



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
2016/17



Contents

- 2 Corporate Information
- 3 Management Discussion and Analysis
- 6 Other Information
- 12 Report on Review of Interim Financial Information
- 13 Condensed Consolidated Statement of Financial Position
- 15 Condensed Consolidated Income Statement
- 16 Condensed Consolidated Statement of Comprehensive Income
- 17 Condensed Consolidated Statement of Changes in Equity
- 19 Condensed Consolidated Statement of Cash Flows
- 20 Notes to the Condensed Consolidated Interim Financial Information





Corporate Information

Board of Directors

Executive Directors

Ms. Chong Siw Yin (*Chairperson*)
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

Chief Executive Officer

Mr. Chung Yuk Ming

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 2016 (“The Period under Review”), the Group has recorded a turnover of HK\$1,631,226,000, representing an increase of approximately 4% compared to the same period last year. During the Period under Review, the profit attributable to equity holders of the Company was HK\$71,684,000, compared to the loss of HK\$9,139,000 recorded over the same period last year.

The growth of turnover was mainly attributable to the substantial rise of the Group’s sales income in the PRC market. During the Period under Review, the Group’s turnover in the PRC market was HK\$1,228,438,000, representing an increase of 17% compared with the turnover of HK\$1,051,012,000 over the same period last year.

During the Period under Review, the overall momentum of the PRC’s national economy remained robust and maintained a steady development trend as a whole as evidenced by the statistics released by the National Bureau of Statistics which showed a stable GDP growth of 6.7% for the first half of 2016 compared to last year. In the fourth quarter of 2015, the PRC government introduced a policy to reduce purchase tax by half on low-emission vehicles. While the income level of citizens hiked continually, the policy spurred a favorable overall growth for the automobile market in the PRC in 2016. Benefitted from the general recovery of the economy of the PRC, the manufacturing industry had a strengthening demand for machinery and equipment, resulting in a surge in the Group’s sales income in the PRC market.

As for overseas markets, the American and European markets are currently under adjustment after having experienced economic revival in recent years, resulting in a skid in demand. For emerging markets like Brazil and India, the demand remained sluggish. The Group’s overseas turnover was HK\$402,788,000, reduced sharply by 21% as compared with HK\$512,668,000 over the same period last year.

In June 2016, the Group disposed of a subsidiary, recording a gain of HK\$45,712,000.

Die-Casting Machine

During the Period under Review, the turnover of the Group’s die-casting machine and peripheral equipment business was HK\$1,152,056,000, shrinking 5% as compared with HK\$1,212,271,000 over the same period last year, in which the turnover from the PRC market amounted to HK\$769,836,000, representing a growth of 4% as compared with HK\$736,865,000 over the same period last year while the turnover of overseas market has plunged considerably from HK\$475,406,000 over the same period last year to HK\$382,220,000 in the Period under Review, representing a drop of 20%. Our subsidiary IDRA is currently under adjustment in the American and European markets, resulting in a sliding demand and a fall back in turnover during the Period under Review.

Plastic Injection Moulding Machine

During the Period under Review, the turnover of the Group’s plastic injection moulding machine business was HK\$414,307,000, increased by 52% compared to HK\$272,701,000 over the same period last year. In view of the recovery of PRC domestic market and the increased demand, the Group continued to launch new products and made further efforts in marketing, which contributed to a remarkable growth in the performance of results.

Computerized Numerical Controlled (“CNC”) Machining Center

During the Period under Review, the turnover of the CNC machining center business of the Group was HK\$64,863,000, representing a 18% cut compared with HK\$78,708,000 over the same period last year. The CNC machining center industry remained sluggish under the pressure of stronger market competition, the difficulty as faced by the business as a whole.



Management Discussion and Analysis (Continued)

Financial Review

During the Period under Review, the overall gross profit margin of the business of the Group was 25.0%, representing an increase of approximately 1.5% as compared to the same period last year which was mainly due to the sustained improvements in operational efficiencies of the Group, among which the improvement in plastic injection moulding machine business was more satisfactory.

