						
Segment results	**58,145**	**14,759**	**(3,933)**	**68,971**	**–**	**68,971**
Administrative expenses						**(17,450)**
Finance income						**2,102**
Finance costs						**(32,130)**
Profit before income tax						**21,493**

The segment results for the six months ended 30 September 2011 (restated) are as follows:

	Unaudited					
	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC *HK$'000*	Total segments *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue						
External sales	1,083,580	295,745	296,638	1,675,963	–	1,675,963
Inter-segments sales	137,660	–	–	137,660	(137,660)	–
	1,221,240	295,745	296,638	1,813,623	(137,660)	1,675,963
Results						
Segment results	150,194	29,046	43,533	222,773	–	222,773
Administrative expenses						(23,429)
Finance income						2,716
Finance costs						(25,993)
Profit before income tax						176,067

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 interim condensed consolidated income statement.

Segment assets and liabilities

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

As at 30 September 2012

	Die-casting machine *HK$'000*	**Plastic injection moulding machine** *HK$'000*	**CNC** *HK$'000*	**Total** *HK$'000*
Assets				
Segment assets	**2,792,312**	**602,952**	**639,133**	**4,034,397**
Unallocated assets				**30,378**
Consolidated total assets				**4,064,775**
Liabilities				
Segment liabilities	**1,815,634**	**284,000**	**294,770**	**2,394,404**
Unallocated liabilities				**22,710**
Consolidated total liabilities				**2,417,114**

As at 31 March 2012 (restated)

	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC *HK$'000*	Total *HK$'000*
Assets				
Segment assets	2,807,512	589,105	645,311	4,041,928
Unallocated assets				33,324
Consolidated total assets				4,075,252
Liabilities				
Segment liabilities	1,721,072	337,708	286,370	2,345,150
Unallocated liabilities				13,135
Consolidated total liabilities				2,358,285

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

– all assets are allocated to reportable segments other than corporate assets and non-current assets held-for-sale.

– all liabilities are allocated to reportable segments other than corporate liabilities and derivative financial instruments.

– liabilities for which segments are jointly liable are allocated in proportion to segment assets.

3. REVENUE AND OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Die-casting machine	**902,522**	1,083,580
Plastic injection moulding machine	**262,521**	295,745
CNC	**103,269**	296,638
	1,268,312	1,675,963
Other income		
Value added taxes refund	**7,262**	10,572
Other subsidies from government	**5,551**	5,991
Rental income	**1,020**	1,122
Sundry income	**1,239**	1,581
	15,072	19,266
Total revenue and other income	**1,283,384**	1,695,229

4. OTHER GAINS, NET

	(Unaudited) Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Net foreign exchange (losses)/gains	**(1,280)**	1,630
Increase in fair value of investment properties	**1,594**	990
Net fair value gain on derivative financial instruments	**1,482**	10,909
(Losses)/gains on disposals of property, plant and equipment	**(721)**	273
Others	**3,786**	–
	4,861	13,802

5. EXPENSES BY NATURE

	(Unaudited) Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Raw materials and consumables used	**593,150**	784,696
Change in inventories of finished goods and work in progress	**125,555**	173,909
Staff costs	**198,173**	225,984
Contributions to defined contribution retirement plans	**19,923**	17,642
Amortisation of land use rights	**2,700**	1,668
Amortisation of trademarks[1]	**99**	117
Amortisation of patents[1]	**107**	107
Amortisation of development costs and others[2]	**2,451**	2,380
Depreciation of property, plant and equipment	**55,725**	48,431
Research and development costs	**13,619**	11,907
Transportation expenses	**24,015**	32,735
Auditor's remuneration	**1,770**	1,700
(Reversal)/provision for impairment of trade receivables	**(218)**	4,070
Write down of inventories[2]	**10,742**	4,889
Other expenses	**188,913**	199,452
	1,236,724	1,509,687
Represented by		
Cost of sales	**945,163**	1,197,084
Selling and distribution expenses	**134,736**	148,705
General and administration expenses	**156,825**	163,898
	1,236,724	1,509,687

