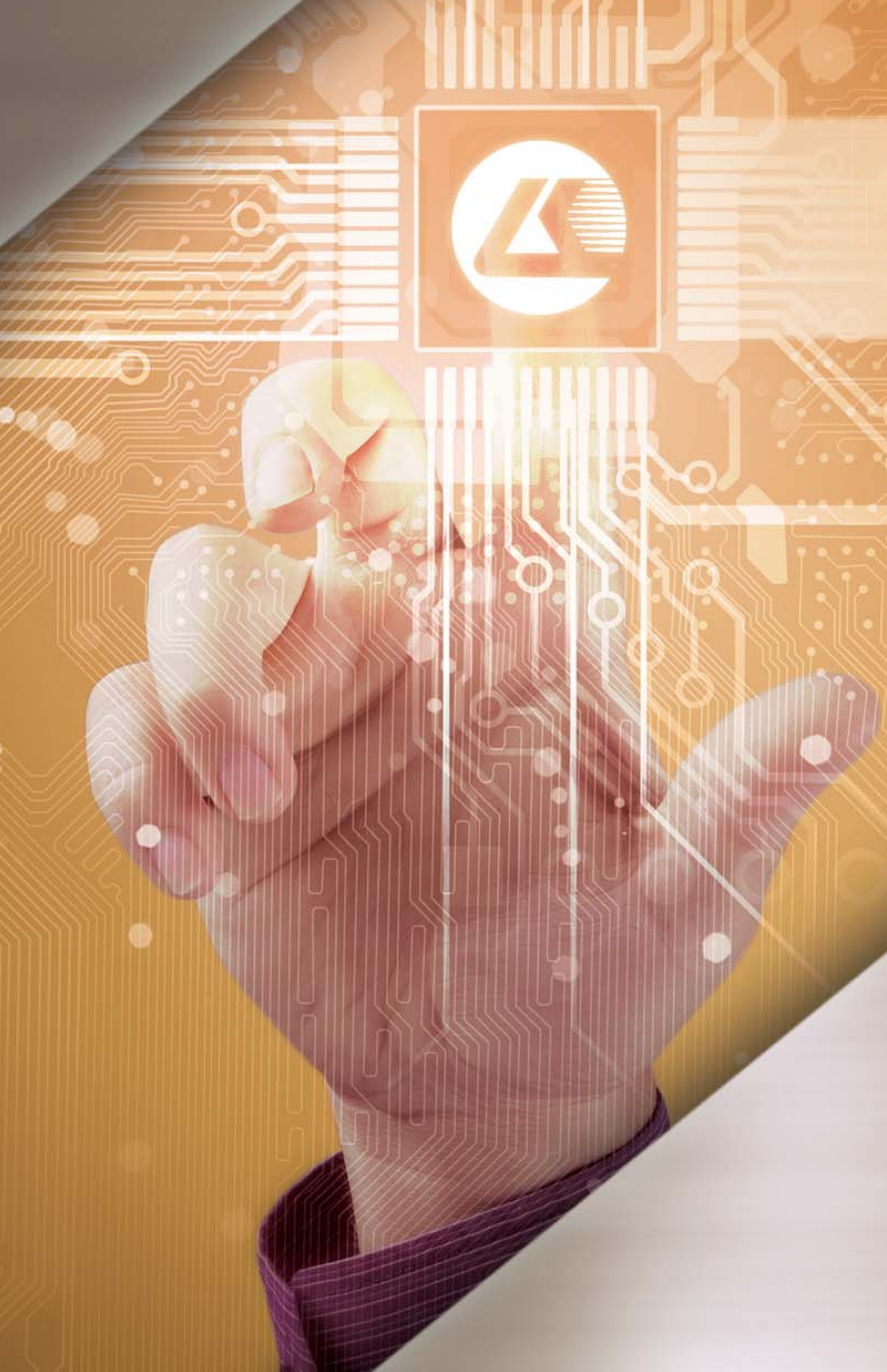
L.K. TECHNOLOGY HOLDINGS LIMITED
力勁科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 558)



INTERIM REPORT 2013/14

CONTENTS

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") presents the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2013.

Condensed Consolidated Statement of Financial Position

At 30 September 2013

	Note	(Unaudited) 30 September 2013 HK$'000	(Audited) 31 March 2013 HK$'000
Non-current assets			
Intangible assets	7	25,713	16,681
Property, plant and equipment	8	1,057,577	995,842
Investment properties		31,920	28,250
Land use rights	8	259,609	257,175
Interests in joint ventures		534	4,468
Interest in an associate		27,259	25,488
Deposits paid		127,484	57,947
Deferred income tax assets		39,712	37,435
Trade and bills receivables	9	26,369	46,060
Other receivables		5,450	35,298
Restricted bank balances		14,884	16,639
Total non-current assets		1,616,511	1,521,283
Current assets			
Inventories		981,045	918,650
Amount due from a joint venture		–	13,503
Trade and bills receivables	9	934,137	995,328
Other receivables, prepayments and deposits		146,425	199,240
Restricted bank balances		70,647	71,337
Cash and cash equivalents (excluding bank overdrafts)		336,128	390,459
Total current assets		2,468,382	2,588,517
Total assets		4,084,893	4,109,800
Equity			
Share capital	10	113,177	113,177
Reserves		1,019,789	1,001,313
Retained earnings		557,827	603,807
Equity attributable to owners of the parent		1,690,793	1,718,297
Non-controlling interests		537	901
Total equity		1,691,330	1,719,198

Condensed Consolidated Statement of Financial Position *(continued)*

At 30 September 2013

	Note	(Unaudited) 30 September 2013 HK$'000	(Audited) 31 March 2013 HK$'000
Non-current liabilities			
Deferred income tax liabilities		6,569	6,247
Borrowings	11	289,291	31,250
Other payables		11,522	11,033
Total non-current liabilities		307,382	48,530
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	12	942,810	950,732
Derivative financial instruments	13	1,355	893
Borrowings	11	1,112,612	1,354,738
Current income tax liabilities		29,404	35,709
Total current liabilities		2,086,181	2,342,072
Total liabilities		2,393,563	2,390,602
Total equity and liabilities		4,084,893	4,109,800
Net current assets		382,201	246,445
Total assets less current liabilities		1,998,712	1,767,728