Selling and distribution expenses amounted to HK\$152,910,000, representing a decrease of 14% as compared to HK\$176,774,000 for the same period last year, which was mainly due to improvement in transportation costs and other relevant costs over the Period under Review.

General and administration expenses amounted to HK\$185,709,000, representing an increase of 10% as compared to HK\$168,150,000 recorded in the same period last year, which was mainly due to the increase in the provision of receivables for individual customers.

Net finance costs amounted to HK\$30,579,000, representing a decrease of 28% as compared to HK\$42,195,000 recorded in the same period last year. The Group restructured the syndicated loan in the same period last year, which accelerated the amortization of the related borrowing costs of approximately HK\$11,742,000 in prepayments which was one-off in nature in the same period last year.

Prospects

The overall rebound of China's Manufacturing Purchasing Managers' Index (PMI) in the past several months, which reinforced the recovery of the manufacturing industry, indicated that the Chinese economy would remain a trend of stability and betterment in the fourth quarter. However, the relatively strong performance of the manufacturing industry may not be sustained because the measures of adjustments of the real estate market may discourage future demand.

After having experienced substantial growth in recent years, the overseas market is currently under adjustment. The Group will strengthen its efforts in the promotion of new products, the implementation of stringent cost control, and the opening up of emerging markets with growth potentials.

The Group will continue to increase investments in research and development and improve product quality to satisfy the rising customer demands.

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 2016, the Group's cash and bank balances amounted to HK\$396,474,000 (31 March 2016: HK\$330,404,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 60% (31 March 2016: 70%).

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

As at 30 September 2016, 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\$1,466,122,000 (31 March 2016: HK\$1,556,790,000), approximately 58% of which being short-term loans. Approximately 18% of the total borrowing was subject to interest payable at fixed rates.

Management Discussion and Analysis (*Continued*)

Financial Guarantees

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 30 September 2016, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$264,145,000 (31 March 2016: HK\$231,962,000). The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers amounted to approximately HK\$52,632,000 (31 March 2016: HK\$32,274,000).

Pledge of Assets

The Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, land use rights, an investment property, property, plant and equipment, available-for-sale financial assets and bills receivables, with aggregate carrying amounts of HK\$691,866,000 (31 March 2016: HK\$550,441,000).

Capital Commitments

As at 30 September 2016, the Group had made capital expenditure commitments of HK\$12,846,000 (31 March 2016: HK\$19,318,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 30 September 2016, the Group employed approximately 3,700 full time staff. The staff costs for the Period under Review amounted to HK\$266,356,000 (2015: HK\$262,987,000). 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 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

Name of director/ chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin (“Ms. Chong”)	the Company	See Note (1)	645,980,000 ⁽¹⁾ Long position	57.00%
	the Company	Beneficial owner	2,550,000 Long position	0.23%
	the Company	Interest of spouse	5,202,500 ⁽²⁾ Long position	0.46%
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%
Mr. Chung Yuk Ming	the Company	Beneficial owner	2,000,000 Long position	0.18%

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 Siong 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 5,202,500 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 2016, none of the Directors and chief executives of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 2016, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	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%
	Beneficial owner	5,202,500 Long position	0.46%
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	112,000,000 ⁽⁴⁾	9.88%
	See Note (4)	58,000,000 ⁽⁴⁾	5.12%
Kui Tang	Investment manager	112,000,000 ⁽⁴⁾	9.88%
	See Note (5)	58,000,000 ⁽⁴⁾	5.12%
China High-End Equipment Investment Fund LP	Beneficial owner	67,590,000	5.96%

Notes:

- 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.
- 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.
- 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.

Other Information (Continued)

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

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 2016, the Directors of the Company were not aware of any persons (who were not directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

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 2016 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			
				Outstanding as at 01/04/2016	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/2016
An employee	23/09/2006	0.666	16/04/2007 – 5/10/2016	200,000	–	–	200,000
				200,000			200,000

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.

