



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**  
2012/2013

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

## Condensed Consolidated Statement of Financial Position

At 30 September 2012

	<i>Note</i>	<b>(Unaudited) 30 September 2012 HK\$'000</b>	<b>(Audited) 31 March 2012 HK\$'000</b>
<b>Non-current assets</b>			
Intangible assets		14,844	14,828
Property, plant and equipment	7	932,240	848,608
Investment properties		25,730	34,090
Land use rights	7	248,229	254,016
Deposits paid		48,296	45,459
Deferred income tax assets		36,237	33,705
Trade and bills receivables	8	33,047	26,855
Other receivables		65,262	64,160
Restricted bank balances		11,352	12,493
<b>Total non-current assets</b>		<b>1,415,237</b>	<b>1,334,214</b>
<b>Current assets</b>			
Inventories		1,010,323	1,191,188
Amount due from a jointly controlled entity		13,483	13,483
Trade and bills receivables	8	932,294	819,614
Other receivables, prepayments and deposits		182,735	211,150
Restricted bank balances		68,754	66,372
Cash and cash equivalents (excluding bank overdrafts)		432,199	439,231
<b>Total current assets</b>		<b>2,639,788</b>	<b>2,741,038</b>
Non-current assets held-for-sale	9	9,750	–
<b>Total current assets</b>		<b>2,649,538</b>	<b>2,741,038</b>
<b>Total assets</b>		<b>4,064,775</b>	<b>4,075,252</b>
<b>Equity</b>			
Share capital	10	113,177	113,177
Reserves		932,334	959,644
Retained earnings			
– Proposed final dividend		–	56,588
– Others		601,612	586,282
<b>Equity attributable to owners of the parent</b>		<b>1,647,123</b>	<b>1,715,691</b>
<b>Non-controlling interests</b>		<b>538</b>	<b>1,276</b>
<b>Total equity</b>		<b>1,647,661</b>	<b>1,716,967</b>

## Condensed Consolidated Statement of Financial Position *(continued)*

At 30 September 2012

	<i>Note</i>	<b>(Unaudited) 30 September 2012 HK\$'000</b>	<b>(Audited) 31 March 2012 HK\$'000</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		5,673	7,572
Borrowings	11	470,588	305,225
Other payables		10,229	10,313
<b>Total non-current liabilities</b>		486,490	323,110
<b>Current liabilities</b>			
Trade and bills payables, other payables, deposits and accruals	12	897,383	1,017,228
Derivative financial instruments	13	2,427	3,909
Borrowings	11	1,002,552	973,359
Current income tax liabilities		28,262	40,679
<b>Total current liabilities</b>		1,930,624	2,035,175
<b>Total liabilities</b>		2,417,114	2,358,285
<b>Total equity and liabilities</b>		4,064,775	4,075,252
<b>Net current assets</b>		718,914	705,863
<b>Total assets less current liabilities</b>		2,134,151	2,040,077

The notes on pages 9 to 28 are integral part of these condensed consolidated interim financial information.

## Condensed Consolidated Income Statement

For the six months ended 30 September 2012

	<i>Note</i>	<b>(Unaudited)</b>	
		<b>Six months ended 30 September</b>	
		<b>2012</b>	<b>2011</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	14	1,268,312	1,675,963
Cost of sales	16	(945,163)	(1,197,084)
Gross profit		323,149	478,879
Other income	14	15,072	19,266
Other gains – net	15	4,861	13,802
Selling and distribution expenses	16	(134,736)	(148,705)
General and administration expenses	16	(156,825)	(163,898)
Operating profit		51,521	199,344
Finance income		2,102	2,716
Finance costs		(32,130)	(25,993)
Finance costs – net	18	(30,028)	(23,277)
Profit before income tax		21,493	176,067
Income tax expense	19	(6,901)	(29,479)
Profit for the period		14,592	146,588
Profit attributable to:			
Owners of the parent		15,330	150,228
Non-controlling interests		(738)	(3,640)
		14,592	146,588
		<b>HK cents</b>	<b>HK cents</b>
Earnings per share for profit attributable to owners of the parent during the period (expressed in HK cents per share)	20		
– Basic		1.4	13.3
– Diluted		1.3	12.6