1 Included in general and administration expenses

2 Included in cost of sales

6. FINANCE COSTS – NET

	(Unaudited) Six months ended 30 September 2012 HK$'000	2011 HK$'000
Finance income:		
Interest income on short-term bank deposits	**2,102**	2,716
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(34,732)**	(26,686)
Less: Capitalized in property, plant and equipment *(note)*	**2,602**	693
	(32,130)	(25,993)
	(30,028)	(23,277)

Note:

Borrowing costs capitalized during the period arose on general borrowing pool and were calculated by applying a capitalization rate of 4.7% (2011: 4.4%) to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

The tax charge comprises:

	(Unaudited) Six months ended 30 September 2012 HK$'000	2011 HK$'000
Current income tax		
– PRC income tax	**8,576**	25,278
– Overseas tax	**331**	–
– Hong Kong profits tax	**–**	–
– Underprovision in prior year	**855**	26
	9,762	25,304
Deferred income tax	**(2,861)**	4,175
Tax charge	**6,901**	29,479

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

In accordance with the applicable Corporate Income Tax Law of The People's Republic of China ("PRC"), certain of the Company's subsidiaries registered in the PRC are exempted from corporate income tax ("CIT") for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on CIT in the following three years. These subsidiaries are subject to CIT at rates ranging from 12.5% to 25% (2011: 12.5% to 25%) during the period. All of the Company's subsidiaries will cease to enjoy the 50% relief on CIT after 31 December 2012.

For those subsidiaries of the Company which are still entitled to the 50% relief on income tax, the tax rate for the period is 12.5%. For those subsidiaries with expired tax holidays (other than those approved to be High and New Technology Enterprises as discussed in the next paragraph), the tax rates for the period are 25% (2011: 24% or 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% (2011: 16.5%) on the estimated assessable profit for the period. No Hong Kong profits tax has been provided for the period as the subsidiaries established in Hong Kong either have unutilised tax losses available to set off current period's estimated assessable profit or have no estimated assessable profit for the period. No Hong Kong profits tax has been provided for the six months ended 30 September 2011 as there was no estimated assessable profit for that period.

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

8. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the condensed consolidated profit attributable to owners of the parent of HK$15,330,000 (2011: HK$150,228,000) and on the weighted average number of approximately 1,131,765,000 (2011: 1,131,315,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September **2012**	2011
Profit attributable to owners of the parent *(HK$'000)*	**15,330**	150,228
Weighted average number of ordinary shares in issue *(thousands)*	**1,131,765**	1,131,315
Basic earnings per share *(HK cents)*	**1.4**	13.3

(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 **2012**	2011
Profit attributable to owners of the parent *(HK$'000)*	**15,330**	150,228
Weighted average number of ordinary shares in issue *(thousands)*	**1,131,765**	1,131,315
Assumed conversion of perpetual convertible securities *(thousands)*	**58,000**	58,000
Adjustment for share options *(thousands)*	**1,005**	1,571
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,190,770**	1,190,886
Diluted earnings per share *(HK cents)*	**1.3**	12.6

The assumed conversion of potential ordinary shares arising from the warrants during the period would be anti-dilutive (2011: Same).

9. INTERIM DIVIDEND

At a meeting held on 29 November 2012, the Board resolved not to pay an interim dividend for the six months ended 30 September 2012 (2011: Nil).

10. TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2012 *HK$'000*	(Audited) As at 31 March 2012 *HK$'000*
Trade receivables	**914,425**	826,504
Less: Provision for impairment	**(46,582)**	(47,144)
	867,843	779,360
Bills receivable	**97,498**	67,109
	965,341	846,469
Less: Balance due after one year shown as non-current assets	**(33,047)**	(26,855)
Trade and bills receivables, net	**932,294**	819,614

The amount of provision for impaired trade receivables was HK$46,582,000 (31 March 2012: HK$47,144,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	(Unaudited) As at 30 September 2012 *HK$'000*	(Audited) As at 31 March 2012 *HK$'000*
Within 90 days	**543,423**	459,618
91-180 days	**103,752**	132,237
181-365 days	**121,060**	123,919
Over one year	**146,190**	110,730
	914,425	826,504

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

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. Some customers are granted a credit term with repayment period ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six months to twelve months.

