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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 2022**

FINANCIAL HIGHLIGHTS			
	(Unaudited)		
	Six months ended		
	30 September		
	2022	2021	Change
	HK\$'000	HK\$'000	%
Operating results:			
Revenue	2,860,238	2,773,518	3.1%
Gross profit	786,158	805,456	-2.4%
Gross profit margin	27.5%	29.0%	-1.5%
Operating profit	343,164	415,114	-17.3%
Operating profit margin	12.0%	15.0%	-3.0%
Profit attributable to owners of the Company	271,193	323,845	-16.3%
Net profit margin	9.5%	11.7%	-2.2%
	HK cents	HK cents	
Basic and diluted earnings per share	19.7	23.7	-16.9%
	(Unaudited)	(Audited)	
	At	At	
	30 September	31 March	
	2022	2022	Change
	HK\$'000	HK\$'000	%
Financial position:			
Total assets	7,747,910	7,599,524	2.0%
Net assets	3,559,470	3,702,999	-3.9%
Net current assets	1,278,139	1,343,572	-4.9%
Cash and cash equivalents	610,977	576,790	5.9%
Total borrowings	1,479,108	1,088,637	35.9%

The board (the “Board”) of directors (the “Directors”) of L.K. Technology Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2022.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

		(Unaudited)	
		Six months ended 30 September	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	3	2,860,238	2,773,518
Cost of sales	5	<u>(2,074,080)</u>	<u>(1,968,062)</u>
Gross profit		786,158	805,456
Other income	3	77,282	53,317
Other (losses)/gains – net	4	(10,928)	7,283
Selling and distribution expenses	5	(268,311)	(234,946)
General administrative expenses	5	(241,116)	(203,812)
Reversal of provision/(provision) for impairment of trade receivables – net	5	<u>79</u>	<u>(12,184)</u>
Operating profit		<u>343,164</u>	<u>415,114</u>
Finance income		3,031	3,571
Finance costs		<u>(21,944)</u>	<u>(18,595)</u>
Finance costs – net	6	<u>(18,913)</u>	<u>(15,024)</u>
Share of (losses)/profits of associates		<u>(21)</u>	<u>107</u>
Profit before income tax		324,230	400,197
Income tax expenses	7	<u>(53,037)</u>	<u>(76,352)</u>
Profit for the period attributable to owners of the Company		<u>271,193</u>	<u>323,845</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to owners of the Company during the period			
– Basic	8(a)	<u>19.7</u>	<u>23.7</u>
– Diluted	8(b)	<u>19.7</u>	<u>23.7</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to owners of the Company	271,193	323,845
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference	(361,630)	25,568
Change in value of insurance policy investments	–	(26)
Loss on disposal of insurance policy investments	–	222
<i>Item that will not be reclassified to profit or loss</i>		
Gain on revaluation of property, plant and equipment upon transfer to investment properties	–	22,838
Total comprehensive (loss)/income for the period, net of tax, attributable to owners of the Company	<u>(90,437)</u>	<u>372,447</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		(Unaudited) 30 September 2022 <i>HK\$'000</i>	(Audited) 31 March 2022 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets		13,278	14,801
Property, plant and equipment		1,485,228	1,476,984
Investment properties		598,730	651,754
Right-of-use assets		388,608	408,912
Interests in associates		15,415	17,150
Other receivables and deposits		141,972	149,063
Deferred income tax assets		92,324	92,227
Trade and bills receivables	10	44,574	32,564
Financial asset at fair value through other comprehensive income		5,556	6,173
Restricted bank balances		171	677
		2,785,856	2,850,305
Total non-current assets		2,785,856	2,850,305
Current assets			
Inventories		1,801,860	1,713,348
Trade and bills receivables	10	2,097,316	2,018,270
Other receivables, prepayments and deposits		284,896	282,056
Restricted bank balances		167,005	158,755
Cash and cash equivalents		610,977	576,790
		4,962,054	4,749,219
Total current assets		4,962,054	4,749,219
Total assets		7,747,910	7,599,524
Equity			
Share capital		137,640	137,640
Reserves		1,411,465	1,771,131
Retained earnings		2,010,365	1,794,228
		3,559,470	3,702,999
Total equity		3,559,470	3,702,999

		(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		91,366	93,933
Borrowings		246,883	210,431
Lease liabilities		7,398	11,789
Other payables and deposits	11	158,878	174,725
Total non-current liabilities		504,525	490,878
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	11	2,395,923	2,467,217
Borrowings		1,232,225	878,206
Lease liabilities		8,874	9,449
Current income tax liabilities		46,893	50,775
Total current liabilities		3,683,915	3,405,647
Total liabilities		4,188,440	3,896,525
Total equity and liabilities		7,747,910	7,599,524

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(83,363)	292,227
Net cash used in investing activities	(249,652)	(188,467)
Net cash generated from financing activities	425,770	264,300
Net increase in cash and cash equivalents	92,755	368,060
Cash and cash equivalents at beginning of period	576,790	588,391
Exchange differences on cash and cash equivalents	(58,568)	4,926
Cash and cash equivalents at end of period	610,977	961,377

NOTES:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2022 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards and interpretation as set out below.