The notes on pages 9 to 28 are integral part of these condensed consolidated interim financial information.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

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

The notes on pages 9 to 28 are integral part of these condensed consolidated interim financial information.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	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
<b>At 1 April 2012</b>	113,177	498,608	889	13,771	212,114	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 income												
Currency translation differences	-	-	-	-	(27,310)	-	-	-	-	(27,310)	-	(27,310)
<b>Total comprehensive income</b>	-	-	-	-	(27,310)	-	-	-	15,330	(11,980)	(738)	(12,718)
<b>Transaction with owners</b>												
Dividend relating to 2011/12 paid	-	-	-	-	-	-	-	-	(56,588)	(56,588)	-	(56,588)
<b>At 30 September 2012</b>	113,177	498,608	889	13,771	184,804	146,661	2,200	85,401	601,612	1,647,123	538	1,647,661

The notes on pages 9 to 28 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 2012

	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
<b>At 1 April 2011</b>	113,107	497,862	1,239	13,771	145,947	134,511	2,200	85,401	522,959	1,516,997	3,439	1,520,436
Profit for the period	-	-	-	-	-	-	-	-	150,228	150,228	(3,640)	146,588
Other comprehensive income												
Currency translation differences	-	-	-	-	59,255	-	-	-	-	59,255	(81)	59,174
<b>Total comprehensive income</b>	-	-	-	-	59,255	-	-	-	150,228	209,483	(3,721)	205,762
<b>Transaction with owners</b>												
Issue of shares upon exercise of share options	70	396	-	-	-	-	-	-	-	466	-	466
Acquisition of remaining equity interest in a subsidiary from a non-controlling shareholder	-	-	-	-	-	-	-	-	(11,784)	(11,784)	1,993	(9,791)
Transfer to share premium upon exercise of share options	-	350	(350)	-	-	-	-	-	-	-	-	-
Dividend relating to 2010/11 paid	-	-	-	-	-	-	-	-	(59,488)	(59,488)	-	(59,488)
<b>At 30 September 2011</b>	113,177	498,608	889	13,771	205,202	134,511	2,200	85,401	601,915	1,655,674	1,711	1,657,385

The notes on pages 9 to 28 are integral part of these condensed consolidated interim financial information.



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	(Unaudited)	
	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Cash flows generated from/(used in) operating activities	20,908	(156,412)
Cash flows used in investing activities	(153,414)	(123,769)
Cash flows generated from financing activities	137,968	195,306
Net increase/(decrease) in cash and cash equivalents	5,462	(84,875)
Cash and cash equivalents at the beginning of the period	439,231	444,303
Exchange (loss)/gain on cash and cash equivalents	(12,494)	26,793
Cash and cash equivalents at end of period	432,199	386,221

The notes on pages 9 to 28 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 centre and related accessories.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 November 2012.

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 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

## 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 2012, as described therein.

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

#### (a) New and amended standards adopted by the Group

The following new amendment to standard is mandatory for the first time for the financial year beginning 1 April 2012.

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

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

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

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

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

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

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

The adoption of the above new and revised HKFRSs does not have any significant impacts on the financial statements of the Group for the current or prior accounting period.

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

### 3 Accounting policies *(continued)*

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

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

Notes:

<sup>(1)</sup> Effective for financial periods beginning on or after 1 July 2012

<sup>(2)</sup> Effective for financial periods beginning on or after 1 January 2013

<sup>(3)</sup> Effective for financial periods beginning on or after 1 January 2014

<sup>(4)</sup> 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 2012.

### 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 2012.

There have been no changes in the risk management policies since year end.

#### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

#### 5.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The total fair value of the derivative financial instruments of HK\$2,427,000 (31 March 2012: HK\$3,909,000) 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. As the significant inputs are not based on observable market data, these instruments are included in level 3 (31 March 2012: level 3).

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

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

The Group is organised into three main reportable segments.