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

	(Unaudited) As at 30 September 2012 *HK$'000*	(Audited) As at 31 March 2012 *HK$'000*
Trade payables	**459,499**	531,183
Bills payable	**53,749**	34,716
Trade and other deposits and receipts in advance	**95,625**	174,447
Accrued salaries, bonuses and staff benefits	**61,439**	61,253
Accrued sales commission	**56,638**	54,611
Value added tax payable	**25,958**	32,158
Others	**144,475**	128,860
	897,383	1,017,228

The following is the aging analysis of the trade payables:

	(Unaudited) As at 30 September 2012 *HK$'000*	(Audited) As at 31 March 2012 *HK$'000*
Within 90 days	**355,584**	422,064
91-180 days	**79,948**	90,906
181-365 days	**12,663**	7,389
Over one year	**11,304**	10,824
	459,499	531,183

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2012 ("Period under Review"), the Group recorded a revenue of HK$1,268,312,000, representing a decrease of approximately 24% as compared to the revenue of HK$1,675,963,000 in the same period last year. The profit attributable to the owners of the Company amounted to HK$15,330,000, representing a significant decrease of approximately 90% as compared to the profit of HK$150,228,000 of the same period last year.

During the Period under Review, due to the prolonged downturn of global economy and slowdown of China's rapid economic growth and sluggish recovery, especially the obvious slowdown of the previously strong growth pace of China's economy; manufacturers in China, particularly those who were export-oriented, invariably adjusted their strategies to adapt to the environment of weak external recovery and slowdown of internal growth. They became cautious in investing in the purchase of equipment. Therefore, the business of equipment manufacturers (including the Group) was profoundly impaired.

Die-casting Machines

The growth of China's automobile industry continued to slow down; there was no sign of China loosening the macroeconomic control measures over the property sector. Traditional cell phone components manufacturers who were severely hit by the new generation electronic consumer goods like smart phones and tablet personal computers continued to suffer. In addition, downstream manufacturers took a cautious attitude when purchasing equipment for productivity expansion due to the slowdown of macro-economy. Therefore, China's overall demand for die-casting machines was under continuous pressure. During the Period under Review, the revenue of die-casting machines and the peripheral equipment business of the Group amounted to HK$902,522,000, representing a decrease of approximately 17% from HK$1,083,580,000 of the same period last year. However, the Group still maintained a leading position and market share in China's die-casting machine industry.

During the Period under Review, the revenue of Idra, an Italy based wholly-owned subsidiary of the Group, was in line with that of the same period last year. However, due to rising costs, the revenue fell short of making contribution to the profit of the Group.

Plastic Injection Moulding Machines

Despite the tough economic environment leading to the overall slowdown in China's plastic injection moulding machines industry, by virtue of the good performance in sales of large tonnage plastic injection moulding machines, servo control energy saving plastic injection moulding machines and sophisticated direct-clamp plastic injection moulding machines in automobile, electrical appliances and toy business sectors, the Group recorded a revenue of HK$262,521,000 in plastic injection moulding machines business during the Period under Review, representing a decrease of about 11% as compared to HK$295,745,000 of the same period last year.

In early 2012, the Group purchased a plot of land in the city of Ningbo, Zhejiang Province, with a total area of 150 mu (about 100,000 square meters) which will become the production headquarters of plastic injection moulding machines in eastern China. The land and Phase I of the factory involved a total investment of approximately HK$200,000,000. The new factory is expected to commence production by mid-2013.

Computerised Numerical Controlled (CNC) Machines

The revenue of the Group's CNC machine business amounted to HK$103,269,000, representing a decrease of about 65% as compared to HK$296,638,000 of the same period last year. The relatively greater decrease in revenue was mainly due to the fact that as the first round of investment boom in electronic consumer products manufacture industry such as smart phones and tablet personal computers was subsiding, the manufacturers in these sectors who had purchased substantial quantities of equipment would have to digest the productivity. Furthermore, since the Group's CNC machines customers were highly focused on customers of the 3C industry, demand for CNC machines decreased when these customers were implementing productivity adjustment which in turn had a significant impact on the sales of the Group's CNC machines. However, the Group's CNC machines still commanded good value performance and relatively strong market competitiveness, during the Period under Review, the Group had achieved breakthroughs in the fields of post die-casting processing for automobile components and secured orders from several reputable enterprises in automobile components. These orders enabled the Group's CNC machines to expand into the immense market of post processing of automobile components and contributed to expand the customer base and facilitate the stability and sustainability of the business.