The notes on pages 9 to 33 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 September 2013

	Note	(Unaudited) Six months ended 30 September 2013 HK$'000	2012 HK$'000
Revenue	14	**1,331,799**	1,268,312
Cost of sales	16	**(1,018,458)**	(945,163)
Gross profit		**313,341**	323,149
Other income	14	**16,620**	15,072
Other gains – net	15	**19,105**	4,861
Provision for impairment of other receivable	17	**(63,782)**	–
Selling and distribution expenses	16	**(143,196)**	(134,736)
General and administration expenses	16	**(152,667)**	(156,825)
Operating (loss)/profit		**(10,579)**	51,521
Finance income		**2,151**	2,102
Finance costs		**(33,179)**	(32,130)
Finance costs – net	19	**(31,028)**	(30,028)
Share of profit of joint ventures		**1,788**	–
Share of profit of an associate		**1,448**	–
(Loss)/profit before income tax		**(38,371)**	21,493
Income tax expense	20	**(7,973)**	(6,901)
(Loss)/profit for the period		**(46,344)**	14,592
(Loss)/profit attributable to:			
Owners of the parent		**(45,980)**	15,330
Non-controlling interests		**(364)**	(738)
		(46,344)	14,592
		HK cents	**HK cents**
(Loss)/earnings per share for (loss)/profit attributable to owners of the parent during the period (expressed in HK cents per share)	21		
– Basic		**(4.1)**	1.4
– Diluted		**(4.1)**	1.3
		HK$'000	**HK$'000**
Dividend	22	**–**	–

The notes on pages 9 to 33 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2013

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	2012 HK$'000
(Loss)/profit for the period	**(46,344)**	14,592
Other comprehensive income/(loss) for the period:		
Item that may be reclassified to profit or loss:		
Currency translation difference	**18,476**	(27,310)
Total comprehensive loss for the period, net of tax	**(27,868)**	(12,718)
Attributable to:		
Owners of the parent	**(27,504)**	(11,980)
Non-controlling interests	**(364)**	(738)
	(27,868)	(12,718)

The notes on pages 9 to 33 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	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	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013	113,177	498,607	889	13,771	240,503	159,942	2,200	85,401	603,807	1,718,297	901	1,719,198
Loss for the period	–	–	–	–	–	–	–	–	(45,980)	(45,980)	(364)	(46,344)
Other comprehensive income												
Currency translation differences	–	–	–	–	18,476	–	–	–	–	18,476	–	18,476
Total comprehensive loss	–	–	–	–	18,476	–	–	–	(45,980)	(27,504)	(364)	(27,868)
At 30 September 2013	113,177	498,607	889	13,771	258,979	159,942	2,200	85,401	557,827	1,690,793	537	1,691,330

The notes on pages 9 to 33 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 September 2013

	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	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	113,177	498,607	889	13,771	212,115	146,661	2,200	85,401	642,870	1,715,691	1,276	1,716,967
Profit for the period	–	–	–	–	–	–	–	–	15,330	15,330	(738)	14,592
Other comprehensive loss												
Currency translation differences	–	–	–	–	(27,310)	–	–	–	–	(27,310)	–	(27,310)
Total comprehensive loss	–	–	–	–	(27,310)	–	–	–	15,330	(11,980)	(738)	(12,718)
Transaction with owners												
Dividend relating to 2011/12 paid	–	–	–	–	–	–	–	–	(56,588)	(56,588)	–	(56,588)
At 30 September 2012	113,177	498,607	889	13,771	184,805	146,661	2,200	85,401	601,612	1,647,123	538	1,647,661

The notes on pages 9 to 33 are integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	2012 HK$'000
Cash flows generated from operating activities	**89,079**	20,908
Cash flows used in investing activities	**(165,530)**	(153,414)
Cash flows generated from financing activities	**9,245**	137,968
Net (decrease)/increase in cash and cash equivalents	**(67,206)**	5,462
Cash and cash equivalents at the beginning of the period	**390,459**	439,231
Exchange gain/(loss) on cash and cash equivalents	**12,875**	(12,494)
Cash and cash equivalents at end of period	**336,128**	432,199

The notes on pages 9 to 33 are integral part of these 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 the registered office is in 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 centres 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 28 November 2013.

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 2013 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 2013, 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.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

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 2013, 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) New/revised standards and amendments to existing standards adopted by the Group

The following new/revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2013.

- Amendment to HKAS 1, 'Presentation of Financial Statements' regarding other comprehensive income is effective for annual period beginning on or after 1 July 2012.

  The main change resulting from the amendment is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.

- Amendment to HKFRS 7, 'Financial Instruments: Disclosures' on asset and liability offsetting is effective for annual period beginning on or after 1 January 2013.

  The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- HKFRS 10, 'Consolidated Financial Statements' is effective for annual period beginning on or after 1 January 2013.

  The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. HKFRS 10 defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore the investor must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- HKFRS 11, 'Joint Arrangements' is effective for annual period beginning on or after 1 January 2013.

  HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

3 Accounting policies *(continued)*

(a) New/revised standards and amendments to existing standards adopted by the Group *(continued)*

- HKFRS 12, 'Disclosure of Interests in Other Entities' is effective for annual period beginning on or after 1 January 2013.

  HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- Amendments to HKFRSs 10, 11 and 12, 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance is effective for annual period beginning on or after 1 January 2013.

  These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

- HKFRS 13, 'Fair Value Measurements' is effective for annual period beginning on or after 1 January 2013.

  HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

- HKAS 27 (2011), 'Separate Financial Statements' is effective for annual period beginning on or after 1 January 2013.