Other Information (*Continued*)

Share Option Schemes (*Continued*)

At the annual general meeting held on 8 September 2016, the shareholders of the Company had approved the termination of the Share Option Scheme and the adoption of a new share option scheme (“New Share Option Scheme”). The New Share Option Scheme became effective from 8 September 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors and employees of the Group. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme. No options had been granted under the New Share Option Scheme since its date of adoption.

Share Award Scheme

The Company 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.

During the six months ended 30 September 2016, the Company has purchased 18,370,000 shares of the Company through the trustee on the Stock Exchange for the purpose of the Share Award Scheme. There were no shares awarded to employees pursuant to the Share Award Scheme during the period.

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.8 cents (2015: Nil) per share for the six months ended 30 September 2016 to the shareholders whose names appear on the register of members of the Company on Friday, 23 December 2016. The interim dividend will be paid on or about 9 January 2017.



Other Information (Continued)

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased an aggregate of 18,370,000 shares of the Company on the Stock Exchange at a total consideration of approximately HK\$9,300,000.

Corporate Governance

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period under review.

Audit Committee

The Audit Committee consists of 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 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.

Changes in Information of Directors

Changes in information of directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

The Company has renewed the service contract with each of the Independent Non-executive Directors namely, Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul for a term of three years with effect from 6 September 2016.

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:

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.

Other Information (*Continued*)

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

(Continued)

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 2016.

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 2016. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Chong Siw Yin

Chairperson

Hong Kong, 29 November 2016



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 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 2016 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, 29 November 2016

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 2016.

Condensed Consolidated Statement of Financial Position

At 30 September 2016

	Note	(Unaudited) 30 September 2016 HK\$'000	(Audited) 31 March 2016 HK\$'000
Non-current assets			
Intangible assets	7	10,533	21,064
Property, plant and equipment	8	1,131,054	1,187,301
Investment properties	8	139,600	139,100
Land use rights	8	291,318	301,750
Interests in joint ventures		–	–
Interest in an associate		29,518	29,332
Other receivables and deposits		22,346	7,202
Deferred income tax assets		56,901	60,728
Trade and bills receivables	9	11,630	27,868
Available-for-sale financial assets		7,535	7,422
Restricted bank balances		17,017	8,949
Total non-current assets		1,717,452	1,790,716
Current assets			
Inventories		1,031,640	1,100,119
Trade and bills receivables	9	1,057,400	959,472
Other receivables, prepayments and deposits		163,315	156,456
Restricted bank balances		102,493	67,682
Cash and cash equivalents		396,474	330,404
Total current assets		2,751,322	2,614,133
Total assets		4,468,774	4,404,849
Equity			
Share capital	10	113,327	113,327
Shares held for share award scheme		(10,275)	(973)
Reserves		848,462	898,079
Retained earnings		815,115	742,248
Equity attributable to owners of the Company		1,766,629	1,752,681
Non-controlling interests		2,073	2,140
Total equity		1,768,702	1,754,821



Condensed Consolidated Statement of Financial Position (Continued)

As 30 September 2016

	Note	(Unaudited) 30 September 2016 HK\$'000	(Audited) 31 March 2016 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		11,477	6,610
Borrowings	11	619,133	736,548
Other payables		9,965	9,228
Total non-current liabilities		640,575	752,386
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	12	1,181,387	1,053,348
Borrowings	11	846,989	820,242
Current income tax liabilities		31,121	24,052
Total current liabilities		2,059,497	1,897,642
Total liabilities		2,700,072	2,650,028
Total equity and liabilities		4,468,774	4,404,849