Financial Review

During the Period under Review, the Group recorded a decrease in gross profit margin from about 29% of the same period last year to about 25%. The decrease was mainly attributable to the decrease in revenue, resulted in the relative increase in sharing fixed costs. Moreover, the new plants in Taiwan, Kunshan and Shenzhen have commenced production at the beginning of 2012. In addition, the Group has acquired additional processing equipment in the plant in Fuxin City of Liaoning Province in order to enhance the overall processing capacity of the Group and to reduce the outsource of processing, resulting in increase in overall depreciation costs as compared to the same period last year.

Sales and distribution expenses amounted to HK$134,736,000, representing a decrease of about 9% as compared to HK$148,705,000 of the same period last year. The decrease was mainly due to the reduction in commission of sales personnel and expenses. However, among the total expenses, advertisement fees increased over the same period last year due to the participation of large-scale exhibitions held in Brazil and the USA.

Administrative expenses were HK$156,825,000, decreasing by about 4% as compared to HK$163,898,000 of the same period last year. Despite slight decrease in the total expenses, development costs of new products increased as compared to the same period last year.

Research and Development (“R&D”)

R&D of Die-Casting Machines

During the Period under Review, the Group further developed the “Impress plus” series based on the third-generation die-casting machines under which all the products were equipped with servo control energy saving electric motors, achieving an average energy-saving level of about 30% to 50%, to cope with the global trend of energy saving in the die-casting industry. Meanwhile, the Group continued to develop and launch products under the two-platen die-casting machines series that were more economical in space, more convenient for repairs and more cost-competitive. During the Period under Review, the Group continued to achieve progress in the full automation of die-casting machines. Furthermore, the automatic production line for automobile cylinders developed by the Group achieved better production efficiency and stability, and received high commendation from customers.

The DCC3000U cold-chamber die casting machine which was developed by the Group achieved innovations and breakthroughs in several critical technologies. The model also won the “Machinery and Machine Tools Design Grand Award” under the “2012 Hong Kong Awards for Industries”.

R&D of Plastic Injection Moulding Machines

During the Period under Review, benefited from its significant energy-saving function, the servo control energy saving plastic injection moulding machine developed by the Group was granted the "Technology Innovation Award" by Ringier, a professional industry magazine. The Group continued to make progress in developing large-tonnage plastic injection moulding machines series and achieved higher sales growth on the series of above 1,000 tonnes. In the meantime, the Group also achieved breakthroughs in multi-color plastic injection moulding machines, which had been delivered to customers. The multi-color plastic injection moulding machines developed by the Group have adopted the design of multi-injection stations capable of performing tri-color, dual-color and mono-color injections.

R&D of CNC Machines

The Group's R&D center in Taiwan that had been focusing on the enhancement of the functionality and efficiency of existing products made remarkable results. The "TC" series, "MV" series and "HT" series of the Group gained extensive recognition in the market. The Group was in the process of strengthening the promotion of these products, helping our customers to utilize these products more efficiently. Besides, the Group is endeavored to develop larger tonnage CNC machines, expecting to be launched in succession in the future.

Prospects

The management remained cautious towards the second half of the year. This was due to the fact that the world economy is still full of volatilities and uncertainties. In particular, the European sovereign debt crisis persists and the US economic recovery is sluggish. The orders from the export-oriented customers may need longer time to recover. It may become a general phenomenon that China's economy will grow more moderately rather than rapidly. These factors that have negative impact on equipment manufacturers to maintain rapid growth will also deliver new challenges to the short-term growth of the Group. However, favorable factors exist in China's macro-economy for the equipment manufacturers. They include policies such as the reductions of deposit-reserve ratio and repeated interest rate cuts; and gradual easing of the tight monetary measures in China. These measures will help the customers of the Group secure the credit facilities needed for investment in equipment. At the same time, the US economy has shown some favorable signals for stability and improvement. These factors are helpful to resume customers' confidence in investment, though we believe these positive signs would be slow to realize.

