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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 2023**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>(Unaudited) Six months ended 30 September</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	<b>%</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
<b>Operating results:</b>			
Revenue	2,753,733	2,860,238	-3.7%
Gross profit	720,488	786,158	-8.4%
Gross profit margin	26.2%	27.5%	-1.3%
Operating profit	272,858	343,164	-20.5%
Operating profit margin	9.9%	12.0%	-2.1%
Profit attributable to owners of the Company	205,202	271,193	-24.3%
Net profit margin	7.5%	9.5%	-2.0%
	<b>HK cents</b>	<b>HK cents</b>	
Basic and diluted earnings per share	14.9	19.7	-24.3%
	<b>(Unaudited) At 30 September 2023</b>	<b>(Audited) At 31 March 2023</b>	<b>Change %</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
<b>Financial position:</b>			
Total assets	8,662,312	8,539,878	1.4%
Net assets	3,831,204	3,855,716	-0.6%
Net current assets	1,212,664	1,275,782	-4.9%
Cash and cash equivalents	666,635	605,365	10.1%
Total borrowings	1,771,639	1,641,046	8.0%

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 2023.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2023

		(Unaudited)	
		Six months ended 30 September	
		2023	2022
	Notes	HK\$'000	HK\$'000
Revenue	3	2,753,733	2,860,238
Cost of sales	5	<u>(2,033,245)</u>	<u>(2,074,080)</u>
Gross profit		720,488	786,158
Other income	3	106,376	77,282
Other losses – net	4	(7,360)	(10,928)
Selling and distribution expenses	5	(252,133)	(268,311)
General administrative expenses	5	(291,396)	(241,116)
(Provision)/reversal of provision for impairment of trade receivables – net	5	<u>(3,117)</u>	<u>79</u>
Operating profit		<u>272,858</u>	<u>343,164</u>
Finance income		3,134	3,031
Finance costs		<u>(41,318)</u>	<u>(21,944)</u>
Finance costs – net	6	<u>(38,184)</u>	<u>(18,913)</u>
Share of losses of associates		<u>(280)</u>	<u>(21)</u>
Profit before income tax		234,394	324,230
Income tax expenses	7	<u>(29,192)</u>	<u>(53,037)</u>
Profit for the period attributable to owners of the Company		<u>205,202</u>	<u>271,193</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>14.9</u>	<u>19.7</u>
– Diluted	8(b)	<u>14.9</u>	<u>19.7</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	(Unaudited)	
	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to owners of the Company	205,202	271,193
Other comprehensive loss for the period:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation difference	<u>(169,402)</u>	<u>(361,630)</u>
Total comprehensive income/(loss) for the period, net of tax, attributable to owners of the Company	<u><u>35,800</u></u>	<u><u>(90,437)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		(Unaudited) 30 September 2023 <i>HK\$'000</i>	(Audited) 31 March 2023 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Intangible assets		15,067	15,191
Property, plant and equipment		1,959,754	1,818,955
Investment properties		409,200	514,690
Right-of-use assets		373,250	387,996
Interests in associates		14,767	15,725
Other receivables and deposits		126,255	123,970
Deferred income tax assets		87,840	92,511
Trade and bills receivables	10	18,898	19,948
Financial asset at fair value through other comprehensive income		5,435	5,682
<b>Total non-current assets</b>		<b>3,010,466</b>	2,994,668
<b>Current assets</b>			
Inventories		1,848,663	1,851,882
Trade and bills receivables	10	2,522,257	2,520,720
Other receivables, prepayments and deposits		419,804	349,611
Restricted bank balances		194,487	217,632
Cash and cash equivalents		666,635	605,365
<b>Total current assets</b>		<b>5,651,846</b>	5,545,210
<b>Total assets</b>		<b>8,662,312</b>	8,539,878
<b>Equity</b>			
Share capital		137,640	137,640
Reserves		1,372,334	1,513,723
Retained earnings		2,321,230	2,204,353
<b>Total equity</b>		<b>3,831,204</b>	3,855,716