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 2016

	Note	(Unaudited) Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Revenue	13	1,631,226	1,563,680
Cost of sales	16	(1,224,151)	(1,196,613)
Gross profit		407,075	367,067
Other income	13	19,011	16,486
Other (losses)/gains – net	14	(3,040)	4,983
Gain/(loss) on disposal of a subsidiary/subsidiaries	15	45,712	(3,506)
Selling and distribution expenses	16	(152,910)	(176,774)
General and administration expenses	16	(185,709)	(168,150)
Operating profit		130,139	40,106
Finance income		1,389	1,087
Finance costs		(31,968)	(43,282)
Finance costs – net	18	(30,579)	(42,195)
Share of profit of an associate		878	1,119
Profit/(loss) before income tax		100,438	(970)
Income tax expense	19	(28,821)	(8,588)
Profit/(loss) for the period		71,617	(9,558)
Profit/(loss) attributable to:			
Owners of the Company		71,684	(9,139)
Non-controlling interests		(67)	(419)
		71,617	(9,558)
		HK cents	HK cents
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company during the period (expressed in HK cents per share)			
– Basic	20(a)	6.4	(0.8)
– Diluted	20(b)	6.1	(0.8)

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 2016

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Profit/(loss) for the period	71,617	(9,558)
Other comprehensive income/(loss) for the period:		
Items that may be reclassified to profit or loss		
Currency translation difference		
Losses arising during the period	(49,886)	(61,945)
Transferred from exchange reserve to the condensed consolidated income statement upon disposal of a subsidiary	1,339	–
Change in value of available-for-sale financial assets	113	111
Total comprehensive income/(loss) for the period, net of tax	23,183	(71,392)
Attributable to:		
Owners of the Company	23,250	(70,973)
Non-controlling interests	(67)	(419)
	23,183	(71,392)

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 2016

	Attributable to owners of the Company (Unaudited)													
	Shares held for share award		Share premium	Share option reserve	Share reserve	Exchange translation reserve	Statutory reserve	Property revaluation reserve	Perpetual convertible securities	Available-for-sale financial assets reserve	Retained earnings	Non-controlling interests	Total	Total equity
	Share capital	scheme												
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	113,327	(973)	500,208	138	13,771	75,914	197,994	25,788	85,401	(1,135)	742,248	1,752,681	2,140	1,754,821
Profit for the period	-	-	-	-	-	-	-	-	-	-	71,684	71,684	(67)	71,617
Other comprehensive income/(loss)														
Currency translation differences	-	-	-	-	-	(49,886)	-	-	-	-	-	(49,886)	-	(49,886)
Realisation upon disposal of a subsidiary (Note 15)	-	-	-	-	-	1,339	-	-	-	-	-	1,339	-	1,339
Change in value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	113	-	113	-	113
Total comprehensive income	-	-	-	-	-	(48,547)	-	-	-	113	71,684	23,250	(67)	23,183
Transferal upon disposal of a subsidiary	-	-	-	-	-	-	(1,183)	-	-	-	1,183	-	-	-
Shares purchased for share award scheme	-	(9,302)	-	-	-	-	-	-	-	-	-	(9,302)	-	(9,302)
Transaction with owners	-	(9,302)	-	-	-	-	(1,183)	-	-	-	1,183	(9,302)	-	(9,302)
At 30 September 2016	113,327	(10,275)	500,208	138	13,771	27,367	196,811	25,788	85,401	(1,022)	815,115	1,766,629	2,073	1,768,702

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 2016

	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 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)/income													
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 Cash Flows

For the six months ended 30 September 2016

	Note	(Unaudited)	
		Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Cash generated from operations		196,601	158,697
Interest paid		(33,721)	(49,834)
Income tax paid		(14,132)	(17,671)
Net cash generated from operating activities		148,748	91,192
Cash flows from investing activities			
Net proceeds/(cash outflow) on disposal of a subsidiary/subsidiaries	15	39,123	(24)
Payments for intangible assets		(1,946)	(2,852)
Purchases of property, plant and equipment		(24,579)	(101,908)
Deposits for acquisition of property, plant and equipment		(2,509)	(9,235)
Proceeds from disposals of property, plant and equipment		232	995
Interest received		1,389	1,087
Net cash generated from/(used in) investing activities		11,710	(111,937)
Cash flows from financing activities			
Inception of new bank borrowings		164,984	1,067,304
Repayment of bank borrowings		(305,768)	(962,992)
Net increase/(decrease) in trust receipt loans		60,664	(39,772)
Purchase of shares for share award scheme		(9,302)	–
Proceeds from issuance of ordinary shares		–	1,000
Net cash (used in)/generated from financing activities		(89,422)	65,540
Net increase in cash and cash equivalents		71,036	44,795
Cash and cash equivalents at beginning of period		330,404	297,082
Exchange losses on cash and cash equivalents		(4,966)	(2,951)
Cash and cash equivalents at end of period		396,474	338,926
Analysis of cash and cash equivalents			
Cash and cash equivalents		396,474	348,908
Bank overdraft		–	(9,982)
		396,474	338,926