  HKAS 27 (2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKAS 28 (2011), 'Investments in Associates and Joint Ventures' is effective for annual period beginning on or after 1 January 2013.

  HKAS 28 (2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

- Annual Improvements 2011 is effective for annual period beginning on or after 1 January 2013.

  These annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to:

  HKFRS 1, 'First time adoption'
  HKAS 1, 'Presentation of financial statements'
  HKAS 16, 'Property plant and equipment'
  HKAS 32, 'Financial instruments: Presentation'
  HKAS 34, 'Interim financial reporting'

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

3 Accounting policies *(continued)*

(b) The following revised and amended standards and interpretation to existing standard are effective for the financial year beginning 1 April 2013 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 government loans is effective for annual period beginning on or after 1 January 2013.

  The amendment requires that a first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with HKAS 32 Financial Instruments: Presentation.

- HKAS 19 (2011), 'Employee Benefits' is effective for annual period beginning on or after 1 January 2013.

  HKAS 19 (2011) eliminates the corridor approach and calculate finance costs on a net funding basis.

- HK(IFRIC) – Int 20, 'Stripping Costs in the Production Phase of a Surface Mine' is effective for annual period beginning on or after 1 January 2013.

  It sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. The interpretation may require mining entities reporting under HKFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable components of an ore body.

(c) The following new standards, interpretation and amendments to existing standards have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted:

- HKFRS 9 Financial Instruments[2]
- Amendments to HKFRS 7 and HKFRS 9 Mandatory Effective Date and Transition Disclosures[2]
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities[1]
- Amendment to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
- Amendment to HKAS 36 Impairment of Assets – Recoverable amount disclosures for non-financial assets[1]
- Amendment to HKAS 39 Financial Instruments: Recognition and Measurements – Novation of derivatives[1]
- HK(IFRIC) – Int 21 Levies[1]

Notes:

(1) Effective for financial periods beginning on or after 1 January 2014
(2) 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.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

4 Estimates

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

In preparing the condensed consolidated interim financial information, the significant judgements 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 2013.

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 do 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 2013.

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 carrying values of cash and cash equivalents, restricted bank balances, trade and bills receivables, other receivables, trade and bills payables, other payables, accruals and bank borrowings are reasonable approximations of their fair values due to their short-term maturities. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The total fair value of the derivative financial instruments that are not traded in an active market, which primarily represented warrants and option, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The estimate of the fair value of the Warrants is measured using the binomial tree model. The estimate of the fair value of the Subscription Options is measured using the lattice model (Note 13).

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 liabilities that are measured at fair value at 30 September 2013 and 31 March 2013.

As at 30 September 2013

	Unaudited			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial instruments:				
Subscription Options	–	–	1,355	1,355

As at 31 March 2013

	Audited			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial instruments:				
Warrants	–	–	–	–
Subscription Options	–	–	893	893
Total	–	–	893	893

Note: The Warrants expired on 25 August 2013.

Level 3 fair value

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
At 1 April	893	3,909
Total loss/(gain) recognised in consolidated income statement	462	(3,016)
At 30 September/31 March	1,355	893
Total loss/(gain) recognised in consolidated income statement relating to those instruments held at the end of the reporting period	462	(3,016)

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

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

6 Segment information

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

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

The Group is organised into three main reportable segments.

(i) Die-casting machine

(ii) Plastic injection moulding machine

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

For the six months ended 30 September 2013, revenue from a customer accounted for more than 10% of the Group's total revenue and represented approximately 13% of the total revenue. The revenue was attributable to the die-casting machine and CNC machining centre segments. None of the customers accounted for more than 10% of the Group's total revenue for the six months ended 30 September 2012.

The segment results for the six months ended 30 September 2013 are as follows:

	Unaudited					
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total segments HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	838,218	297,527	196,054	1,331,799	–	1,331,799
Inter-segments sales	50,661	–	–	50,661	(50,661)	–
	888,879	297,527	196,054	1,382,460	(50,661)	1,331,799
Results						
Segment results	47,482	21,292	659	69,433	–	69,433
Provision for impairment of other receivable						(63,782)
Administrative expenses						(16,230)
Finance income						2,151
Finance costs						(33,179)
Share of profit of joint ventures						1,788
Share of profit of an associate						1,448
Loss before income tax						(38,371)

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

6 Segment information *(continued)*

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 machining centre 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

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 interim 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 2013

	Unaudited			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	2,594,633	756,435	708,013	4,059,081
Unallocated assets				25,812
Consolidated total assets				4,084,893
Liabilities				
Segment liabilities	1,845,455	236,761	287,256	2,369,472
Unallocated liabilities				24,091
Consolidated total liabilities				2,393,563

As at 31 March 2013

	Audited			
	Die-casting machine HK$'000	Plastic injection moulding machine HK$'000	CNC machining centre HK$'000	Total HK$'000
Assets				
Segment assets	2,740,304	616,456	731,051	4,087,811
Unallocated assets				21,989
Consolidated total assets				4,109,800
Liabilities				
Segment liabilities	1,836,087	183,360	343,116	2,362,563
Unallocated liabilities				28,039
Consolidated total liabilities				2,390,602

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

7 Intangible assets

	Trademarks, patents, development cost and others HK$'000	Goodwill HK$'000
Six months ended 30 September 2012		
Opening net book amount as at 1 April 2012	12,029	2,799
Additions	3,412	–
Amortisation	(2,657)	–
Exchange difference	(739)	–
Closing net book amount as at 30 September 2012 (unaudited)	12,045	2,799
Six months ended 30 September 2013		
Opening net book amount as at 1 April 2013	**13,882**	**2,799**
Additions	**1,819**	**–**
Acquisition of a subsidiary (Note 27)	**–**	**9,607**
Amortisation	**(2,600)**	**–**
Exchange difference	**206**	**–**
Closing net book amount as at 30 September 2013 (unaudited)	**13,307**	**12,406**

