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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 2020**

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 2020.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

		(Unaudited)	
		Six months ended 30 September	
		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	3	1,734,642	1,455,201
Cost of sales	5	<u>(1,273,744)</u>	<u>(1,082,490)</u>
Gross profit		460,898	372,711
Other income	3	32,299	30,207
Other gains/(losses) – net	4	12,250	(9,849)
Selling and distribution expenses	5	(162,924)	(143,492)
General and administrative expenses	5	(149,229)	(158,988)
Provision for impairment of trade receivables – net	5	<u>(11,351)</u>	<u>(12,164)</u>
Operating profit		<u>181,943</u>	<u>78,425</u>
Finance income		3,826	2,422
Finance costs		<u>(31,318)</u>	<u>(41,612)</u>
Finance costs – net	6	<u>(27,492)</u>	<u>(39,190)</u>
Share of profit/(loss) of an associate		<u>336</u>	<u>(1,926)</u>
Profit before income tax		154,787	37,309
Income tax expense	7	<u>(41,636)</u>	<u>(21,416)</u>
Profit for the period attributable to owners of the Company		<u>113,151</u>	<u>15,893</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
– Basic	8(a)	<u>9.5</u>	<u>1.3</u>
– Diluted	8(b)	<u>9.5</u>	<u>1.3</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	113,151	15,893
Other comprehensive income/(loss) for the period:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation difference	55,226	(147,232)
<i>Item that will not be reclassified to profit and loss</i>		
Change in value of insurance policy investments	169	232
Total comprehensive income/(loss) for the period, net of tax, attributable to owners of the Company	<u>168,546</u>	<u>(131,107)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets		15,065	12,887
Property, plant and equipment		968,134	907,429
Investment properties		326,297	314,825
Right-of-use assets		346,595	347,616
Interests in joint ventures		–	–
Interests in associates		26,624	27,915
Other receivables and deposits		20,206	29,054
Deferred income tax assets		91,626	96,309
Trade and bills receivables	10	15,154	14,962
Insurance policy investments		12,607	12,438
Financial asset at fair value through other comprehensive income		5,682	5,555
Restricted bank balances		165	329
Total non-current assets		1,828,155	1,769,319
Current assets			
Inventories		1,121,049	1,128,346
Trade and bills receivables	10	1,297,308	1,143,069
Other receivables, prepayments and deposits		188,819	164,611
Restricted bank balances		99,045	79,867
Cash and cash equivalents		588,459	713,793
Total current assets		3,294,680	3,229,686
Total assets		5,122,835	4,999,005
Equity			
Share capital		119,127	119,127
Reserves		888,114	833,428
Retained earnings		1,147,957	1,034,097
Total equity		2,155,198	1,986,652

		(Unaudited) 30 September 2020 <i>HK\$'000</i>	(Audited) 31 March 2020 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		25,664	31,921
Borrowings		11,474	9,710
Lease liabilities		22,409	25,289
Other payables		6,242	6,265
		<u>65,789</u>	<u>73,185</u>
Total non-current liabilities		<u>65,789</u>	<u>73,185</u>
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	11	1,440,844	1,160,616
Borrowings		1,423,054	1,755,797
Lease liabilities		8,506	8,559
Current income tax liabilities		29,444	14,196
		<u>2,901,848</u>	<u>2,939,168</u>
Total current liabilities		<u>2,901,848</u>	<u>2,939,168</u>
Total liabilities		<u>2,967,637</u>	<u>3,012,353</u>
Total equity and liabilities		<u>5,122,835</u>	<u>4,999,005</u>

NOTES:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2020 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 2020, 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. New and amended standards and interpretation adopted by the Group

A number of new and amended standards and interpretation became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
HKFRS 3 (Amendments) Revised Conceptual Framework for Financial Reporting	Definition of a Business

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

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 2020, none of the customers of the Group individually accounted for 10% or more of the Group’s total revenue (2019: same).