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 29 November 2016.

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 2016 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 2016, 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 2016, 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3 Accounting policies (Continued)

(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 2016. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- HKFRS 14, "Regulatory Deferral Accounts";
- 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 Exception;
- Amendments to HKFRS 11, "Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations";
- Amendments to HKAS 1, "Presentation of Financial Statements – Disclosure Initiative";
- Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 38, "Intangible Assets" on Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to HKAS 16, "Property, Plant and Equipment" and HKAS 41, "Agriculture" on Agriculture: Bearer Plants;
- Amendments to HKAS 27 (2011), "Separate Financial Statements – Equity Method in Separate Financial Statements"; and
- Annual Improvements to HKFRSs 2012 – 2014 Cycle.

(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 15, "Revenue from Contracts with Customers"²;
- HKFRS 16, "Leases"³;
- Amendments to HKAS 7, "Cash Flow Statements"¹;
- Amendments to HKAS 12, "Income Taxes"¹;
- 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 Venture⁴;

¹ Effective for the Group for annual periods beginning on 1 January 2017

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

³ Effective for the Group for annual periods beginning on 1 January 2019

⁴ The Group intends to adopt the amendments to existing standards when the effective date is determined.

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 2016.

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 2016.

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 2016 and 31 March 2016.

As at 30 September 2016

	(Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Available-for-sale financial assets (Note)	–	–	7,535	7,535

As at 31 March 2016

	(Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Available-for-sale financial assets (Note)	–	–	7,422	7,422

Note: 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.

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:

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Financial assets		
Balance at 1 April	7,422	7,169
Gains recognised in the condensed consolidated statement of comprehensive income	113	111
Balance at 30 September	7,535	7,280
Total unrealised gains recognised in the condensed consolidated statement of comprehensive income relating to those instruments held at the end of the reporting period	113	111

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 2016 and 31 March 2016, 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.

6 Segment information

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

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



Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 Segment information (Continued)

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

	Unaudited					Total Eliminations HK\$'000	Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments 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)	

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 2016

	Unaudited			Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	
Assets				
Segment assets	2,678,657	1,194,243	564,275	4,437,175
Unallocated assets				31,599
Consolidated total assets				4,468,774
Liabilities				
Segment liabilities	1,871,185	540,920	263,894	2,675,999
Unallocated liabilities				24,073
Consolidated total liabilities				2,700,072

As at 31 March 2016

	Die-casting machine HK\$'000	Audited		Total HK\$'000
		Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	
Assets				
Segment assets	2,735,698	1,038,120	598,623	4,372,441
Unallocated assets				32,408
Consolidated total assets				4,404,849
Liabilities				
Segment liabilities	1,946,929	413,838	268,066	2,628,833
Unallocated liabilities				21,195
Consolidated total liabilities				2,650,028



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.
- 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 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
Six months ended 30 September 2016			
Opening net book amount as at 1 April 2016	8,658	12,406	21,064
Additions	1,946	–	1,946
Amortisation	(2,805)	–	(2,805)
Disposal of a subsidiary (Note 15)	–	(9,606)	(9,606)
Exchange difference	(66)	–	(66)
Closing net book amount as at 30 September 2016 (unaudited)	7,733	2,800	10,533