		(Unaudited) 30 September 2023 <i>HK\$'000</i>	(Audited) 31 March 2023 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		79,673	86,254
Borrowings		235,172	253,514
Lease liabilities		8,573	4,462
Other payables	11	68,508	70,504
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>391,926</b>	414,734
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<b>Current liabilities</b>			
Trade and bills payables	11	1,794,289	1,810,562
Other payables and contract liabilities	11	1,049,961	1,021,585
Borrowings		1,536,467	1,387,532
Lease liabilities		4,836	7,616
Current income tax liabilities		53,629	42,133
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>4,439,182</b>	4,269,428
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<b>Total liabilities</b>		<b>4,831,108</b>	4,684,162
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<b>Total equity and liabilities</b>		<b>8,662,312</b>	8,539,878
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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	<b>(Unaudited)</b>	
	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash generated from/(used in) operating activities	<b>175,721</b>	(83,363)
Net cash used in investing activities	<b>(268,651)</b>	(249,652)
Net cash generated from financing activities	<b>177,866</b>	425,770
Net increase in cash and cash equivalents	<b>84,936</b>	92,755
Cash and cash equivalents at beginning of period	<b>605,365</b>	576,790
Exchange differences on cash and cash equivalents	<b>(23,666)</b>	(58,568)
Cash and cash equivalents at end of period	<b>666,635</b>	610,977

## NOTES:

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2023 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 2023, 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:

- Presentation of Financial Statements – Amendments to HKAS 1
- Making Materiality Judgement – Amendments to HKFRS Practice Statement 2
- Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to HKAS 8
- Income Taxes – Amendments to HKAS 12
- Insurance Contracts – HKFRS 17 and amendments to HKFRS 17

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 2023, none of the customers of the Group individually accounted for 10% or more of the Group’s total revenue (2022: same).

The segment results for the six months ended 30 September 2023 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	1,996,628	677,626	79,479	2,753,733	–	2,753,733
Inter-segments sales	29,213	–	5,757	34,970	(34,970)	–
	<u>2,025,841</u>	<u>677,626</u>	<u>85,236</u>	<u>2,788,703</u>	<u>(34,970)</u>	<u>2,753,733</u>
<b>Results</b>						
Segment results	<u>241,576</u>	<u>19,207</u>	<u>(7,205)</u>	<u>253,578</u>	<u>–</u>	<u>253,578</u>
Forfeited deposit in relation to Urban Renewal Project (Note 3(ii))						38,889
Administrative expenses						(19,609)
Finance income						3,134
Finance costs						(41,318)
Share of losses of associates						<u>(280)</u>
Profit before income tax						<u>234,394</u>

The segment results for the six months ended 30 September 2022 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>
<b>Revenue</b>						
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>
<b>Results</b>						
Segment results	<u>318,286</u>	<u>24,957</u>	<u>17,904</u>	<u>361,147</u>	<u>–</u>	361,147
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 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 2023*

	(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>
<b>Assets</b>				
Segment assets	6,153,251	1,546,736	932,525	8,632,512
Unallocated assets				<u>29,800</u>
Total assets				<u>8,662,312</u>
<b>Liabilities</b>				
Segment liabilities	3,595,836	1,003,854	215,318	4,815,008
Unallocated liabilities				<u>16,100</u>
Total liabilities				<u>4,831,108</u>

As at 31 March 2023

	(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>
<b>Assets</b>				
Segment assets	6,059,037	1,454,059	996,242	8,509,338
Unallocated assets				30,540
Total assets				<u>8,539,878</u>
<b>Liabilities</b>				
Segment liabilities	3,513,134	914,118	247,208	4,674,460
Unallocated liabilities				9,702
Total liabilities				<u>4,684,162</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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue for sales of goods recognised under HKFRS 15		
Die-casting machine	1,996,628	2,050,390
Plastic injection moulding machine	677,626	659,510
CNC machining centre	79,479	150,338
	<u>2,753,733</u>	<u>2,860,238</u>
Other income		
Value-added taxes refund	23,979	15,609
Other subsidies from government ( <i>Note i</i> )	18,637	37,673
Rental income	17,772	15,291
Forfeited deposit in relation to Urban Renewal Project ( <i>Note ii</i> )	38,889	–
Sundry income	7,099	8,709
	<u>106,376</u>	<u>77,282</u>