Income tax expenses in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

a. Amendments to standards adopted by the Group

The following sets out amended standards which have become applicable for the current reporting period:

- Annual Improvements to HKFRSs 2018–2020
- Property, Plant and Equipment – Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Narrow-scope Amendments – Amendments to HKFRS 3, HKAS 16 and HKAS 37
- Merger Accounting for Common Control Combinations – Amendments to Accounting Guideline 5

These amendments to existing standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

b. Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SEGMENT INFORMATION

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. Segment results represent the profit/(loss) for the period before corporate expenses 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 tax expenses. To arrive at the profit/(loss) 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) Computerised numerical controlled (“CNC”) machining centre

For the six months ended 30 September 2022, none of the customers of the Group individually accounted for 10% or more of the Group’s total revenue (2021: same).

The segment results for the six months ended 30 September 2022 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	2,050,390	659,510	150,338	2,860,238	–	2,860,238
Inter-segments sales	44,271	–	13,078	57,349	(57,349)	–
	<u>2,094,661</u>	<u>659,510</u>	<u>163,416</u>	<u>2,917,587</u>	<u>(57,349)</u>	<u>2,860,238</u>
Results						
Segment results	<u>318,286</u>	<u>24,957</u>	<u>17,904</u>	<u>361,147</u>	<u>–</u>	<u>361,147</u>
Administrative expenses						(17,983)
Finance income						3,031
Finance costs						(21,944)
Share of losses of associates						<u>(21)</u>
Profit before income tax						<u>324,230</u>

The segment results for the six months ended 30 September 2021 are as follows:

	(Unaudited)					
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total segments <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	1,889,649	785,449	98,420	2,773,518	–	2,773,518
Inter-segments sales	<u>22,977</u>	<u>–</u>	<u>–</u>	<u>22,977</u>	<u>(22,977)</u>	<u>–</u>
	<u>1,912,626</u>	<u>785,449</u>	<u>98,420</u>	<u>2,796,495</u>	<u>(22,977)</u>	<u>2,773,518</u>
Results						
Segment results	<u>342,526</u>	<u>95,063</u>	<u>(5,444)</u>	<u>432,145</u>	<u>–</u>	432,145
Administrative expenses						(17,031)
Finance income						3,571
Finance costs						(18,595)
Share of profits of associates						<u>107</u>
Profit before income tax						<u>400,197</u>

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated income statement.

Segment assets and liabilities

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

As at 30 September 2022

	(Unaudited)			
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	5,464,939	1,403,360	847,450	7,715,749
Unallocated assets				<u>32,161</u>
Total assets				<u>7,747,910</u>
Liabilities				
Segment liabilities	3,084,490	805,582	227,419	4,117,491
Unallocated liabilities				<u>70,949</u>
Total liabilities				<u>4,188,440</u>

As at 31 March 2022

	(Audited)			
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	5,064,867	1,621,074	885,162	7,571,103
Unallocated assets				28,421
Total assets				<u>7,599,524</u>
Liabilities				
Segment liabilities	2,691,184	951,347	197,983	3,840,514
Unallocated liabilities				56,011
Total liabilities				<u>3,896,525</u>

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

- all assets are allocated to reportable segments except for corporate assets and financial assets at fair value through other comprehensive income;
- all liabilities are allocated to reportable segments other than corporate liabilities; and
- 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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue for sales of goods recognised under HKFRS 15		
Die-casting machine	2,050,390	1,889,649
Plastic injection moulding machine	659,510	785,449
CNC machining centre	150,338	98,420
	<u>2,860,238</u>	<u>2,773,518</u>
Other income		
Value added taxes refund	15,609	16,267
Other subsidies from government (<i>Note</i>)	37,673	22,688
Rental income	15,291	9,546
Sundry income	8,709	4,816
	<u>77,282</u>	<u>53,317</u>

Note: Other subsidies from government recognised were primarily related to grants received from government in relation to sales and research and development of self-developed products in The People's Republic of China ("PRC"). There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