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 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 (Note 14)	–	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
Six months ended 30 September 2016			
Opening net book amount as at 1 April 2016	1,187,301	139,100	301,750
Additions	29,616	–	–
Disposals	(1,087)	–	–
Disposal of a subsidiary (Note 15)	(2,250)	–	–
Depreciation and amortisation	(58,999)	–	(3,454)
Increase in fair value (Note 14)	–	3,442	–
Exchange difference	(23,527)	(2,942)	(6,978)
Closing net book amount as at 30 September 2016 (unaudited)	1,131,054	139,600	291,318

As at both 30 September 2016 and 31 March 2016, 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 2016 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)	–	–	139,600

Description	Fair value measurements at 31 March 2016 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)	–	–	139,100

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	
	2016 HK\$'000	2015 HK\$'000
Balance at 1 April	139,100	69,950
Increase in fair value	3,442	5,250
Exchange difference	(2,942)	(1,420)
Balance at 30 September	139,600	73,780
Total unrealised gains recognised in the condensed consolidated income statement for assets held at the end of the reporting period	3,442	5,250

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 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Trade receivables	921,582	903,507
Less: Provision for impairment	(92,373)	(74,781)
	829,209	828,726
Bills receivables	239,821	158,614
	1,069,030	987,340
Less: Balance due after one year shown as non-current assets	(11,630)	(27,868)
Trade and bills receivables, net	1,057,400	959,472

As at 30 September 2016, the amount of provision for impaired trade receivables was HK\$92,373,000 (31 March 2016: HK\$74,781,000). The provision for impairment of trade receivables was HK\$19,936,000 for the current interim period (30 September 2015: HK\$8,002,000). 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 receivables at the end of reporting period is as follows:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within 90 days	524,115	467,060
91-180 days	121,359	109,456
181-365 days	101,776	138,980
Over one year	174,332	188,011
	921,582	903,507

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 2016 and 30 September 2016	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2016 and 30 September 2016	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 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Non-current:		
Bank borrowings	619,133	736,548
Current:		
Bank borrowings	702,387	724,995
Trust receipt loans	144,602	95,247
	846,989	820,242
	1,466,122	1,556,790
	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Secured:		
Bank borrowings	364,701	366,995
Trust receipt loans	36,295	14,976
	400,996	381,971
Unsecured:		
Bank borrowings	956,819	1,094,548
Trust receipt loans	108,307	80,271
	1,065,126	1,174,819
	1,466,122	1,556,790

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11 Borrowings (Continued)

At 30 September 2016, the Group's borrowings were repayable as follows (Note 1):

	Trust receipt loans		Bank borrowings		Total	
	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within 1 year	144,602	95,247	667,091	682,094	811,693	777,341
Bank borrowings due for repayment after one year (Note 1):						
After 1 year but within 2 years	-	-	561,756	295,432	561,756	295,432
After 2 years but within 5 years	-	-	92,673	468,350	92,673	468,350
After 5 years	-	-	-	15,667	-	15,667
	-	-	654,429	779,449	654,429	779,449
	144,602	95,247	1,321,520	1,461,543	1,466,122	1,556,790

Note 1: 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.

Note 2: The borrowings of approximately HK\$361,875,000 and HK\$453,747,000 as at 30 September 2016 and 31 March 2016, respectively, were borrowed from banks in The People's Republic of China ("PRC") by subsidiaries of the Group that are established in the PRC.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Trade payables	546,086	527,495
Bills payables	156,354	52,497
Trade and other deposits and receipts in advance	182,467	195,988
Accrued salaries, bonuses and staff benefits	74,962	77,732
Accrued sales commission	27,536	28,443
Value added tax payable	49,698	39,029
Provision for loss on financial guarantee contracts	39	75
Others	144,245	132,089
	1,181,387	1,053,348

The following is the aging analysis of the trade payables:

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Within 90 days	442,615	394,052
91-180 days	83,743	102,213
181-365 days	10,010	22,480
Over one year	9,718	8,750
	546,086	527,495

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



Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 Revenue and other income

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Revenue		
Die-casting machine	1,152,056	1,212,271
Plastic injection moulding machine	414,307	272,701
CNC machining centre	64,863	78,708
	1,631,226	1,563,680
Other income		
Value added taxes refund	8,565	8,925
Other subsidies from government	5,058	2,862
Rental income	4,186	3,079
Sundry income	1,202	1,620
	19,011	16,486
Total revenue and other income	1,650,237	1,580,166