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

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

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

	Unaudited					
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>Revenue</b>						
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
<b>Results</b>						
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

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

### 6 Segment information *(continued)*

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

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

Sales between segments are carried out at arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the 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 2012

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

#### As at 31 March 2012 (restated)

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



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

### 6 Segment information *(continued)*

#### Segment assets and liabilities *(continued)*

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

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

### 7 Property, plant and equipment and land use rights

	Property, plant and equipment HK\$'000	Land use rights HK\$'000
<b>Six months ended 30 September 2011</b>		
Opening net book amount as at 1 April 2011	719,408	142,273
Additions	126,206	22,297
Disposals	(725)	–
Depreciation and amortisation	(48,431)	(1,668)
Exchange difference	25,825	5,184
Closing net book amount as at 30 September 2011 (unaudited)	822,283	168,086
<b>Six months ended 30 September 2012</b>		
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

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

### 8 Trade and bills receivables

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

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

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

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

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

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

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

### 9 Non-current assets held-for-sale – Group

On 6 July 2012, L.K. Machinery Company Limited, a subsidiary of the Company, entered into an agreement to dispose of an investment property for a consideration of HK\$9,960,000. Such property was presented as non-current assets held-for-sale as at 30 September 2012.

### 10 Share capital

	(Unaudited) Number of ordinary shares of HK\$0.1 each	(Unaudited) Amount HK\$'000
Authorised:		
At 31 March 2012 and 30 September 2012	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2012 and 30 September 2012	1,131,765,000	113,177

### 11 Borrowings

The borrowings of the Group comprise:

	(Unaudited) As at 30 September 2012 HK\$'000	(Audited) As at 31 March 2012 HK\$'000
Non-current:		
Bank borrowings:	470,588	305,225
Current		
Bank borrowings	930,125	937,772
Trust receipt loans	72,427	35,587
	1,002,552	973,359
	1,473,140	1,278,584
Secured:		
Bank borrowings	422,984	496,752
Unsecured:		
Bank borrowings	790,140	567,275
Other borrowings	260,016	214,557
	1,050,156	781,832
	1,473,140	1,278,584

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

### 11 Borrowings *(continued)*

At 30 September 2012, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000
Within 1 year	72,427	35,587	897,381	907,780	969,808	943,367
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	-	-	322,198	109,679	322,198	109,679
After 2 years but within 5 years	-	-	181,134	225,538	181,134	225,538
After 5 years	-	-	-	-	-	-
	-	-	503,332	335,217	503,332	335,217
	72,427	35,587	1,400,713	1,242,997	1,473,140	1,278,584

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.

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

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

## 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:

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

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

### 13 Derivative financial instruments

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2012</b> <b>HK\$'000</b>	<b>(Audited)</b> <b>As at</b> <b>31 March</b> <b>2012</b> <b>HK\$'000</b>
Balance classified as current liabilities		
Warrants (Note)	427	1,909
Subscription options (Note)	2,000	2,000
	<b>2,427</b>	<b>3,909</b>

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.

#### *Valuation of Warrants and Subscription Options*

At the end of the accounting period, the Warrants and the Subscription Options are measured at their respective fair value estimated by an independent professional valuer in Hong Kong.

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

### 14 Revenue and other income

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

### 15 Other gains, net

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

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

### 16 Expenses by nature

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

<sup>1</sup> Included in general and administration expenses

<sup>2</sup> Included in cost of sales

### 17 Employees' benefits costs (including directors' emoluments)

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Wages and salaries	167,977	188,800
Retirement scheme contributions	19,923	17,642
Other allowances and benefits	30,196	37,184
	218,096	243,626

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

### 18 Finance costs – net

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

Note:

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

### 19 Income tax expense

The tax charge comprises:

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

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



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

### 19 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 registered in the PRC are exempted from corporate income tax ("CIT") for two years starting from their first profit making year after utilisation of tax loss brought forward and are entitled to 50% relief on CIT in the following three years. These subsidiaries are subject to CIT at rates ranging from 12.5% to 25% (2011: 12.5% to 25%) during the period. All of the Company's subsidiaries will cease to enjoy the 50% relief on CIT after 31 December 2012.

For those subsidiaries of the Company which are still entitled to the 50% relief on income tax, the tax rate for the period is 12.5%. For those subsidiaries with expired tax holidays (other than those approved to be High and New Technology Enterprises as discussed in the next paragraph), the tax rates for the period are 25% (2011: 24% or 25%).