4 OTHER (LOSSES)/GAINS – NET

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Net foreign exchange (losses)/gains	(22,217)	2,282
Increase in fair value of investment properties	11,015	5,422
Gain/(loss) on disposals of property, plant and equipment	274	(199)
Loss on disposals of insurance policy investments	–	(222)
	(10,928)	7,283
	(10,928)	7,283

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Raw materials and consumables used	1,777,665	1,686,181
Change in inventories of finished goods and work in progress	(128,556)	(132,669)
Staff costs	462,309	411,362
Amortisation of intangible assets	2,631	2,881
Depreciation of property, plant and equipment	79,471	57,294
Depreciation of right-of-use assets	9,712	9,723
Research costs	13,435	12,228
Transportation expenses	71,787	56,735
Utilities	39,668	29,572
Auditor's remuneration		
– Audit services	1,706	1,575
– Non-audit services	459	434
(Reversal of provision)/provision for impairment of trade receivables – net (<i>Note 10</i>)	(79)	12,184
Provision/(reversal of provision) for inventories write-down – net	81	(371)
Reversal of loss on financial guarantee contracts	(12)	(414)
Other expenses	253,151	272,289
	2,583,428	2,419,004
	2,583,428	2,419,004
Represented by:		
Cost of sales	2,074,080	1,968,062
Selling and distribution expenses	268,311	234,946
General administrative expenses	241,116	203,812
(Reversal of provision)/provision for impairment of trade receivables – net	(79)	12,184
	2,583,428	2,419,004
	2,583,428	2,419,004

For the six months ended 30 September 2022, the staff costs related to research and development activities were HK\$51,890,000 (2021: HK\$43,904,000).

6 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Finance income:		
Interest income on short-term bank deposits	(3,031)	(3,571)
Finance costs:		
Interests on bank borrowings	26,277	19,648
Less: Capitalised into property, plant and equipment (<i>Note</i>)	(8,147)	(2,628)
Interest on an employees' incentive plan of a subsidiary	1,557	–
Interest on lease liabilities	639	434
Charges on bills receivables discounted without recourse	1,618	1,141
	<u>21,944</u>	<u>18,595</u>
	<u><u>18,913</u></u>	<u><u>15,024</u></u>

Note: Borrowing costs capitalised during the six months ended 30 September 2022 arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.7% (2021: 3.7%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– PRC income tax	50,158	56,899
– Hong Kong profits tax	–	–
– Overseas tax	1,662	10,062
– Withholding income tax on dividends	7,364	12,052
	<u>59,184</u>	<u>79,013</u>
Deferred income tax	(6,147)	(2,661)
Tax charge	<u><u>53,037</u></u>	<u><u>76,352</u></u>

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

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries established in the PRC are taxed at statutory rate of 25% (2021: same).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai, Kunshan and Fuxin have been 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 PRC. Provision for withholding tax is included in deferred taxation.

As at 30 September 2022, deferred income tax liabilities of HK\$14,970,000 (31 March 2022: HK\$13,634,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings that are subject to withholding tax amounted to HK\$299,407,000 at 30 September 2022 (31 March 2022: HK\$272,691,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the PRC. For the subsidiaries that we have an intention to distribute their respective retained earnings, we have recognised deferred tax liabilities of HK\$43,044,000 (31 March 2022: HK\$42,060,000) for the withholding tax as at 30 September 2022 that would be payable upon such distribution.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2021: same) on the estimated assessable profit for the period.

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

8 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to the owners of the Company of HK\$271,193,000 (2021: HK\$323,845,000) and on the weighted average number of approximately 1,376,392,000 (2021: 1,364,490,000) ordinary shares in issue.

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>271,193</u>	<u>323,845</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,376,392</u>	<u>1,364,490</u>
Basic earnings per share (<i>HK cents</i>)	<u>19.7</u>	<u>23.7</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares.

For the six months ended 30 September 2022, the Group has two categories of potentially dilutive ordinary share: share options issued by the Company and share-based payment scheme of a subsidiary of the Group. These unvested potentially dilutive ordinary shares were not included in the calculation of diluted earnings per share as they would have an antidilutive impact to the basic earnings per share (2021: same).

9 INTERIM DIVIDEND

At a meeting held on 29 November 2022, the board of directors has resolved to declare an interim dividend of HK4 cents per share (2021: HK6 cents per share) amounting to HK\$55,056,000 (2021: HK\$82,583,000). This declared dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in shareholders' equity in the year ending 31 March 2023.