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

8 Property, plant and equipment and land use rights

	Property, plant and equipment HK$'000	Land use rights HK$'000
Six months ended 30 September 2012		
Opening net book amount as at 1 April 2012	848,608	254,016
Additions	153,540	–
Disposals	(2,868)	–
Depreciation and amortisation	(55,725)	(2,700)
Exchange difference	(11,315)	(3,087)
Closing net book amount as at 30 September 2012 (unaudited)	932,240	248,229
Six months ended 30 September 2013		
Opening net book amount as at 1 April 2013	**995,842**	**257,175**
Additions	**103,253**	**2,044**
Acquisition of a subsidiary (Note 27)	**3,391**	**–**
Disposals	**(2,131)**	**–**
Depreciation and amortisation	**(53,882)**	**(2,866)**
Exchange difference	**11,104**	**3,256**
Closing net book amount as at 30 September 2013 (unaudited)	**1,057,577**	**259,609**

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

9 Trade and bills receivables

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Trade receivables	**966,180**	981,719
Less: Provision for impairment	**(65,735)**	(58,213)
	900,445	923,506
Bills receivable	**60,061**	117,882
	960,506	1,041,388
Less: Balance due after one year shown as non-current assets	**(26,369)**	(46,060)
Trade and bills receivables, net	**934,137**	995,328

The amount of provision for impaired trade receivables was HK$65,735,000 (31 March 2013: HK$58,213,000). 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 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Within 90 days	**566,959**	645,848
91-180 days	**112,276**	112,290
181-365 days	**128,356**	65,028
Over one year	**158,589**	158,553
	966,180	981,719

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.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

10 Share capital

	(Unaudited) Number of ordinary shares of HK$0.1 each	(Unaudited) Amount HK$'000
Authorised:		
At 31 March 2013 and 30 September 2013	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2013 and 30 September 2013	1,131,765,000	113,177

11 Borrowings

The borrowings of the Group comprise:

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Non-current:		
Bank borrowings	**289,291**	31,250
Current:		
Bank borrowings	**1,054,765**	1,353,916
Trust receipt loans	**57,847**	822
	1,112,612	1,354,738
	1,401,903	1,385,988
Secured:		
Bank borrowings	**260,057**	241,629
Unsecured:		
Bank borrowings	**1,083,999**	1,143,537
Trust receipt loans	**57,847**	822
	1,141,846	1,144,359
	1,401,903	1,385,988

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

11 Borrowings *(continued)*

At 30 September 2013, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	As at 30 September 2013 HK$'000	As at 31 March 2013 HK$'000	As at 30 September 2013 HK$'000	As at 31 March 2013 HK$'000	As at 30 September 2013 HK$'000	As at 31 March 2013 HK$'000
Within 1 year	**57,847**	822	**947,353**	790,848	**1,005,200**	791,670
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	**–**	–	**197,465**	376,188	**197,465**	376,188
After 2 years but within 5 years	**–**	–	**199,238**	218,130	**199,238**	218,130
After 5 years	**–**	–	**–**	–	**–**	–
	–	–	**396,703**	594,318	**396,703**	594,318
	57,847	822	**1,344,056**	1,385,166	**1,401,903**	1,385,988

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

As at 30 September 2013, the Group was in breach of certain financial covenants prescribed under certain bank loan agreements. On 11 June 2013, the Group received consent from the majority of the lenders of these bank loans for the waiver from the requirements of the relevant financial covenants, and as such these have been classified in accordance with their scheduled repayment dates in the above analysis.

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

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Trade payables	**567,701**	483,921
Bills payable	**29,873**	126,495
Trade and other deposits and receipts in advance	**111,653**	105,772
Accrued salaries, bonuses and staff benefits	**62,035**	62,579
Accrued sales commission	**30,146**	36,893
Value added tax payable	**41,748**	29,884
Others	**99,654**	105,188
	942,810	950,732

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

12 Trade and bills payable, other payables, deposits and accruals *(continued)*

The following is the aging analysis of the trade payables:

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Within 90 days	**451,778**	396,780
91-180 days	**77,411**	62,405
181-365 days	**26,290**	12,760
Over one year	**12,222**	11,976
	567,701	483,921

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

13 Derivative financial instruments

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Balance classified as current liabilities:		
Warrants (Note)	**–**	–
Subscription options (Note)	**1,355**	893
	1,355	893

Note:

Warrants and subscription options

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

At the end of the accounting period, the fair values of the Subscription Options are estimated by an independent professional valuer in Hong Kong.

The Warrants expired on 25 August 2013.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

14 Revenue and other income

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	**2012 HK$'000**
Revenue		
Die-casting machine	**838,218**	902,522
Plastic injection moulding machine	**297,527**	262,521
CNC machining centre	**196,054**	103,269
	1,331,799	1,268,312
Other income		
Value added taxes refund	**10,396**	7,262
Other subsidies from government	**2,669**	5,551
Rental income	**896**	1,020
Sundry income	**2,659**	1,239
	16,620	15,072
Total revenue and other income	**1,348,419**	1,283,384

15 Other gains – net

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	**2012 HK$'000**
Net foreign exchange gains/(losses)	**1,429**	(1,280)
Increase in fair value of investment properties	**3,447**	1,594
Net fair value (loss)/gain on derivative financial instruments	**(462)**	1,482
Gains/(losses) on disposals of property, plant and equipment	**1,248**	(721)
Remeasurement gains upon business combination	**13,443**	–
Others	**–**	3,786
	19,105	4,861