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

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

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. No Hong Kong profits tax has been provided for the period as the subsidiaries established in Hong Kong either have unutilised tax losses available to set off current period's estimated assessable profit or have no estimated assessable profit for the period. No Hong Kong profits tax has been provided for the six months ended 30 September 2011 as there was no estimated assessable profit for that period.

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

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

### 20 Earnings per share

#### (a) Basic

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

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

#### (b) Diluted

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

	(Unaudited)	
	Six months ended 30 September	
	2012	2011
Profit attributable to owners of the parent (HK\$'000)	15,330	150,228
Weighted average number of ordinary shares in issue (thousands)	1,131,765	1,131,315
Assumed conversion of perpetual convertible securities (thousands)	58,000	58,000
Adjustment for share options (thousands)	1,005	1,571
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,190,770	1,190,886
Diluted earnings per share (HK cents)	1.3	12.6

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

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

### 21 Interim dividend

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

### 22 Financial guarantees

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2012</b> <b>HK\$'000</b>	<b>(Audited)</b> <b>As at</b> <b>31 March</b> <b>2012</b> <b>HK\$'000</b>
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	280,081	279,046
Deposit placed in banks related to the guarantees	64,625	60,026

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$1,074,400,000 (31 March 2012: HK\$775,629,000) 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 2012, 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.

The Company has provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK\$1,225,661,000 (31 March 2012: HK\$863,048,000). The facilities utilized by the subsidiaries as at 30 September 2012 amounted to HK\$801,391,000 (31 March 2012: HK\$593,484,000).

### 23 Commitments

#### (a) Capital commitments

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2012</b> <b>HK\$'000</b>	<b>(Audited)</b> <b>As at</b> <b>31 March</b> <b>2012</b> <b>HK\$'000</b>
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	176,072	67,531
Land use rights	75,766	76,701
Other commitments	451	566
	252,289	144,798

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

### 23 Commitments *(continued)*

#### (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:

	<b>(Unaudited)</b> <b>As at</b> <b>30 September</b> <b>2012</b> <b>HK\$'000</b>	<b>(Audited)</b> <b>As at</b> <b>31 March</b> <b>2012</b> <b>HK\$'000</b>
Leases payable:		
Within one year	11,578	12,186
In the second to fifth year inclusive	15,503	22,217
After the fifth year	4,079	4,282
	<b>31,160</b>	<b>38,685</b>

### 24 Share options

Details of the options granted under the Pre-IPO Share Option Scheme of the Company during the six months ended 30 September 2012 are as follows:

Category of grantee	Exercise price HK\$	Exercise period	Number of shares subject to options		
			Outstanding at 1 April 2012 (Audited)	Exercised during the period	Outstanding at 30 September 2012 (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
			<b>1,700,000</b>	<b>–</b>	<b>1,700,000</b>

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

### 25 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	
	2012 HK\$'000	2011 HK\$'000
Wages and salaries, other allowances and benefits	9,477	13,318
Retirement scheme contributions	226	205
	9,703	13,523

- (b) The Group had the following amount due to its holding company, which was included in trade and bills payables, other payables, deposits and accruals in the condensed consolidated/consolidated statement of financial position as at 30 September 2012 and 31 March 2012:

	(Unaudited)	(Audited)
	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000
Girgio Industries Ltd.	30,000	20,000

The balance is unsecured, interest free and has no fixed repayment terms.

The amount due to holding company also constitutes a continuing connected transaction which is exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The directors considered the above transaction and balance were 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.

## Management Discussion and Analysis

### Business Review

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

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

### Die-casting Machines

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

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

### Plastic Injection Moulding Machines

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

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

## Management Discussion and Analysis *(continued)*

### Computerised Numerical Controlled (CNC) Machines

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

### Financial Review

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

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

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

## Management Discussion and Analysis *(continued)*

### Research and Development (“R&D”)

#### R&D of Die-Casting Machines

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

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

#### R&D of Plastic Injection Moulding Machines

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

#### R&D of CNC Machines

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



## Management Discussion and Analysis *(continued)*

### Prospects

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

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

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

Notwithstanding the continued turmoil in the global economic environment, the management still believes that the three product lines of the Group that are widely used in the manufacture industry in China enjoy a competitive edge. The management remains confident in the long-term growth of the Group.