10 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Trade receivables	1,868,498	1,672,937
Less: Provision for impairment	<u>(127,701)</u>	<u>(137,005)</u>
	1,740,797	1,535,932
Bills receivables	<u>401,093</u>	<u>514,902</u>
	2,141,890	2,050,834
Less: Balance due after one year shown as non-current assets	<u>(44,574)</u>	<u>(32,564)</u>
Trade and bills receivables, net	<u><u>2,097,316</u></u>	<u><u>2,018,270</u></u>

As at 30 September 2022, the amount of provision for impaired trade receivables was HK\$127,701,000 (31 March 2022: HK\$137,005,000). The reversal of provision for impairment of trade receivables made during the current period was HK\$79,000 (30 September 2021: provision for impairment of trade receivables of HK\$12,184,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

The ageing analysis of the gross trade receivables based on invoice date at the end of reporting period is as follows:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Within 90 days	1,033,006	893,627
91–180 days	286,394	272,944
181–365 days	275,879	240,981
Over one year	<u>273,219</u>	<u>265,385</u>
	<u><u>1,868,498</u></u>	<u><u>1,672,937</u></u>

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

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

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

	(Unaudited) As at 30 September 2022 <i>HK\$'000</i>	(Audited) As at 31 March 2022 <i>HK\$'000</i>
Current portion		
Trade payables	951,088	936,397
Bills payables	594,630	571,067
Other deposits	7,178	5,627
Trade deposits and receipts in advance	420,697	483,703
Accrued salaries, bonuses and staff benefits	90,424	121,258
Accrued sales commission	111,110	98,985
Value added tax payable	26,235	30,736
Others	194,561	219,444
	<u>2,395,923</u>	<u>2,467,217</u>
Non-current portion		
Deposits (<i>Note i</i>)	77,778	86,420
Obligation in relation to an employees' incentive plan (<i>Note ii</i>)	62,336	67,295
Others	18,764	21,010
	<u>158,878</u>	<u>174,725</u>

Note i: As at 30 September 2022, the deposits represent the initial deposits of RMB70,000,000 (equivalent to approximately HK\$77,778,000) (31 March 2022: RMB70,000,000 (equivalent to approximately HK\$86,420,000)) received in relation to the urban renewal project located in the PRC.

Note ii: The balance represents the Group's obligation to repurchase all restricted shares of LK Injection Molding Machine Co., Ltd., a PRC subsidiary of the Group in connection with an employees' incentive plan. The balance is denominated in RMB.

The ageing analysis of the trade payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2022 <i>HK\$'000</i>	(Audited) As at 31 March 2022 <i>HK\$'000</i>
Within 90 days	734,897	815,447
91–180 days	128,691	81,598
181–365 days	36,092	9,437
Over one year	51,408	29,915
	<u>951,088</u>	<u>936,397</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2022 (the “Period under Review”), the Group recorded a revenue of HK\$2,860,238,000, representing an increase of approximately 3.1% as compared to the same period last year. The profit attributable to owners of the Company was HK\$271,193,000, representing a decrease of 16.3% as compared to the corresponding period last year.

The Group’s revenue from the PRC market was HK\$2,395,488,000, representing an increase of 7.5% as compared to the same period last year.

Since 2022, China’s alternative fuel vehicles have shown a good momentum of “double improvement” in both market size and development quality, and the scale of production and sales has reached a new high. According to the data provided by China Association of Automobile Manufacturers, from January to September 2022, the production and sales volume of alternative fuel vehicles saw a significant increase and reached 4.717 million and 4.567 million, respectively, representing an increase of 1.2 times and 1.1 times, respectively as compared to the same period last year. The rapid development of alternative fuel vehicles has strongly promoted the demand for die-casting machines. China’s alternative fuel vehicle industry has responded enthusiastically to advanced die-casting solutions with a strong market demand. The development of alternative fuel vehicles has driven the industry trend, with alternative fuel vehicles-related large die-casting machines growing over 40%. However, due to the decline in China’s exports as a result of the global economic impact and the continued weak consumption due to the recurring pandemic in the China, the market demand for plastic injection moulding machines has declined significantly and the market competition is intense.

The Group’s revenue from the overseas market amounted to HK\$464,750,000, representing a year-on-year decrease of 14.6%. Due to severe global inflation, the rate and pace of interest rate hikes in major economies have exceeded market expectations since 2022, reversing the extremely loose global liquidity situation since the outbreak of the epidemic, restraining the global economic recovery, and the demand for industrial equipment in major economies has declined significantly.

FINANCIAL REVIEW

During the Period under Review, the overall gross profit margin of the business of the Group was 27.5%, representing a decrease of 1.5% as compared to the same period last year, which was mainly due to high raw material prices and insufficient utilization of production capacity of plastic injection moulding machine.