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

16 Expenses by nature

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	2012 HK$'000
Raw materials and consumables used	**828,022**	593,150
Change in inventories of finished goods and work in progress	**(40,136)**	125,555
Staff costs (Note 18)	**215,750**	198,173
Contributions to defined contribution retirement plans (Note 18)	**21,753**	19,923
Amortisation of land use rights	**2,866**	2,700
Amortisation of trademarks[1]	**106**	99
Amortisation of patents[1]	**107**	107
Amortisation of development costs and others[2]	**2,387**	2,451
Depreciation of property, plant and equipment	**53,882**	55,725
Research and development costs	**13,825**	13,619
Transportation expenses	**20,365**	24,015
Auditor's remuneration	**1,770**	1,770
Provision/(reversal) for impairment of trade receivables	**6,948**	(218)
Write down of inventories[2]	**10,795**	10,742
Other expenses	**175,881**	188,913
	1,314,321	1,236,724
Represented by:		
Cost of sales	**1,018,458**	945,163
Selling and distribution expenses	**143,196**	134,736
General and administration expenses	**152,667**	156,825
	1,314,321	1,236,724

1 Included in general and administration expenses
2 Included in cost of sales

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

17 Provision for impairment of other receivable

On 28 March 2012, the Group disposed of its 35% equity interest in 阜新力昌鋼鐵鑄造有限公司 (Fuxin Li Chang Steel & Iron Foundry Co., Ltd., the "Target Company") to 阜新金達鋼鐵鑄造有限公司 (Fuxin Jin Da Steel Casting Company Limited, the "Purchaser"), the 65% shareholder of the Target Company, at a total cash price of RMB69,000,000 (equivalent to HK$84,870,000), payable in four installments.

As of the date of this condensed consolidated interim financial information, two installments aggregating RMB15,000,000 (equivalent to HK$18,445,000) have been paid as agreed but the third installment of RMB27,000,000 (equivalent to HK$34,177,000), due on 30 October 2013, remains unpaid.

In view of the failure of the Purchaser to settle the third installment of the sale price described above, the Directors have carried out an impairment assessment regarding the third and fourth installments and have made an impairment provision of the full amount of the receivable outstanding from the Purchaser totaling RMB54,000,000 (equivalent to HK$63,782,000, before interest accretion) in the condensed consolidated interim financial information for the six months ended 30 September 2013.

18 Employees' benefits costs (including directors' emoluments)

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	2012 HK$'000
Wages and salaries	**195,908**	167,977
Retirement scheme contributions	**21,753**	19,923
Other allowances and benefits	**19,842**	30,196
	237,503	218,096

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

19 Finance costs – net

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	**2012 HK$'000**
Finance income:		
Interest income on short-term bank deposits	**2,151**	2,102
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	**(33,519)**	(34,732)
Charges on bills receivable discounted without recourse	**(2,187)**	–
Less: Capitalised in property, plant and equipment (note i)	**2,527**	2,602
	(33,179)	(32,130)
	(31,028)	(30,028)

Note:

(i) Borrowing costs capitalised during the period arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.0% (2012: 4.7%) to expenditure on qualifying assets.

20 Income tax expense

The tax charge comprises:

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	**2012 HK$'000**
Current income tax		
– PRC income tax	**8,407**	8,576
– Overseas tax	**1,527**	331
– Hong Kong profits tax	**–**	–
– Underprovision in prior year	**6**	855
	9,940	9,762
Deferred income tax	**(1,967)**	(2,861)
Tax charge	**7,973**	6,901

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.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

20 Income tax expense *(continued)*

In accordance with the applicable Corporate Income Tax Law of The People's Republic of China ("PRC"), certain of the Company's subsidiaries are entitled to tax rate of 25% (2012: 12.5% to 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% (2012: 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 (2012: Nil).

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.

21 (Loss)/earnings per share

(a) Basic

The calculation of the basic (loss)/earnings per share is based on the condensed consolidated (loss)/profit attributable to owners of the parent of HK$45,980,000 (2012: profit of HK$15,330,000) and on the weighted average number of approximately 1,131,765,000 (2012: 1,131,765,000) ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2013	**2012**
(Loss)/profit attributable to owners of the parent (HK$'000)	**(45,980)**	15,330
Weighted average number of ordinary shares in issue (thousands)	**1,131,765**	1,131,765
Basic (loss)/earnings per share (HK cents)	**(4.1)**	1.4

(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.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

21 (Loss)/earnings per share *(continued)*

(b) Diluted *(continued)*

	(Unaudited) Six months ended 30 September 2012
Profit attributable to owners of the parent (HK$'000)	15,330
Weighted average number of ordinary shares in issue (thousands)	1,131,765
Assumed conversion of perpetual convertible securities (thousands)	58,000
Adjustment for share options (thousands)	1,005
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,190,770
Diluted earnings per share (HK cents)	1.3

During the period ended 30 September 2013, 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 2013.

22 Interim dividend

At a meeting held on 28 November 2013, the Board resolved not to pay an interim dividend for the six months ended 30 September 2013 (2012: Nil).

23 Financial guarantees

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'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	276,843	255,104

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$1,053,600,000 (31 March 2013: HK$915,977,000) 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. At 30 September 2013, the directors have assessed that there was no evidence indicating that any of the customers under these arrangements would default in repayment and therefore had not made any provision in this regard.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

23 Financial guarantees *(continued)*

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK$1,535,717,000 (31 March 2013: HK$1,552,725,000). The facilities utilized by the subsidiaries as at 30 September 2013 amounted to HK$1,009,551,000 (31 March 2013: HK$911,954,000).