14 Other (losses)/gains – net

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Net foreign exchange losses	(5,617)	(89)
Increase in fair value of investment properties (Note 8)	3,442	5,250
Loss on disposals of property, plant and equipment	(865)	(178)
	(3,040)	4,983

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15 Gain/(loss) on disposal of a subsidiary/subsidiaries

During the period ended 30 September 2016, the Group disposed of its entire equity interest in Shanghai Prex Mfg. Co., Ltd. ("Shanghai Prex") at a consideration of RMB76,000,000 (equivalent to approximately HK\$88,372,000), payable in five instalments. Shanghai Prex, is principally engaged in the provision of advisory services, manufacturing and sales of peripheral equipment in the PRC. As a result of the disposal, a gain of approximately HK\$45,712,000 has been recognised in the condensed consolidated income statement. The effect of the disposal is summarised as follows:

	(Unaudited) HK\$'000
Property, plant and equipment	2,250
Deferred tax assets	1,184
Inventories	9,656
Trade and other receivables	25,995
Cash and cash equivalents	6,626
Bank borrowings	(323)
Trade payables, other payables and accruals	(22,328)
Tax payables	(1,131)
Net assets disposed	21,929
Goodwill	9,606
Expenses attributable to the disposal	199
Exchange translation reserve transferred to the condensed consolidated income statement	1,339
Tax on disposal gain	7,274
Net gain on disposal (Note 14)	45,712
Total consideration to be satisfied by cash, discounted at present value	86,059
Tax on disposal gain	(7,274)
Total consideration to be satisfied by cash (after tax)	78,785
Consideration receivable, included in other receivables and deposits as at 30 September 2016	(33,036)
Consideration received	45,749
Cash and cash equivalents disposed of	6,626
Net proceeds on disposal of a subsidiary	39,123

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.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 Expenses by nature

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Raw materials and consumables used	893,825	783,784
Change in inventories of finished goods and work in progress	67,061	144,201
Staff costs (Note 17)	241,967	239,991
Contributions to defined contribution retirement plans (Note 17)	24,389	22,996
Amortisation of land use rights	3,454	3,817
Amortisation of trademarks ¹	70	68
Amortisation of patents ¹	107	107
Amortisation of development costs and others ²	2,628	2,352
Depreciation of property, plant and equipment	58,999	56,706
Research costs	10,268	8,715
Transportation expenses	32,357	47,124
Auditor's remuneration	1,961	1,845
Provision for impairment of trade receivables (Note 9)	19,936	8,002
Write back of provision for impairment of trade receivables	–	(2,414)
Provision for inventories write-down ²	15,713	8,379
Loss/(reversal of loss) on financial guarantee contracts (Note 22)	1,900	(155)
Other expenses	188,135	216,019
	1,562,770	1,541,537
Represented by:		
Cost of sales	1,224,151	1,196,613
Selling and distribution expenses	152,910	176,774
General and administration expenses	185,709	168,150
	1,562,770	1,541,537

¹ Included in general and administration expenses

² Included in cost of sales

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)**17 Employees' benefits costs (including directors' emoluments)**

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Wages and salaries	233,893	228,516
Retirement scheme contributions	24,389	22,996
Other allowances and benefits	8,074	11,475
	266,356	262,987

18 Finance costs – net

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Finance income:		
Interest income on short-term bank deposits	1,389	1,087
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	(33,145)	(48,047)
Charges on bills receivables discounted without recourse	(576)	(1,787)
Less: Capitalised in property, plant and equipment (<i>Note</i>)	1,753	6,552
	(31,968)	(43,282)
	(30,579)	(42,195)

Note: Borrowing costs capitalised during the period arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.1% (2015: 4.2%) to expenditure on qualifying assets.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

19 Income tax expense

The tax charge comprises:

