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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 558)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		(Unaudited) Six months ended 30 September	
	Note	**2013**	2012
		HK$'000	*HK$'000*
Revenue	*3*	**1,331,799**	1,268,312
Cost of sales	*5*	**(1,018,458)**	(945,163)
Gross profit		**313,341**	323,149
Other income	*3*	**16,620**	15,072
Other gains – net	*4*	**19,105**	4,861
Provision for impairment of other receivable	*7*	**(63,782)**	–
Selling and distribution expenses	*5*	**(143,196)**	(134,736)
General and administration expenses	*5*	**(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	*6*	**(31,028)**	(30,028)

	Note	(Unaudited) Six months ended 30 September **2013** *HK$'000*	2012 *HK$'000*
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	*8*	**(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)	*9*		
– Basic		**(4.1)**	1.4
– Diluted		**(4.1)**	1.3
		HK$'000	*HK$'000*
Dividend	*10*	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'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)

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		**25,713**	16,681
Property, plant and equipment		**1,057,577**	995,842
Investment properties		**31,920**	28,250
Land use rights		**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	*11*	**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	*11*	**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		**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

	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		**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		**1,355**	893
Borrowings		**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

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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.

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.

- 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'

b. The following revised and amended standards and interpretation to existing standards 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.

2 SEGMENT INFORMATION

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. Segment results represent the (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)**

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.

Segment assets and liabilities

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

As at 30 September 2013

	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

	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

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.

3 REVENUE AND OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'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

4 OTHER GAINS – NET

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'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

5 EXPENSES BY NATURE

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'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	**215,750**	198,173
Contributions to defined contribution retirement plans	**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

6 FINANCE COSTS – NET

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'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.

7 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.

8 INCOME TAX EXPENSE

The tax charge comprises:

	(Unaudited) Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'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.

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.

9 (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.

	(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.

10 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).

11 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.

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

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.

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 impairment provision of the full amount receivable 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.

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 receivable 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.

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 efficency. 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.

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.

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 2013, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK$276,843,000 (31 March 2013: HK$255,104,000).

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).

Capital commitments

As at 30 September 2013, the Group had made capital expenditure commitments amounts of HK$45,619,000 (31 March 2013: HK$168,545,000) in respect of acquisition of land use rights, property, plant and equipment.

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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2013/14 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 28 November 2013

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