24 Commitments

(a) Capital commitments

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	**45,344**	90,474
Land use rights	**–**	77,660
Other commitments	**275**	411
	45,619	168,545

(b) Operating lease commitments

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

	(Unaudited) As at 30 September 2013 HK$'000	(Audited) As at 31 March 2013 HK$'000
Leases payable:		
Within one year	**14,629**	13,364
In the second to fifth year inclusive	**10,866**	15,454
After the fifth year	**5,532**	4,272
	31,027	33,090

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

25 Share options

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2013 are as follows:

			Number of shares subject to options		
Category of grantee	Exercise price HK$	Exercise period	Outstanding at 1 April 2013 (Audited)	Exercised during the period	Outstanding at 30 September 2013 (Unaudited)
Directors	0.666	16 April 2007 – 15 October 2016	1,500,000	–	1,500,000
Employees	0.666	16 April 2007 – 15 October 2016	200,000	–	200,000
			1,700,000	–	1,700,000

26 Related party transactions

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

	(Unaudited) Six months ended 30 September	
	2013 HK$'000	2012 HK$'000
Wages and salaries, other allowances and benefits	**8,043**	9,477
Retirement scheme contributions	**294**	226
	8,337	9,703

(b) The directors considered the above transaction was made at normal commercial terms, in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than those applicable to independent third parties.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

27 Business combination

On 30 June 2013, the Group acquired the remaining 30% equity interest in Shanghai Prex Mfg. Co., Ltd. ("Shanghai Prex") at a consideration of RMB13,443,000 (equivalent to HK$16,952,000). Shanghai Prex was a joint venture of the Group in which the Group had 70% equity interest, and it is mainly engaged in the provision of advisory services, manufacturing and sales of peripheral equipment in The People's Republic of China. Upon completion of the transaction, Shanghai Prex becomes a wholly owned subsidiary of the Group. The acquisition is expected to increase the Group's market share and reduce cost through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill of HK$9,607,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale.

The following table summarises the consideration paid for Shanghai Prex and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

(a) Details of net assets acquired and goodwill recognised in the business combination are as follows

	HK$'000
Total purchase consideration	16,952
Add: Fair value of previously held interest	
Carrying value of previously held interest before acquisition date	3,696
Remeasurement gains upon business combination (Note 15)	13,443
	17,139
Less: Recognised amounts of identifiable assets acquired and liabilities assumed at fair value	
Property, plant and equipment	3,391
Inventories	13,721
Trade and bills receivables	28,011
Other receivables, prepayments and deposits	8,954
Cash and cash equivalents	3,158
Trade and bills payables	(9,861)
Other payables, deposits and accruals	(21,467)
Current income tax payables	(1,423)
Net assets acquired	24,484
Goodwill recognised in the business combination	9,607

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

27 Business combination *(continued)*

(b) Analysis of net inflow of cash and cash equivalents in respect of the acquisition

	HK$'000
Cash flow in relation to the acquisition, net of cash acquired	
– cash consideration (Note)	–
– cash and cash equivalents in subsidiary acquired	3,158
Cash inflow on acquisition	3,158

Note: The consideration was settled against the amount due from a joint venture.

(c) Acquired receivables

The fair value of trade and bills receivables is HK$28,011,000. The gross contractual amount for trade and bills receivables due is HK$28,973,000, of which HK$962,000 is expected to be uncollectible.

(d) Revenue and profit contribution

The acquired business contributed revenue of HK$13,422,000 and net profit of HK$1,546,000 to the Group for the period from 1 July 2013 to 30 September 2013. If the acquisition had occurred on 1 April 2013, consolidated revenue and consolidated loss for the six months ended 30 September 2013 would have been HK$1,359,392,000 and HK$43,714,000, respectively.

Management Discussion and Analysis

Business Review

For the six months ended 30 September 2013 (the "Period under Review"), the Group recorded revenue of HK$1,331,799,000, representing an increase of 5% as compared to HK$1,268,312,000 recorded in the same period last year.

In view of the failure of Fuxin Jin Da Steel Casting Company Limited (阜新金達鋼鐵鑄造有限公司) ("Jin Da") to pay the third installment of RMB27,000,000 (equivalent to HK$34,177,000) to the Group on the agreed date for the Group's disposal of its 35% shareholding interest in Fuxin Li Chang Steel & Iron Foundry Co., Ltd. (阜新力昌鋼鐵鑄造有限公司), the Group made an impairment provision of the full amount of the receivable outstanding from Jin Da of RMB54,000,000 (equivalent to HK$63,782,000, before interest accretion), after taking into account of such impairment provision, the Group recorded loss during the Period under Review. Loss attributable to the owners of the Company amounted to HK$45,980,000 as compared to the profit of HK$15,330,000 recorded in the same period last year.

As for regional markets, the Group's revenue in the PRC market amounted to HK$1,139,709,000, representing an increase of 30% as compared with the same period last year. However, as the Euro Zone economy remained fragile and the economic growth for the emerging economies like India and Brazil suffered noticeable slowdown, revenue contributed by the overseas markets dropped 51% to HK$192,090,000.

Die-casting Machines

During the Period under Review, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK$838,218,000, out of which HK$673,120,000 were generated in the PRC market, representing an increase of 25% as compared to HK$539,914,000 recorded in the same period last year. However, the overseas markets (including IDRA) recorded only a revenue of HK$165,098,000, representing a decrease of 54% as compared to HK$362,608,000 achieved in the same period last year, resulting in a decline of 7% in the Group's overall revenue from the sales of die-casting machines and peripheral equipment as compared to HK$902,522,000 recorded in the same period last year.

During the Period under Review, the revenue of IDRA, an Italy based wholly-owned subsidiary of the Group, amounted to HK$145,913,000, representing a decrease of 42% as compared to HK$253,445,000 recorded in the same period last year. Despite the year-on-year decrease in overall expenses, the failure to achieve economies of scale gave rise to a loss which dragged down the overall performance of the Group.

On 30 June 2013, Shanghai Prex Mfg. Co., Ltd. ("Shanghai Prex") became the wholly-owned subsidiary of the Group following the Group's acquisition of the remaining 30% equity interest of Shanghai Prex. Shanghai Prex, incorporated in Shanghai in 2002, is a renowned with a long-standing history supplier of peripheral equipment of die-casting machines and fully equipped die-casting cells automatic auxiliary solutions. The products it provides including robotic system (extracting robots, spraying robots, inserting robots, etc.), die lubricant, automatic mixing units and automatic spraying equipment.