*Notes:*

- i. 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.
- ii. Forfeited deposit in relation to Urban Renewal Project – On 12 January 2021, L.K. Machinery (Shenzhen) Co., Ltd. ("L.K. (Shenzhen)"), a wholly-owned subsidiary of the Group, entered into a cooperation agreement ("Cooperation Agreement") with Shenzhen Wanjin Investment Co., Ltd. ("Shenzhen Wanjin"/the "Purchaser"), pursuant to which L.K. (Shenzhen) agreed to sell, and Shenzhen Wanjin agreed to purchase, primarily the land use rights of certain industrial lands and properties located in Shenzhen Longhua, the PRC, for a total consideration comprising monetary consideration of RMB350 million and certain resettlement properties. The Purchaser was responsible for obtaining approval from relevant government authorities for the redevelopment and reconstruction works contemplated under the Urban Renewal Project ("Urban Renewal Approval"). As stipulated by the terms of the Cooperation Agreement, the Urban Renewal Approval shall be obtained by the Purchaser within two years after the Company's shareholders' approval (i.e., on or before 17 January 2023). As at 18 January 2023, such Urban Renewal Approval had not been obtained by the Purchaser. Pursuant to the terms of the Cooperation Agreement, where the Urban Renewal Approval is not obtained within the abovementioned timeframe, L.K. (Shenzhen) may unilaterally terminate the Cooperation Agreement, and upon which L.K. (Shenzhen) shall return 50% of the paid deposit (i.e. RMB35 million) to the Purchaser.

On 26 July 2023, L.K. (Shenzhen) and the Purchaser entered into a termination agreement. 50% of the paid deposit shall be returned to the Purchaser without interest. The remaining balance had been recognised as an "other income" during the period ended 30 September 2023.

**4 OTHER LOSSES – NET**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net foreign exchange losses	<b>(6,983)</b>	(22,217)
(Decrease)/increase in fair value of investment properties	<b>(272)</b>	11,015
(Loss)/gain on disposals of property, plant and equipment	<b>(105)</b>	274
	<b><u>(7,360)</u></b>	<b><u>(10,928)</u></b>

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Raw materials and consumables used	1,576,578	1,777,665
Change in inventories of finished goods and work in progress	2,075	(128,556)
Staff costs	511,355	462,309
Amortisation of intangible assets	2,908	2,631
Depreciation of property, plant and equipment	106,174	79,471
Depreciation of right-of-use assets	8,674	9,712
Research costs	26,862	13,435
Utilities	39,314	39,668
Auditor's remuneration		
– Audit services	1,807	1,706
– Non-audit services	438	459
Provision/(reversal of provision) for impairment of trade receivables – net ( <i>Note 10</i> )	3,117	(79)
Provision for inventories write-down – net	9,411	81
Reversal of loss on financial guarantee contracts	(478)	(12)
Other expenses	291,656	324,938
	<u>2,579,891</u>	<u>2,583,428</u>
Represented by:		
Cost of sales	2,033,245	2,074,080
Selling and distribution expenses	252,133	268,311
General administrative expenses	291,396	241,116
Provision/(reversal of provision) for impairment of trade receivables – net	3,117	(79)
	<u>2,579,891</u>	<u>2,583,428</u>

For the six months ended 30 September 2023, the staff costs related to research and development activities were HK\$60,234,000 (2022: HK\$51,890,000).

## 6 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Finance income:		
Interest income on short-term bank deposits	(3,134)	(3,031)
Finance costs:		
Interests on bank borrowings	39,120	26,277
Less: Capitalised into property, plant and equipment ( <i>Note</i> )	(2,551)	(8,147)
Interest on an employees' incentive plan of a subsidiary	1,470	1,557
Interest on lease liabilities	155	639
Charges on bills receivables discounted without recourse	3,124	1,618
	<u>41,318</u>	<u>21,944</u>
	<u><u>38,184</u></u>	<u><u>18,913</u></u>

*Note:* Borrowing costs capitalised during the six months ended 30 September 2023 arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.8% (2022: 3.7%) to expenditure on qualifying assets.