Regarding the specific businesses, for the business of die-casting machines, since electronic consumer products such as traditional cell phones are being impacted by smart electronic consumer products, meanwhile, automobile manufacturing industry and real estates industry in China continue to adjust, it is expected that the die-casting machines industry in China will remain under pressure in the second half of the year. However, the die-casting machines of the Group integrate multiple state-of-the-art technologies with more powerful functions and stronger competitiveness and are expected to retain their leading market position. For the business of plastic injection moulding machines, due to the sheer size of the market, the Group will continue to provide a better and even more comprehensive range of plastic injection moulding machines. In particular, the breakthroughs achieved by the Group in large tonnage and multi-color plastic injection moulding machines, will be positive to the growth of business in this segment. At the same time, once the production headquarters in eastern China starts production, the Group's productivity of plastic injection moulding machines will be enhanced and its product series will be strengthened. The Group, is thus, in an advantageous position to increase its market share more efficiently. For the business of CNC machines, the Group's CNC machines still command relatively strong competitiveness in the 3C industry. In the meantime, the breakthroughs in automobile components industry will be conducive for the Group to enter into the massive market for post-processing of automobile components, extending the influences to other post die-casting processing fields. These are helpful for the Group to diversify its sales channels, expand the customer base for the business of CNC machines, and achieve stable and sustainable growth as well.

In terms of the overseas markets, the USA, Europe, Brazil and India are the Group's main overseas markets. To provide higher quality services, the Group has established a technical center in India to provide training and technical support services for the customers. Meanwhile, the Group has also taken the initiative to develop the Southeast Asian market in order to penetrate its products into more markets and attract more customers.

Notwithstanding the continued turmoil in the global economic environment, the management still believes that the three product lines of the Group that are widely used in the manufacture industry in China enjoy a competitive edge. The management remains confident in the long-term 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 2012, the Group's cash and bank balances amounted to approximately HK$432.2 million (31 March 2012: HK$439.2 million).

The gearing ratio (a ratio of net debt to total equity) was approximately 63% (31 March 2012: 49%).

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

As at 30 September 2012, the capital structure of the Company was constituted exclusively of 1,131,765,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$1,473.1 million (31 March 2012: HK$1,278.6 million), approximately 68% of which being short-term loans. Approximately 11% of the total borrowing was subject to interest payable at fixed rates.

Financial Guarantees

The Group has provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 30 September 2012, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$280.1 million (31 March 2012: HK$279.0 million). 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 amounted to approximately HK$64.6 million (31 March 2012: HK$60.0 million).

Pledge of Assets

The Group's banking facilities or financial guarantees were secured by the assets of the Group, including restricted bank balances, land use rights, investment properties and property, plant and machinery, with aggregate carrying amounts of HK$441.3 million as at 30 September 2012 (31 March 2012: HK$497.3 million).

Capital commitments

As at 30 September 2012, the Group had made capital expenditure commitments of approximately HK$252.3 million (31 March 2012: HK$144.8 million) in respect of acquisition of land use rights, property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2012, the Group employed approximately 3,600 full time staff. The staff costs for the six months ended 30 September 2012 amounted to HK$218.1 million (2011: HK$243.6 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefits such as mandatory provident fund, state-managed social welfare scheme and share option schemes.

INTERIM DIVIDEND

At a meeting held on 29 November 2012, the Board resolved not to pay an interim dividend for the six months ended 30 September 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review save as disclosed below.

The Company does not fully comply with code provision A.4.1 in the CG Code. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election, Mr. Hu Yongmin, being a non-executive Director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2012. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed consolidated financial information for the six months ended 30 September 2012 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2012/13 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2012

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang and Mr. Chung Yuk Ming; the non-executive Director is Mr. Hu Yongmin; and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Chan Wah Tip, Michael.