Management Discussion and Analysis *(continued)*

Plastic Injection Moulding Machines

During the Period under Review, the Group's revenue from the plastic injection moulding machine business amounted to HK$297,527,000, representing an increase of 13% as compared to HK$262,521,000 recorded in the same period last year, which is mainly contributed by the PRC market.

Phase 1 plant of the Group's Eastern China production headquarters of plastic injection moulding machines in Ningbo City, Zhejiang Province has commenced trial operation and is expected to start production by mid-2014.

The Group acquired 3 plots of land with a total area of 88,000 square meters in Dongsheng Town, Zhongshan City, Guangdong Province in May and July 2013 respectively. The Group's old factory in Dongsheng Town, Zhongshan City with a site area of 21,180 square meters has been re-zoned by the local government from industrial use to commercial and residential use. The Group intends to dispose of the old factory and build up a new factory on the new site and relocate to the new site in due course. The Group expects that the new production base in Zhongshan City will become the Group's production headquarters of plastic injection moulding machines in Southern China.

Computerised Numerical Controlled (CNC) Machining Centres

During the Period under Review, the Group's revenue from CNC machining centre business amounted to HK$196,054,000, representing an increase of 90% as compared to HK$103,269,000 recorded in the same period last year, which was mainly contributed by the 3C products and automobile component sectors in the PRC market.

Financial Review

During the Period under Review, the Group recorded an overall gross profit margin of 23.5%, representing a decrease by 2% as compared to the 25.5% recorded in the same period last year, which was due to the change of sales product mix. Meanwhile, following the layoff due to unsatisfactory business environment in the same period last year, the Group began recruitment during the Period under Review, pushing up the overall staff costs.

As mentioned above, the impairment provision made in respect of the full amount of the receivable outstanding from Jin Da of HK$63,782,000 has resulted in a loss of HK$45,980,000 for the owners of the Company during the Period under Review. If excluding this one-off impairment provision, profit attributable to the owners of the Company during the Period under Review was HK$17,802,000, representing an increase of 16% as compared to the same period last year.

The Group continues to engage with Jin Da to require early settlement of sums due while considering other steps for recovery, including possible legal proceedings.

Sales and distribution expenses amounted to HK$143,196,000, representing an increase of 6% as compared to HK$134,736,000 recorded in the same period last year, which is mainly due to the increase in the overall human resource expenses (including sales commission) as a result of the recruitment of more sales and customer service employees during the Period under Review.

Administrative expenses amounted to HK$152,667,000, representing a decrease of 3% as compared to HK$156,825,000 recorded in the same period last year, which is mainly due to the drop in performance related bonuses.

Research and development related costs amounted to HK$33,082,000, representing an increase of 1% as compared to HK$32,793,000 recorded in the same period last year.

Management Discussion and Analysis *(continued)*

Research and Development ("R&D")

R&D of Die-Casting Machines

During the Period under Review, the Group had been making progress in perfecting three types of new die-casting machines, namely the 1,000 ton and above large-tonnage servo control die-casting machines series, the third-generation high-end mid-tonnage die-casting machines series "IMPRESS III PLUS+" and the two-platen servo control energy saving die-casting machines series. During the Period under Review, the Group secured considerable sales of its new die-casting machines, and has earned good market recognition due to more superior performance and more effective energy saving function.

Meanwhile, automated production process will be one of the key elements for manufacturers to enhance their competitiveness in the future. While putting more effort in developing automated peripheral equipments, the Group acquired Shanghai Prex to complement its own R&D inventions, introducing a more comprehensive automated peripheral equipment product series with greater application and broader customer coverage which will be one of the highlights in the Group's future growth.

R&D of Plastic Injection Moulding Machines

During the Period under Review, the Group continued its effort in polishing the second-generation two-platen plastic injection moulding machines and servo control energy saving plastic injection moulding machines, and has produced 3500-ton large-tonnage plastic injection moulding machines. Due to high price/performance ratio, the Group has received good orders from a number of renowned automobile component manufacturers. In the meantime, the 3-colour plastic injection moulding machine developed by the Group specialized for automobile lighting lenses, "EFFECTA PT 1300V", was awarded the "Machinery and Machine Tools Design Award" under the "2013 Hong Kong Awards for Industries". Featuring high precision for optical performance, high clarity and shortest production cycle time, the invention, being a breakthrough in various aspects of technology, is mainly used to produce the plastic parts for polycarbonate (PC) automobile headlight covers and polymethylmethacrylate (PMMA) taillight covers. The award represents the market recognition of the Group's multi-color plastic injection moulding machine products and facilitates the Group's penetration into the potential automobile component market.

R&D of CNC Machining Centres

During the Period under Review, the Group's "TC" and "MV" CNC machining centre series had adopted a complete upgraded systematic tool changing system that dramatically enhances the production efficiency. Meanwhile, the Group speeded up its pace in developing CNC machining centres and extended the product line to the high potential mid-to-large CNC machining centre market. Following the launch of the widely acclaimed "MV-1050" series, the Group will also introduce the high-speed vertical bridge type CNC machining centre model "EU2000", and "BTC" 5-axis CNC machining centre series. Widely used for processing 3C products and automobile components, the Group's CNC machining centre series have also successfully penetrated into various industries, including die manufacturing, aircraft component processing and military component processing.

Management Discussion and Analysis *(continued)*

Prospect

Looking forward to the second half of the year, in the international market, the mild recovery of the U.S. economy, coupled with euro zone's stabilising economy, will contribute to the improvement of the business performance of IDRA, the Group's subsidiary in Europe, and allow the Group to take advantage of the increase in orders received by its domestic customers in the export industry. In the domestic market, given China's steadily growing economy, automobile and 3C industries achieved stable growth, reinforcing our customers' confidence in equipment investment. Meanwhile, after the Third Plenary Session of the 18th CPC Central Committee, a full scale in-depth measures of reform will be carried out, which will increase the growth potential and improve the economic sustainability of the PRC, and new opportunities on business condition are expected to follow.