## 7 INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– PRC income tax	32,082	50,158
– Hong Kong profits tax	–	–
– Overseas tax	13	1,662
– Withholding tax on dividends	–	7,364
	<u>32,095</u>	<u>59,184</u>
Deferred income tax	(2,903)	(6,147)
Tax charge	<u><u>29,192</u></u>	<u><u>53,037</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% (2022: 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 2023, deferred income tax liabilities of HK\$34,417,000 (31 March 2023: HK\$30,689,000) 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\$688,344,000 at 30 September 2023 (31 March 2023: HK\$613,780,000). 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\$29,940,000 (31 March 2023: HK\$34,650,000) for the withholding tax as at 30 September 2023 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% (2022: 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\$205,202,000 (2022: HK\$271,193,000) and on the weighted average number of approximately 1,376,392,000 (2022: 1,376,392,000) ordinary shares in issue.

	(Unaudited)	
	Six months ended 30 September	
	2023	2022
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>205,202</u>	<u>271,193</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,376,392</u>	<u>1,376,392</u>
Basic earnings per share ( <i>HK cents</i> )	<u>14.9</u>	<u>19.7</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 2023, 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 (2022: same).

## 9 INTERIM DIVIDEND

At a meeting held on 29 November 2023, the board of directors has resolved to declare an interim dividend of HK4.5 cents per share (2022: HK4 cents per share) amounting to HK\$61,938,000 (2022: HK\$55,056,000). 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 2024.

## 10 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at <b>30 September 2023</b> <i>HK\$'000</i>	(Audited) As at 31 March 2023 <i>HK\$'000</i>
Trade receivables	2,177,336	2,136,075
Less: Provision for impairment	<u>(125,374)</u>	<u>(125,642)</u>
	2,051,962	2,010,433
Bills receivables	<u>489,193</u>	<u>530,235</u>
	2,541,155	2,540,668
Less: Balance due after one year shown as non-current assets	<u>(18,898)</u>	<u>(19,948)</u>
Trade and bills receivables, net	<u><u>2,522,257</u></u>	<u><u>2,520,720</u></u>

As at 30 September 2023, the amount of provision for impaired trade receivables was HK\$125,374,000 (31 March 2023: HK\$125,642,000). The provision for impairment of trade receivables made during the current period was HK\$3,117,000 (2022: reversal of provision for impairment of trade receivables of HK\$79,000). 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 <b>30 September 2023</b> <i>HK\$'000</i>	(Audited) As at 31 March 2023 <i>HK\$'000</i>
Within 90 days	1,076,092	1,201,343
91–180 days	401,952	320,501
181–365 days	356,394	317,134
Over one year	<u>342,898</u>	<u>297,097</u>
	<u><u>2,177,336</u></u>	<u><u>2,136,075</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 AND CONTRACT LIABILITIES

	(Unaudited) As at <b>30 September</b> 2023 <i>HK\$'000</i>	(Audited) As at 31 March 2023 <i>HK\$'000</i>
<b>Current portion</b>		
Trade payables	1,103,143	1,192,733
Bills payables	<u>691,146</u>	<u>617,829</u>
Trade and bills payables	<u><b>1,794,289</b></u>	<u><b>1,810,562</b></u>
Contract liabilities	492,229	432,348
Other deposits ( <i>Note i below and Note 3(ii)</i> )	7,564	89,119
Accrued salaries, bonuses and staff benefits	109,995	114,912
Accrued sales commission	148,982	144,019
Value-added tax payable	16,751	20,763
Others	<u>274,440</u>	<u>220,424</u>
Other payables and contract liabilities	<u><b>1,049,961</b></u>	<u><b>1,021,585</b></u>
<b>Non-current portion</b>		
Obligation in relation to an employees' incentive plan ( <i>Note ii</i> )	64,008	65,146
Others	<u>4,500</u>	<u>5,358</u>
	<u><b>68,508</b></u>	<u><b>70,504</b></u>