## Management Discussion and Analysis *(continued)*

### Liquidity and financial resources

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 September 2012, the Group's cash and bank balances amounted to approximately HK\$432.2 million (31 March 2012: HK\$439.2 million).

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

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

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

### Staff and Remuneration Policies

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

## 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  
Mr. Chan Wah Tip, Michael

### 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. Chan Wah Tip, Michael  
Mr. Hu Yongmin

### Nomination Committee

Mr. Chan Wah Tip, Michael  
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. Chan Wah Tip, Michael  
Mr. Hu Yongmin

### Auditor

PricewaterhouseCoopers

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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  
China Citic Bank  
Ping An Bank Co., Ltd  
Australia and New Zealand Banking Group Limited  
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 2012, 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 <sup>(1)</sup> Long position	57.08%
	the Company	Beneficial owner	1,050,000 Long position	0.09%
	the Company	Beneficial owner	1,500,000 <sup>(2)</sup> 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:

- 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.
- 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 2012, 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 2012, 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 <sup>(1)</sup> Long position	57.08%
Mr. Liu	See Note (2)	645,980,000 <sup>(2)</sup> Long position	57.08%
		1,050,000 <sup>(2)</sup> Long position	0.09%
		1,500,000 <sup>(2)</sup> Long position	0.13%
Fullwit	See Note (1)	645,980,000 <sup>(1)</sup> Long position	57.08%
HSBC International Trustee Limited	See Note (3)	645,980,000 <sup>(3)</sup> Long position	57.08%
FountainVest China Growth Partners GP, Ltd. ("FountainVest")	Beneficial owner See Note (4)	112,000,000 <sup>(4)</sup> 58,000,000 <sup>(4)</sup> 25,600,000 <sup>(4)</sup>	9.90% 5.12% 2.26%
Kui Tang	Investment manager See Note (5)	112,000,000 <sup>(4)</sup> 58,000,000 <sup>(4)</sup> 25,600,000 <sup>(4)</sup>	9.90% 5.12% 2.26%
China High-End Equipment Investment Fund LP	Investment manager	59,285,000	5.24%

Notes:

- These 645,980,000 shares are owned by Girgio. Girgio is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.
- Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.
- HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.

## Other Information *(continued)*

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

4. On 26 January 2011, the Company and China Machinery Investment Holdings Limited ("China Machinery") entered into an investment agreement relating to, amongst other things, the issue of new subscription shares, the issue of perpetual convertible securities at an aggregate principal amount of HK\$145,000,000 ("Perpetual Convertible Securities") and the issue of warrants entitling China Machinery to subscribe for a maximum 25,600,000 Shares ("Warrants"). China Machinery is wholly owned by FountainVest indirectly. Based on the initial conversion price of HK\$2.50 per Share and assuming full conversion of the Perpetual Convertible Securities at such conversion price, the Perpetual Convertible Securities will be convertible into 58,000,000 Shares (the "Conversion Shares"). The Warrants entitle China Machinery to subscribe for a maximum of 25,600,000 Shares (the "Warrant Shares") at the initial exercise price of HK\$3.125 per Share. 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 2012, 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 2012 were as follows:

Name/category of participant	Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options			
				Outstanding as at 01/04/12	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/12
<i>The Directors</i>							
Ms. Chong	23/09/2006	0.666	16/04/2007– 15/10/2016	1,500,000	–	–	1,500,000
<i>Others</i>							
Employees	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:

<b>Period (as from 16 October 2006, the day on which the shares of the Company commenced trading on the Stock Exchange)</b>	<b>Maximum cumulative percentage of the shares under option exercisable by the grantee</b>
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 2012.

### Interim Dividend

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

### Purchase, Sale or Redemption of Listed Securities of the Company

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

### Corporate Governance

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

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

### Audit Committee

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

## 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 2012.

1. On 2 August 2011, L.K. Machinery Company Limited (a wholly-owned subsidiary of the Company) as borrower, and the Company as a guarantor, entered into a facility agreement with, 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 (a wholly-owned subsidiary of the Company) 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 2012.

### Review of Financial Information

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

On behalf of the Board

**Chong Siw Yin**

*Chairperson*

Hong Kong, 29 November 2012



## 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 28, 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 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 29 November 2012