The segment results for the six months ended 30 September 2020 are as follows:

	Unaudited					
	Die-casting machine	Plastic injection moulding machine	CNC machining centre	Total segments	Eliminations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue						
External sales	1,118,759	564,091	51,792	1,734,642	–	1,734,642
Inter-segments sales	16,369	–	–	16,369	(16,369)	–
	<u>1,135,128</u>	<u>564,091</u>	<u>51,792</u>	<u>1,751,011</u>	<u>(16,369)</u>	<u>1,734,642</u>
Results						
Segment results	<u>155,953</u>	<u>44,345</u>	<u>(6,242)</u>	<u>194,056</u>	<u>–</u>	<u>194,056</u>
Administrative expenses						(12,113)
Finance income						3,826
Finance costs						(31,318)
Share of profit of an associate						<u>336</u>
Profit before income tax						<u>154,787</u>

The segment results for the six months ended 30 September 2019 are as follows:

	Unaudited					Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	
Revenue						
External sales	970,670	437,694	46,837	1,455,201	–	1,455,201
Inter-segments sales	10,331	–	–	10,331	(10,331)	–
	<u>981,001</u>	<u>437,694</u>	<u>46,837</u>	<u>1,465,532</u>	<u>(10,331)</u>	<u>1,455,201</u>
Results						
Segment results	<u>77,633</u>	<u>23,601</u>	<u>(7,891)</u>	<u>93,343</u>	<u>–</u>	<u>93,343</u>
Administrative expenses						(14,918)
Finance income						2,422
Finance costs						(41,612)
Share of loss of an associate						<u>(1,926)</u>
Profit before income tax						<u>37,309</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 2020

	Unaudited			
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total HK\$'000
Assets				
Segment assets	3,309,491	1,198,591	579,890	5,087,972
Unallocated assets				<u>34,863</u>
Total assets				<u>5,122,835</u>
Liabilities				
Segment liabilities	2,131,043	674,221	103,019	2,908,283
Unallocated liabilities				<u>59,354</u>
Total liabilities				<u>2,967,637</u>

As at 31 March 2020

	Audited			Total <i>HK\$'000</i>
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	
Assets				
Segment assets	3,203,315	1,215,106	535,134	4,953,555
Unallocated assets				<u>45,450</u>
Total assets				<u><u>4,999,005</u></u>
Liabilities				
Segment liabilities	2,288,893	592,479	98,063	2,979,435
Unallocated liabilities				<u>32,918</u>
Total liabilities				<u><u>3,012,353</u></u>

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

- all assets are allocated to reportable segments except for corporate assets, financial assets at fair value through other comprehensive income and insurance policy investments;
- 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised under HKFRS 15		
Die-casting machine	1,118,759	970,670
Plastic injection moulding machine	564,091	437,694
CNC machining centre	51,792	46,837
	<u>1,734,642</u>	<u>1,455,201</u>
Other income		
Value added taxes refund	8,639	5,493
Other subsidies from government	9,654	9,720
Rental income	9,774	10,826
Sundry income	4,232	4,168
	<u>32,299</u>	<u>30,207</u>
Total revenue and other income	<u><u>1,766,941</u></u>	<u><u>1,485,408</u></u>

4 OTHER GAINS/(LOSSES) – NET

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Net foreign exchange gains/(losses)	7,059	(11,534)
Increase in fair value of investment properties	4,537	855
(Loss)/gain on disposals of property, plant and equipment	(536)	830
Gain on disposals of right-of-use assets	1,190	–
	<u>12,250</u>	<u>(9,849)</u>