Selling and distribution expenses amounted to HK\$268,311,000, accounting for 9.4% of revenue, representing an increase of 0.9% as compared to the same period last year, mainly due to the increase in labor costs.

General and administrative expenses amounted to HK\$241,116,000, accounting for 8.4% of revenue, which represent an increase of 1.1% as compared to the same period last year, mainly due to the increase in labor costs.

Net finance costs amounted to HK\$18,913,000, representing an increase of 25.9% as compared to the same period last year, which was mainly due to an increase in interest expense stemming from an increase in bank loans.

PROSPECTS

China's alternative fuel vehicles are currently developing vigorously, and the scale of production and sales in 2022 has reached a new high. China's local brands continue to innovate in technology and achieve new results while developing internationally, and the vehicle exports to overseas markets increased significantly as compared to the same period last year. China's alternative fuel vehicles have entered a new stage of accelerated development, ushering in new development opportunities.

At present, the Group continues to make contributions to the innovation of the alternative fuel vehicle manufacturing process. With the rapid development of the global alternative fuel vehicle industry, the Group has strong level of orders on hand currently, and its production is intense yet orderly. Unless unforeseen circumstances arise, the Group is optimistic about the sustainable development of its business operation.

The Group continues to invest in new plants, new equipment and R&D staff, and is actively expanding its overseas market deployment by establishing new teams in Southeast Asia, Europe and the Americas to develop markets. The Group is well prepared for future market development.

The Group will continue to focus on the research and development of technologies for die-casting machine, plastic injection moulding machine and CNC machining center, striving for breakthroughs to satisfy customers' ever-changing demands, so as to build a new stage for the Group to achieve sustainable growth.

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 2022, the Group's cash and cash equivalents amounted to HK\$610,977,000 (31 March 2022: HK\$576,790,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 24.4% (31 March 2022: 13.8%).

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

As at 30 September 2022, the capital structure of the Company was constituted exclusively of 1,376,391,500 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,479,108,000 (31 March 2022: HK\$1,088,637,000), approximately 83.3% (31 March 2022: 80.7%) of which being short-term loans. Approximately 26.7% (31 March 2022: 27.8%) 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 2022, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$18,530,000 (31 March 2022: HK\$35,857,000).

PLEDGE OF ASSETS

As at 30 September 2022, the Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, right-of-use assets, investment properties, property, plant and equipment and bills receivables, with aggregate carrying amounts of HK\$745,958,000 (31 March 2022: HK\$869,950,000).

CAPITAL COMMITMENTS

As at 30 September 2022, the Group had capital commitments in respect of acquisition of property, plant and equipment contracted but not provided in the condensed consolidated interim financial information amounting to HK\$281,610,000 (31 March 2022: HK\$136,283,000).

STAFF AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed approximately 4,900 full time staff. The staff costs for the Period under Review amounted to HK\$462,309,000 (2021: HK\$411,362,000). 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, share option scheme and share award scheme.

On 24 September 2021, the Company granted an aggregate of 27,540,000 share options (the "Share Options") to 390 employees of the Group. Details of the above grant of the Share Options are set out in the announcement dated 24 September 2021.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4 cents per share for the six months ended 30 September 2022 (2021: HK6 cents per share) to the shareholders whose names appear on the register of members of the Company on Friday, 23 December 2022. The interim dividend will be paid on or about Tuesday, 10 January 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

L.K. HIGH-TECH INDUSTRIAL PARK URBAN RENEWAL PROJECT* (力勁高新科技工業園城市更新項目)

As at 30 September 2022, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the progress of the urban renewal project titled L.K. High-tech Industrial Park Urban Renewal Project* (力勁高新科技工業園城市更新項目) (the "Urban Renewal Project") is on schedule as at the date of this interim announcement. Details of the Urban Renewal Project are set out in the announcements dated 28 December 2020, 12 January 2021, 18 January 2021, 27 January 2021, the circular dated 4 March 2021 and 2021/2022 annual report. There have been no material changes in the above matter since the latest annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 December 2022 to Friday, 23 December 2022, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 December 2022.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance 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.

AUDIT COMMITTEE

The Audit Committee consists of four independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah, Dr. Low Seow Chay and Mr. Look Andrew. 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.

* English translation or transliteration of Chinese name for identification purpose only.

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 interim financial information of the Group for the six months ended 30 September 2022. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2022 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.lk.world) and the Stock Exchange (www.hkexnews.hk). The 2022/23 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
L.K. Technology Holdings Limited
Chong Siw Yin
Chairperson

Hong Kong, 29 November 2022

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Liu Zhuo Ming and Mr. Tse Siu Sze; and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, Mr. Tsang Yiu Keung, Paul and Mr. Look Andrew.