### Notes:

- i. As at 31 March 2023, the balance included the deposits of RMB70,000,000 (equivalent to approximately HK\$79,545,000) received in relation to the Urban Renewal Project located in the PRC.
- 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:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 90 days	<b>920,665</b>	992,550
91–180 days	<b>116,189</b>	158,174
181–365 days	<b>41,342</b>	15,061
Over one year	<b>24,947</b>	26,948
	<hr/> <b>1,103,143</b> <hr/>	<hr/> 1,192,733 <hr/>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS PERFORMANCE

During the interim reporting period of FY2024, global economic downturn slowed down with the elapse of pandemic effect on major economies. Coupled with the impact of major economies' ongoing tight monetary policies and global manufacturing restructuring, we are seeing a recovery in industry development and market demands, although the macro downstream demands have not signaled a strong rebound. In terms of segments, the demand for downstream vehicle industry maintained growing momentum, especially the alternative fuel vehicle industry that maintained high-speed expansion, which lays a solid foundation for our business growth.

Challenges and opportunities coexisted for the business of the Company. In view of market changes, the Company made a positive response by, among others, strengthening internal management through continuous system improvement, accelerating capacity expansion to cope with timely delivery and expanding overseas markets. In the first half of FY2024, the Company's revenue amounted to HK\$2,753,733,000, representing a period-on-period decrease of 3.7%, and profit attributable to owners amounted to HK\$205,202,000, representing a period-on-period decrease of 24.3%. The gross margin was 26.2%, representing a period-on-period decrease of 1.3%, the operating profit margin was 9.9%, representing a period-on-period decrease of 2.1%, and the net profit margin was 7.5%, representing a period-on-period decrease of 2.0%.

During the Reporting Period, the Company's financial performance was stable and its total asset increased to HK\$8,662,312,000, representing a period-on-period increase of 1.4%, with liabilities to assets ratio of 55.8%/gearing ratio of 28.8%. The Company has sufficient cash flows.

### II. MAIN BUSINESS OPERATIONS

#### 1. Demand for die-casting machines remained solid, orders on hand were ample

The overall demand for die-casting machines was anchored at healthy growth during the Reporting Period. However, the lead time for most machines was delayed to the latter half of the financial year as the capital expenditures of downstream clients slowed down amid the waning macro economy and market in the first half of the financial year. Therefore, the revenue in the first half of the financial year saw a small decline as compared with the corresponding period of last year. Sales revenue of die-casting machines amounted to HK\$1,996,628,000, representing a period-on-period decrease of 2.6%. The gross profit margin and net profit margin decrease slightly compared with the corresponding period of last same period. The delivery of super large die-casting machines was also slightly delayed due to the tightening capital expenditures by downstream clients. Nevertheless, we had secured plenty of orders for die-casting machines throughout the financial year, the delivery schedule of which kept processing on time.

Still, with more proactive deployment on integrated die-casting automobile chassis by original equipment manufacturers, the Company secured several well-known original equipment manufacturers at home and abroad in the first half of the financial year. During the Reporting Period, super large die-casting machines saw its global market share anchoring at over 90%, which indicated the leading position and competitive edges of the Company in integrated die-casting solutions. With the implementation of “peak carbon” strategy across the globe, the development of alternative fuel vehicles has become an inevitably global trend. In the field of alternative fuel vehicles, integrated die-casting technologies enjoy great application values given the trend of pursuing lighter-weight automobile in vehicle manufacturing. By adopting such technologies, multiple parts can be integrated into one to improve the structural strength and safety of vehicles, and reduce vehicle weight, which provides a critical technology path for vehicle manufacturing to reduce cost and increase efficiency. Meanwhile, with increasing application of aluminum rear body, the efficiency of energy use has also improved, thereby promoting the development of a green, low-carbon and circular economy.

**2. Revenue of plastic injection moulding machine segment witnessed a significant rebound when compared to second half of FY2023 and restored to year-ago level**

Plastic injection moulding machine, as vital equipment in the plastic processing industry, finds wide applications across various sectors, including automobile, electronics, home appliances, and daily consumer goods. In the second half of FY2023, the market demand was affected to a certain extent by the global COVID-19 pandemic, resulting in a significant decline in revenue and profitability of the plastic injection moulding machine segment. However, when compared to second half of FY2023, a notable recovery was achieved for the plastic injection moulding machine segment. During the Reporting Period with revenue of HK\$677,626,000 when compared to second half of FY2023, representing a growth of 27.5% and a period-on-period growth of 2.7%.