	(Unaudited)	
	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Current income tax		
– PRC income tax	20,753	3,159
– Overseas tax	395	9,907
– Hong Kong profits tax	–	–
Deferred income tax	21,148	13,066
	7,673	(4,478)
Tax charge	28,821	8,588

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% (2015: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai and Kunshan 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% (2015: 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 (2015: 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)

20 Earnings/(loss) per share

(a) Basic

The calculation of the basic earnings/(loss) per share is based on the consolidated earnings attributable to owners of the Company of HK\$71,684,000 (2015: loss of HK\$9,139,000) and on the weighted average number of approximately 1,125,936,000 (2015: 1,132,400,000) ordinary shares in issue excluding own shares held during the period.

	(Unaudited)	
	Six months ended 30 September	
	2016	2015
Profit/(loss) attributable to owners of the Company (HK\$'000)	71,684	(9,139)
Weighted average number of ordinary shares in issue (thousands)	1,125,936	1,132,400
Basic earnings/(loss) per share (HK cents)	6.4	(0.8)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and excluding own shares held during the period. The Company 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.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

20 Earnings/(loss) per share (Continued)

(b) Diluted (Continued)

	(Unaudited) Six months ended 30 September 2016
Profit attributable to owners of the Company (HK\$'000)	71,684
Weighted average number of ordinary shares in issue (thousands)	1,125,936
Assumed conversion of perpetual convertible securities (thousands)	58,000
Adjustment for share options (thousands)	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,183,936
Diluted earnings per share (HK cents)	6.1

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.

21 Interim dividend

At a meeting held on 29 November 2016, the board of directors has resolved to declare an interim dividend of HK1.8 cents (2015: Nil) per share amounting to HK\$20,398,000. This declared dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in shareholders' equity in the year ending 31 March 2017.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22 Financial guarantees

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 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	264,145	231,962

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$702,071,000 (31 March 2016: HK\$749,862,000) 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 2016, the Group recognised a loss of approximately HK\$1,900,000 (30 September 2015: recognised reversal of loss of approximately HK\$155,000), as a result of the net change in default positions of certain of these customers. As at 30 September 2016, the Group's provision for loss on financial guarantee contracts amounted to approximately HK\$39,000 (31 March 2016: HK\$75,000).

The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 30 September 2016 amounted to approximately HK\$52,632,000 (31 March 2016: HK\$32,274,000).

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK\$1,714,570,000 (31 March 2016: HK\$1,703,760,000). The facilities utilised by the subsidiaries as at 30 September 2016 amounted to HK\$1,237,732,000 (31 March 2016: HK\$1,194,120,000).



Notes to the Condensed Consolidated Interim Financial Information (Continued)

23 Commitments

(a) Capital commitments

	(Unaudited) As at 30 September 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	12,613	19,080
Other commitments	233	238
	12,846	19,318

(b) Operating lease commitments

The Group as lessee

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 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Leases payable:		
Within one year	11,703	12,602
In the second to fifth year	41,816	36,840
After the fifth year	17,865	29,946
	71,384	79,388

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)

23 Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group as lessor

The Group leases out certain 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 include 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 2016 HK\$'000	(Audited) As at 31 March 2016 HK\$'000
Leases receivable:		
Within one year	10,556	11,913
In the second to fifth year	17,643	19,584
After the fifth year	–	981
	28,199	32,478

24 Share options

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2016 are as follows:

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding at 1 April 2016 (Audited)	Exercised during the period	Outstanding at 30 September 2016 (Unaudited)
Employees	0.66	16 April 2007 – 15 October 2016	200,000	–	200,000

Pursuant to the resolution duly passed at the annual general meeting of the Company held on 8 September 2016, a new share option scheme was approved and the Share Option Scheme of the Company was terminated. The new share option will be in force for a period of 10 years and no options have been granted since its adoption.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

25 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	
	2016	2015
	HK\$'000	HK\$'000
Wages and salaries, other allowances and benefits	7,520	9,034
Retirement scheme contributions	588	748
	8,108	9,782