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Raw materials and consumables used	1,012,661	795,959
Change in inventories of finished goods and work in progress	(2,017)	43,868
Staff costs	255,407	254,059
Contributions to defined contribution retirement plans	14,340	23,750
Amortisation of intangible assets	2,428	1,788
Depreciation of property, plant and equipment	53,865	60,391
Depreciation of right-of-use assets	8,646	8,705
Research costs	8,749	10,486
Transportation expenses	38,927	25,765
Auditor's remuneration	2,028	2,111
Provision for impairment of trade receivables – net (<i>Note 10</i>)	11,351	12,164
Provision for/(reversal of) inventories write-down – net	9,250	(14,757)
Reversal of loss on financial guarantee contracts	(1,804)	(2,297)
Other expenses	183,417	175,142
	<u>1,597,248</u>	<u>1,397,134</u>
Represented by:		
Cost of sales	1,273,744	1,082,490
Selling and distribution expenses	162,924	143,492
General and administrative expenses	149,229	158,988
Provision for impairment of trade receivables – net	11,351	12,164
	<u>1,597,248</u>	<u>1,397,134</u>

6 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Finance income:		
Interest income on short-term bank deposits	(3,826)	(2,422)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	31,126	40,181
Interest on lease liabilities	491	591
Charges on bills receivables discounted without recourse	717	840
Less: Capitalised in property, plant and equipment (<i>Note i</i>)	(1,016)	–
	<u>31,318</u>	<u>41,612</u>
	<u>27,492</u>	<u>39,190</u>

Note i: Borrowing costs capitalised during the six months ended 30 September 2020 arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.9% (2019: nil) to expenditure on qualifying assets.

7 INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
– PRC income tax	40,519	21,449
– Overseas tax	35	–
– Hong Kong profits tax	(20)	–
	<u>40,534</u>	<u>21,449</u>
Deferred income tax	1,102	(33)
Tax charge	<u>41,636</u>	<u>21,416</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 are taxed at statutory rate of 25% (2019: 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 China. Provision for withholding tax is included in deferred taxation.

As at 30 September 2020, deferred income tax liabilities of HK\$29,454,000 (31 March 2020: HK\$30,738,000) 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\$589,113,000 at 30 September 2020 (31 March 2020: HK\$614,750,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China. For the subsidiaries that we have an intention to distribute their respective retained earnings, we have recognised deferred tax liabilities of HK\$10,000,000 (31 March 2020: HK\$16,620,000) for the withholding tax as at 30 September 2020 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% (2019: 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 earnings attributable to owners of the Company of HK\$113,151,000 (2019: HK\$15,893,000) and on the weighted average number of approximately 1,191,265,000 (2019: same) ordinary shares in issue.

	(Unaudited)	
	Six months ended 30 September	
	2020	2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>113,151</u>	<u>15,893</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,191,265</u>	<u>1,191,265</u>
Basic earnings per share (<i>HK cents</i>)	<u>9.5</u>	<u>1.3</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and excluding own shares held during the period. The Company does not have any dilutive potential ordinary shares for the six months ended 30 September 2020 (2019: same).

9 INTERIM DIVIDEND

At a meeting held on 27 November 2020, the board of directors has resolved to declare an interim dividend of HK3 cents per share amounting to HK\$35,737,000 (2019: nil). 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 2021.

10 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Trade receivables	1,107,694	1,035,885
Less: Provision for impairment	<u>(127,810)</u>	<u>(128,474)</u>
	979,884	907,411
Bills receivables	<u>332,578</u>	<u>250,620</u>
	1,312,462	1,158,031
Less: Balance due after one year shown as non-current assets	<u>(15,154)</u>	<u>(14,962)</u>
Trade and bills receivables, net	<u><u>1,297,308</u></u>	<u><u>1,143,069</u></u>

As at 30 September 2020, the amount of provision for impaired trade receivables was HK\$127,810,000 (31 March 2020: HK\$128,474,000). The provision for impairment of trade receivables made during the current interim period was HK\$11,351,000 (30 September 2019: HK\$12,164,000). 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 2020 HK\$'000	(Audited) As at 31 March 2020 HK\$'000
Within 90 days	533,550	464,039
91–180 days	153,599	175,116
181–365 days	161,587	121,068
Over one year	<u>258,958</u>	<u>275,662</u>
	<u><u>1,107,694</u></u>	<u><u>1,035,885</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 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Trade payables	575,475	490,902
Bills payables	232,965	157,437
Other deposits	4,904	4,628
Trade deposits and receipts in advance	275,281	203,654
Accrued salaries, bonuses and staff benefits	72,431	73,126
Accrued sales commission	52,190	42,289
Value added tax payable	25,736	10,858
Others	201,862	177,722
	<u>1,440,844</u>	<u>1,160,616</u>