The recovery of the plastic injection moulding machine segment holds significant importance for the future steady growth of the Company’s overall performance. Against intensified industry competition and insufficient market demand, the Company actively analyzed market conditions and successfully developed a range of new models with improved precision, energy efficiency, and intelligence, including the ELETTRICA Series, VARIA Series and VA1000 hydraulic plastic injection moulding machine, etc.. These new models enabled our customer base to expand into new areas like automotive components, and provided strong support for the recovery of revenue in the first-half financial year. Their product quality and competitiveness are also well received in the market, demonstrating strong resilience in the face of challenges. In addition to retaining orders from existing customers as well as acquiring new customers through the strategy of full integration of three business segments, the Company also consistently focused on R&D and innovation, aiming to offer more efficient and intelligent plastic injection moulding machine products for satisfying the evolving needs of customers, and thus maintaining market share in the industry.

### **3. CNC machining centre was expected to recover as opportunities lie within challenges**

During the Reporting Period, the performance of CNC segment encountered challenges posed by lower-than-expected sales in overseas markets, with a drop in revenue to HK\$79,479,000, representing a period-on-period decrease of 47.1%. Nevertheless, since the business of the Company's CNC machining centre is currently small in scale and relies on the sales strategy of full integration of three business segments, customers of this segment highly overlap with those of die-casting machine business, and most machines are delivered in the latter half of the financial year. With the rebound of downstream market demand and the advent of delivery period, it is expected that the performance of CNC segment will improve in the latter half of the financial year. We believe that the Company's CNC segment is poised for better development opportunities as the new product five-axis moving column gantry type machining centre gradually goes into operation amid the recovering global economy and growing market demand. Therefore, we will endeavor to provide high-quality products and services to meet customer demand and continuously enhance our market competitiveness.

## **III. DEVELOPMENT TRENDS AND OUTLOOK**

### **1. Expanding its overseas market footprint and preparing for the coming challenges to global economy**

Looking ahead, the global economy will keep struggling in assortments of challenges and uncertainties. The growing geopolitical tension in certain regions is a big test for global economic stability. Meanwhile, the persisting high inflation pressure in Europe and the United States brought about market concerns on inflation. Central banks of major economies worldwide may adjust their policies accordingly, which could have further impact on global financial markets.

Yet, the recovery of overseas economy shows great resilience and potential against such complexities. The accelerating restructuring of global industrial chain has generated development opportunities for certain regions. To attract foreign investment and technological cooperation, some countries and regions have introduced innovation policies and increased investment to promote their industrial upgrading, thereby driving up the demand for machinery and equipment.

The Company has been strategically establishing its presence in the global market and developed a worldwide sales network and service system to provide its customers with high-quality plastic injection moulding machines and casting machines. In addition to the existing more than 60 sales offices and service centers spanning over 20 countries, from this year the Company plans to set up new overseas R&D centers, service centers and production bases in the United States, Germany, Mexico, India, etc., to satisfy the customers' demand for localization

R&D, manufacturing, sales, and after-sales services. In the first half of the year, the Company secured a succession of orders or agreements of intent for equipment from local automobile manufacturers in Europe, the United States, Japan and South Korea, contributing to an increasing proportion of revenue from overseas.

## **2. Leading integrated die-casting revolution, upgrading product technology and expanding scope of application**

During the Reporting Period, the Company entered into a strategic cooperation agreement in respect of the L.K. 16000T super large smart die-casting unit, which has realised phased achievements. The Dreampress 16000T super smart die-casting unit has brought revolutionary changes in the integrated die-casting automobile chassis, and the application scenarios for integrated die-casting will also be more diversified, covering A0-C class and SUV models. In just over a year, the Company's R&D and production of super large smart die-casting units have achieved a breakthrough from 12,000 tons to 16,000 tons, marking a milestone in the development of high-end and green foundry industry in China. Meanwhile, it provides more possibilities for the integrated manufacturing of more complex and larger automotive parts.