However, market turbulence arising from the possible QE tapering by the U.S., accompanied with the unresolved European debt crisis, as well as the sluggish growth for emerging economies, still fill the global macro-economy with uncertainties and challenges. The management remains caution towards the second half of the year. In order to cope with the possible challenges ahead, the Group will continue to enhance its operation efficiency, strengthen its business profile, better utilise its resources and optimise its management system. Since the Group has earned itself a household name for its three major products, has laid a solid foundation for its reputation and has established a broad customer base, thus enjoys competitive advantages in the industry, the management is 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 2013, the Group's cash and bank balances amounted to HK$336,128,000 (31 March 2013: HK$390,459,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 63% (31 March 2013: 58%).

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

As at 30 September 2013, 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 HK$1,401,903,000 (31 March 2013: HK$1,385,988,000), approximately 79% of which being short-term loans. Approximately 11% of the total borrowing was subject to interest payable at fixed rates.

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, property, plant and machinery, and bills receivables, with aggregate carrying amounts of HK$540,827,000 (31 March 2013: HK$345,249,000).

Staff and Remuneration Policies

As at 30 September 2013, the Group employed approximately 4,000 full time staff. The staff costs for current period amounted to HK$237,503,000 (2012: HK$218,096,000). 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.

Corporate Information

Board of Directors

Executive Directors
Ms. Chong Siw Yin *(Chairperson)*
Mr. Cao Yang *(Chief executive officer)*
Mr. Chung Yuk Ming

Non-executive Director
Mr. Hu Yongmin

Independent non-executive Directors
Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul

Company Secretary
Mr. Wong Kin Ming

Authorised Representatives
Ms. Chong Siw Yin
Mr. Chung Yuk Ming

Audit Committee
Mr. Tsang Yiu Keung, Paul
Dr. Lui Ming Wah, *SBS, JP*
Mr. Hu Yongmin

Nomination Committee
Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Hu Yongmin

Remuneration Committee
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Mr. Hu Yongmin

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.
ICBC
Ping An Bank Co., Ltd
Intesa Sanpaolo Spa

Stock Code
558

Website
http://www.lktechnology.com

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 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	See Note (1)	645,980,000[(1)] Long position	57.08%
	the Company	Beneficial owner	1,050,000 Long position	0.09%
	the Company	Beneficial owner	1,500,000[(2)] Long position	0.13%
Mr. Cao Yang	the Company	Beneficial owner	1,882,500 Long position	0.17%
Mr. Chung Yuk Ming	the Company	Beneficial owner	2,000,000 Long position	0.18%

Notes:

1. 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.

2. Such interest in shares is held pursuant to options granted under the Pre-IPO Share Option Scheme, details of which are described in the paragraph headed "Share Option Schemes" in this report.

Save as disclosed above, as at 30 September 2013, none of the Directors and chief executive of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information *(continued)*

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

As at 30 September 2013, the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	645,980,000(1) Long position	57.08%
Mr. Liu	See Note (2)	645,980,000(2) Long position	57.08%
		1,050,000(2) Long position	0.09%
		1,500,000(2) Long position	0.13%
Fullwit	See Note (1)	645,980,000(1) Long position	57.08%
HSBC International Trustee Limited	See Note (3)	645,980,000(3) Long position	57.08%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner	112,000,000(4)	9.90%
	See Note (4)	58,000,000(4)	5.12%
Kui Tang	Investment manager	112,000,000(4)	9.90%
	See Note (5)	58,000,000(4)	5.12%
China High-End Equipment Investment Fund LP	Investment manager	68,717,500	6.07%

Notes:

1. These 645,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.

2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.

3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.

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 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 2013, the Directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

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 2013 were as follows:

				Number of shares subject to options			
Name/category of participant	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 01/04/13	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/13
The Director							
Ms. Chong	23/09/2006	0.666	16/04/2007 – 15/10/2016	1,500,000	–	–	1,500,000
Others							
An employee	23/09/2006	0.666	16/04/2007 – 15/10/2016	200,000	–	–	200,000
				1,700,000	–	–	1,700,000

Other Information *(continued)*

Share Option Schemes *(continued)*

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

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

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

In addition, a share option scheme (the "Share Option Scheme") was also adopted pursuant to the written resolution passed by the sole shareholder of the Company on 23 September 2006. No options had been granted under the Share Option Scheme since its date of adoption and up to 30 September 2013.

Interim Dividend

At a meeting held on 28 November 2013, the Board resolved not to pay an interim dividend for the six months ended 30 September 2013 (2012: 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 two independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul and Dr. Lui Ming Wah 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.

Other Information *(continued)*

Model Code for Securities Transactions by Directors

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

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

In accordance with the requirements of Rule 13.21 of Chapter 13 of the Listing Rules, the following is the details of the two facility agreements (the "Facility Agreements") both with a covenant relating to specific performance of the controlling shareholder of the Company at 30 September 2013.

1. On 2 August 2011, L.K. Machinery Company Limited as borrower, and the Company as a guarantor, entered into a facility agreement with, inter alia, Hang Seng Bank Limited as the mandated coordinating arranger and facility agent and other financial institutions as lenders for a three-year term loan/revolving credit facility of up to HK$475,000,000.

2. On 5 September 2012, Power Excel International Limited as borrower, and the Company as a guarantor, entered into a facility agreement with, inter alia, Hang Seng Bank Limited as the mandated lead arranger, bookrunner and facility agent and other financial institutions as lenders for a three-year term loan facilities of up to HK$60,000,000 and US$42,300,000.

The Facility Agreements provide that it would constitute an event of default under the Facility Agreements if (i) Mr. Liu Siong Song (a controlling shareholder of the Company held as to approximately 57% of equity interests in the Company as at the date of the Facility Agreements) 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 2013.

Review of Financial Information

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2013. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2013 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, 28 November 2013

Report on Review of Interim Financial Information

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 33, 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 2013 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, 28 November 2013