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

	(Unaudited) As at 30 September 2020 <i>HK\$'000</i>	(Audited) As at 31 March 2020 <i>HK\$'000</i>
Within 90 days	509,929	365,532
91–180 days	46,685	99,625
181–365 days	7,167	14,046
Over one year	11,694	11,699
	<u>575,475</u>	<u>490,902</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 2020 (the “Period under Review”), the Group recorded a revenue of HK\$1,734,642,000, representing an increase of approximately 19.2% as compared to the same period last year. The profit attributable to owners of the Company was HK\$113,151,000, representing a substantial increase as compared to a profit of HK\$15,893,000 in the corresponding period last year.

The increase in revenue was mainly attributable to the substantial increase in the sales revenue of the Group in the PRC market.

During the Period under Review, the Group’s revenue from the PRC market was HK\$1,358,927,000, representing an increase of 29.1% as compared to the same period last year.

In 2020, the COVID-19 pandemic swept across the world, greatly affecting on the global economy, safety and development momentum. In the second and third quarter of 2020, in the face of the severe challenges brought about by the COVID-19 pandemic and the complex and ever-changing international and domestic environment, China’s pandemic prevention and control continued to improve, the resumption of work, production, trading, and business activities accelerated, and the overall economy declined initially but recovered subsequently. According to statistics from the National Bureau of Statistics, the economy in second quarter saw a year-on-year growth of 3.2%, and the third quarter saw a year-on-year growth of 4.9%. Main indicators grew restoratively, the economic operation steadily recovered, market expectation was overall positive, and the general social development was stable.

The automobile industry in China was initially hard hit by the pandemic, but the sales volume has shown a V-shape growth trajectory in 2020. Since the second quarter, thanks to the effective control of the pandemic, the pace of work and production resumption by enterprises has accelerated. Driven by policies of various regions to promote automobile consumption, automobile sales recovered steadily since the second quarter, and the overall performance exceeded expectation. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles from January to September 2020 were 16.957 million and 17.116 million, respectively. Although still down by 6.7% and 6.9% respectively as compared to the same period last year, the production and sales volume of vehicles have gradually regained the upward momentum and maintained a positive development trend.

Revenue from the overseas market was HK\$375,715,000, representing a decrease of 6.7% as compared to the same period last year. Since the international spread of the pandemic, it has not yet been effectively controlled. The Group has improved communication flow and strengthened connections with its overseas agencies, however, as the development of the market was still subject to great challenges, the Group was unable to secure better sales results.

Die-casting Machine

During the Period under Review, the revenue of the Group's die-casting machine and peripheral equipment business was HK\$1,118,759,000, representing an increase of 15.3% as compared to the same period last year.

Specifically, the revenue from the PRC market was HK\$782,503,000, representing an increase of 22.6% as compared to the same period last year. During the period, the overall automobile industry in China grew in a distinctive V-shape trajectory, driving the development of the automotive components industry. In addition, as the construction of 5G networks accelerated, investments in infrastructure increased markedly, fuelling the fast growth of the communications-related components industry. The investment by manufacturers in new equipment notably recovered.

Plastic Injection Moulding Machine

During the Period under Review, the revenue of the plastic injection moulding machine business of the Group was HK\$564,091,000, representing an increase of 28.9% as compared to the same period last year. Downstream industries of plastic injection moulding machine, such as medical care, packaging, small home appliances, and daily necessities, saw sound demands. The investment by manufacturers in new equipment notably recovered.