In addition, the Company cooperated with the well-known domestic original equipment manufacturers in respect of joint R&D and innovation with an aim to achieve integrated die-casting moulding for the chassis of A00-class models, which presents a new concept for the industry's integrated die-casting application on the chassis from A00-class to B-class and C-class models.

In the future, with the continuous emergence of new materials, processes and technologies, the integrated die-casting technology will be more optimal and innovative, thereby bringing more possibilities for the manufacturing of automobile chassis. Meanwhile, with the increasing demand for lightweight, efficient and sustainable development in the market, as well as the continuous progress of technology and the promotion of application, the integrated die-casting has great development potential in the manufacturing of automobile chassis.

## **3. Introducing high-quality strategic investors to accelerate the building of advantages in the integrated die-casting industry**

The introduction of Future Industry Investment Fund, a high-quality strategic investor by Shenzhen L.K. Technology Co., Ltd.\* (深圳力勁科技有限公司), a subsidiary of the Company, will help the Company make full use of its resource advantages in the field of advanced manufacturing to expand the global market, strengthen its brand position, enhance the global competitiveness of the Company's die-casting machines and accelerate the development of the Company, thereby laying a solid foundation for the release of long-term value.

## **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 2023, the Group's cash and cash equivalents amounted to HK\$666,635,000 (31 March 2023: HK\$605,365,000).

The gearing ratio (a ratio of net debt<sup>(Note)</sup> to total equity) was approximately 28.8% (31 March 2023: 26.9%).

As at 30 September 2023, 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\$1,771,639,000 (31 March 2023: HK\$1,641,046,000), approximately 86.7% (31 March 2023: 84.6%) of which being short-term loans. Approximately 25.3% (31 March 2023: 41.3%) 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 2023, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$4,770,000 (31 March 2023: HK\$21,991,000).

## **PLEDGE OF ASSETS**

As at 30 September 2023, 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\$778,190,000 (31 March 2023: HK\$827,339,000).

## **CAPITAL COMMITMENTS**

As at 30 September 2023, 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\$192,650,000 (31 March 2023: HK\$178,850,000).

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

## **STAFF AND REMUNERATION POLICIES**

As at 30 September 2023, the Group employed 5,168 full-time staff. The staff costs for the Period under Review amounted to HK\$511,355,000 (2022: HK\$462,309,000). 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 HK4.5 cents per share for the six months ended 30 September 2023 (2022: HK4 cents per share) to the shareholders whose names appear on the register of members of the Company on Friday, 22 December 2023. The interim dividend will be paid on or about Tuesday, 9 January 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 September 2023, 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)**

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”) was terminated on 26 July 2023 as the Urban Renewal Approval (立項完成) finally had not been obtained by the Purchaser, Shenzhen Wanjin Investment Co., Ltd.\* (深圳市萬勁投資有限公司). Upon such termination, the Vendor, L.K. Machinery (Shenzhen) Co. Ltd.\* (力勁機械(深圳)有限公司) regains full rights and interest over the properties involved in the Urban Renewal Project. As at 30 September 2023, the Company’s operation was still on-going at the properties, no demolition nor relocation works had begun.

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, 18 January 2023, 26 July 2023, the circular dated 4 March 2021 and annual report of 2021/2022 and 2022/2023.

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

**DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY (SHENZHEN L.K. TECHNOLOGY CO., LTD.\* (深圳力勁科技有限公司))**

On 14 September 2023, the Company, Shenzhen L.K. Technology Co., Ltd.\* (深圳力勁科技有限公司) (“Shenzhen LK”), Shenzhen Leadwell Technology Co. Ltd.\* (深圳領威科技有限公司) (“Shenzhen Leadwell”), Ningbo L.K. Technology Co., Ltd. (寧波力勁科技有限公司), (“Ningbo LK”), L.K. Machinery (Shenzhen) Co., Ltd. (力勁機械(深圳)有限公司) (“L.K. Machinery”), Power Excel International Limited (“Power Excel”), Miss Liu Ying Ying (“Miss Liu”) (a daughter of Ms. Chong and Mr. Liu SS, a sister of Mr. Liu ZM), Mr. Liu Zhuo Ming (“Mr. Liu ZM”) (the Chief Executive Officer and Executive Director of the Company, a son of Ms. Chong and Mr. Liu SS, a brother of Miss Liu), Mr. Liu Siong Song (“Mr. Liu SS”) (spouse of Ms. Chong and father of Miss Liu and Mr. Liu ZM) and Ms. Chong Siw Yin (“Ms. Chong”) (the Chairperson of the Board and Executive Director of the Company, the spouse of Mr. Liu SS and mother of Miss Liu and Mr. Liu ZM) entered into a Capital Injection Agreement and other Transaction Documents with Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)) (“FIIF”), pursuant to which FIIF has conditionally agreed to subscribe for not less than approximately 9.47% and not more than 12% of the enlarged registered capital of Shenzhen LK by way of capital injection in cash for the sum of not less than RMB1,150 million and not more than RMB1,500 million into Shenzhen LK (the “Capital Injection”) to increase its registered capital and capital reserve.

On the same date, the Company, Shenzhen LK, Shenzhen Leadwell, Ningbo LK, L.K. Machinery, Power Excel, Miss Liu, Mr. Liu ZM, Mr. Liu SS and Ms. Chong also entered into the Shareholders Agreement with FIIF, pursuant to which, among others, the repurchase option has been granted by the Company, Shenzhen LK and its subsidiaries to FIIF.

On 24 October 2023, the aforesaid parties and FIIF entered into a supplemental agreement to the Capital Injection Agreement, as all conditions precedent had been fulfilled, and the completion took place on 24 October 2023 pursuant to the terms and conditions of the Capital Injection Agreement. Upon the Completion, but before the capital injection of the Employee Stock Ownership Platform, the registered capital of Shenzhen LK was increased to RMB553,479,949, of which approximately 76.34% of the enlarged equity interest of Shenzhen LK was owned by the Company (through Power Excel), approximately 13.77% of the enlarged equity interest of Shenzhen LK was owned by the Company (through LK Machinery), and approximately 9.89% of the total equity interest of Shenzhen LK was owned by FIIF.

Details of the above deemed disposal are set out in the announcements dated 14 September, 29 September and 24 October 2023.

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 20 December 2023 to Friday, 22 December 2023, 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, 19 December 2023.

## **SUPPLEMENTAL DISCLOSURES IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023**

Reference is made to the annual report (the "2022/23 Annual Report") of the Company for the year ended 31 March 2023 (the "2022/23 Year"), which was published on 25 July 2023. In addition to the disclosures under the sub-section headed "Share Award Scheme" in the "Directors' Report" section on page 37 of the 2022/23 Annual Report, the Company would like to provide the following information in relation to the Scheme pursuant to Rule 17.12(1) of the Listing Rules:

There were no unvested awards at the beginning and at the end of the 2022/23 Year, nor awards vested, cancelled or lapsed during the 2022/23 Year.

Subject to the terms and conditions of the Scheme and/or unless otherwise determined by the Board at its absolute discretion, awarded shares (and the related income derived from the shares held upon the trust of the Scheme (the "Trust") in the form of shares, if any) held by the trustee of the Scheme upon the Trust and which are referable to a selected employee shall vest in the selected employee in accordance with a vesting schedule determined at the discretion of the Board (the "Vesting Date"), provided that the selected employee remains at all times after the date of award and on the Vesting Date an employee.

Notwithstanding any provision of the deed constituting the Trust, the Scheme and the terms and conditions of any award, the Board (or where the relevant selected employee is a director of the Company, the remuneration committee of the Company (the "Remuneration Committee")) in its sole and absolute discretion may determine from time to time on a general or case by case basis that an award may be vested at such time determined by the Board (or the Remuneration Committee, as the case may be) subsequent to and notwithstanding a termination of employment of a selected employee (including but not limited to as a result of the selected employee's retirement or death) or following a change in control of the Company.

The Scheme does not prescribe an amount payable on application or acceptance of the award, nor the amount payable on application or acceptance of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid. The basis of determining the purchase price of shares awarded is not applicable as there is no purchase price under the Scheme.

## **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.

## **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 2023. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2023 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](http://www.lk.world)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023/24 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 2023

*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.*