Computerised Numerical Controlled (CNC) Machining Centre

During the Period under Review, the revenue of the Group's CNC machining centre business was HK\$51,792,000, representing an increase of 10.6% as compared to the same period last year. As the Group endeavoured to reduce operating costs and enhance inventory management, the loss was further under control during the period.

FINANCIAL REVIEW

During the Period under Review, the overall gross profit margin of the business of the Group was 26.6%, remaining substantially at the same level as the corresponding period last year.

Selling and distribution expenses amounted to HK\$162,924,000, representing an increase of 13.5% as compared to the corresponding period last year, which was mainly due to the increase in employee salary and transportation costs.

General and administrative expenses amounted to HK\$149,229,000, representing a decrease of 6.1% as compared to the corresponding period last year, which was mainly due to the decrease in employee salary.

Net finance costs amounted to HK\$27,492,000, representing a decrease of 29.8% as compared to the corresponding period last year, which was mainly due to the significant decrease in bank loans which led to a decrease in interest expense.

PROSPECTS

Since March of this year, the Group's production and operation have improved quickly and its performance has regained growth, showing a robust development momentum. As control over pandemic further stabilise across China, various projects for economic and social development progress steadily, stimulus policies of various regions come into effects simultaneously, and the pandemic subsides internationally, the demands in the overseas market will gradually recover and the automobile industry will further recover, underpinning the Group's sustained business growth.

China is forging a new development landscape by continuously expanding domestic demands so that production, resources allocation, distribution, and spending will rely more on the domestic market, thereby creating a virtuous cycle for the national economy. Currently, the Group has strong level of orders on hand, and its production is intense yet orderly. The Group will continue to focus on the research and development of technologies for die-casting machine, plastic injection moulding machine and CNC machining centre, striving for breakthroughs to satisfy customers' ever-changing demands. The Group will also actively exploit application products in areas including new energy vehicles and 5G communications, accelerate the upgrade of products and the development of new products, strengthen the automation and networking level of products, and establish long-term business relationship with customers. Meanwhile, the Group will expand its overseas agency network, striving to promote its products to the global market and establish new foundation for its sustainable development.

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 2020, the Group's cash and bank balances amounted to HK\$588,459,000 (31 March 2020: HK\$713,793,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 39.3% (31 March 2020: 52.9%).

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

As at 30 September 2020, the capital structure of the Company was constituted exclusively of 1,191,265,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,434,528,000 (31 March 2020: HK\$1,765,507,000), approximately 99.2% of which being short-term loans. Approximately 16.4% 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 2020, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$11,869,000 (31 March 2020: HK\$24,538,000). The Group has also provided guarantees in respect of financial facilities of its customers to leasing finance providers amounting to approximately HK\$6,276,000 (31 March 2020: HK\$9,282,000).

PLEDGE OF ASSETS

As at 30 September 2020, 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, an investment property, property, plant and equipment, insurance policy investments and bills receivables, with aggregate carrying amounts of HK\$652,711,000 (31 March 2020: HK\$611,793,000).

CAPITAL COMMITMENTS

As at 30 September 2020, the Group had made capital expenditure commitments amounts of HK\$419,801,000 (31 March 2020: HK\$131,293,000) in respect of acquisition of property, plant and equipment.

STAFF AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed approximately 3,700 full time staff. The staff costs for the Period under Review amounted to HK\$269,747,000 (2019: HK\$277,809,000). 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3 cents per share for the six months ended 30 September 2020 (2019: Nil) to the shareholders whose names appear on the register of members of the Company on Wednesday, 23 December 2020. The interim dividend will be paid on or about Friday, 8 January 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 December 2020 to Wednesday, 23 December 2020, 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, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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 three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Dr. Low Seow Chay. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2020. PricewaterhouseCoopers, the Group's external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.lktechnology.com) and the Stock Exchange (www.hkexnews.hk). The 2020/21 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board
Chong Siw Yin
Chairperson

Hong Kong, 27 November 2020

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, and Mr. Tsang Yiu Keung, Paul.