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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 2021**

FINANCIAL HIGHLIGHTS			
	(Unaudited)		
	Six months ended		
	30 September		
	2021	2020	Change
	HK\$'000	HK\$'000	%
Operating results:			
Revenue	2,773,518	1,734,642	59.9%
Gross Profit	805,456	460,898	74.8%
Gross profit margin	29.0%	26.6%	2.4%
Operating profit	415,114	181,943	128.2%
Operating profit margin	15.0%	10.5%	4.5%
Profit attributable to owners of the Company	323,845	113,151	186.2%
Net profit margin	11.7%	6.5%	5.2%
	<i>HK cents</i>	<i>HK cents</i>	
		(Restated)	
Basic and diluted earnings per share	23.7	8.6	175.6%
	(Unaudited)	(Audited)	
	At	At	
	30 September	31 March	
	2021	2021	Change
	HK\$'000	HK\$'000	%
Financial position:			
Total assets	6,724,759	5,478,376	22.8%
Net assets	3,362,503	2,461,272	36.6%
Net current assets	1,360,183	594,613	128.8%
Cash and cash equivalents	961,377	588,391	63.4%
Total borrowings	855,008	1,165,552	-26.6%

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 2021.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2021

		(Unaudited)	
		Six months ended 30 September	
	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	2,773,518	1,734,642
Cost of sales	5	<u>(1,968,062)</u>	<u>(1,273,744)</u>
Gross profit		805,456	460,898
Other income	3	53,317	32,299
Other gains – net	4	7,283	12,250
Selling and distribution expenses	5	(234,946)	(162,924)
General administrative expenses	5	(203,812)	(149,229)
Provision for impairment of trade receivables – net	5	<u>(12,184)</u>	<u>(11,351)</u>
Operating profit		<u>415,114</u>	181,943
Finance income		3,571	3,826
Finance costs		<u>(18,595)</u>	<u>(31,318)</u>
Finance costs – net	6	<u>(15,024)</u>	<u>(27,492)</u>
Share of profits of associates		<u>107</u>	<u>336</u>
Profit before income tax		400,197	154,787
Income tax expenses	7	<u>(76,352)</u>	<u>(41,636)</u>
Profit for the period attributable to owners of the Company		<u>323,845</u>	<u>113,151</u>
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Earnings per share for profit attributable to owners of the Company during the period			
– Basic	8(a)	<u>23.7</u>	<u>8.6</u>
– Diluted	8(b)	<u>23.7</u>	<u>8.6</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	(Unaudited)	
	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to owners of the Company	323,845	113,151
Other comprehensive income/(loss) for the period:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation difference	25,568	55,226
Change in value of insurance policy investments	(26)	169
Loss on disposal of insurance policy investments	222	–
<u>Item that will not be reclassified to profit or loss</u>		
Gain on revaluation of property, plant and equipment upon transfer to investment properties	22,838	–
Total comprehensive income for the period, net of tax, attributable to owners of the Company	<u>372,447</u>	<u>168,546</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		(Unaudited) 30 September 2021 <i>HK\$'000</i>	(Audited) 31 March 2021 <i>HK\$'000</i>
Non-current assets			
Intangible assets		14,557	14,941
Property, plant and equipment		1,282,371	1,173,530
Investment properties		409,854	342,822
Right-of-use assets		351,445	357,202
Interests in associates		16,801	16,495
Other receivables and deposits		125,568	56,821
Deferred income tax assets		98,493	92,966
Trade and bills receivables	10	26,823	14,397
Financial asset at fair value through other comprehensive income		6,024	5,952
Restricted bank balances		680	880
Total non-current assets		2,332,616	2,076,006
Current assets			
Insurance policy investments		–	12,840
Inventories		1,367,317	1,147,324
Trade and bills receivables	10	1,669,543	1,387,926
Other receivables, prepayments and deposits		282,041	201,960
Restricted bank balances		111,865	63,929
Cash and cash equivalents		961,377	588,391
Total current assets		4,392,143	3,402,370
Total assets		6,724,759	5,478,376
Equity			
Share capital		137,640	119,127
Reserves		1,619,193	1,014,472
Retained earnings		1,605,670	1,327,673
Total equity		3,362,503	2,461,272

		(Unaudited) 30 September 2021 <i>HK\$'000</i>	(Audited) 31 March 2021 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		59,871	49,709
Borrowings		149,644	76,776
Lease liabilities		15,786	20,569
Other payables and deposits	11	104,995	62,293
Total non-current liabilities		330,296	209,347
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	11	2,269,029	1,678,841
Borrowings		705,364	1,088,776
Lease liabilities		9,741	10,213
Current income tax liabilities		47,826	29,927
Total current liabilities		3,031,960	2,807,757
Total liabilities		3,362,256	3,017,104
Total equity and liabilities		6,724,759	5,478,376

NOTES:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2021 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 2021, 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

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

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase II
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions

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 2021, none of the customers of the Group individually accounted for 10% or more of the Group’s total revenue (2020: same).

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	22,977	–	–	22,977	(22,977)	–
	<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 segment results for the six months ended 30 September 2020 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	1,118,759	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>	194,056
Administrative expenses						(12,113)
Finance income						3,826
Finance costs						(31,318)
Share of profits of associates						<u>336</u>
Profit before income tax						<u>154,787</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 2021

	(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	4,489,676	1,450,011	756,827	6,696,514
Unallocated assets				<u>28,245</u>
Total assets				<u>6,724,759</u>
Liabilities				
Segment liabilities	2,237,201	897,084	186,461	3,320,746
Unallocated liabilities				<u>41,510</u>
Total liabilities				<u>3,362,256</u>

As at 31 March 2021

	(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	3,531,273	1,244,248	662,434	5,437,955
Unallocated assets				40,421
Total assets				<u>5,478,376</u>
Liabilities				
Segment liabilities	2,070,187	744,750	154,083	2,969,020
Unallocated liabilities				48,084
Total liabilities				<u>3,017,104</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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue for sales of goods recognised under HKFRS 15		
Die-casting machine	1,889,649	1,118,759
Plastic injection moulding machine	785,449	564,091
CNC machining centre	98,420	51,792
	<u>2,773,518</u>	<u>1,734,642</u>
Other income		
Value added taxes refund	16,267	8,639
Other subsidies from government (<i>Note</i>)	22,688	9,654
Rental income	9,546	9,774
Sundry income	4,816	4,232
	<u>53,317</u>	<u>32,299</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 (the "PRC"). There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

4 OTHER GAINS – NET

	(Unaudited)	
	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange gains	2,282	7,059
Increase in fair value of investment properties	5,422	4,537
Loss on disposals of property, plant and equipment	(199)	(536)
Gain on disposals of right-of-use assets	–	1,190
Loss on disposals of insurance policy investments	(222)	–
	7,283	12,250
	7,283	12,250

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables used	1,686,181	1,012,661
Change in inventories of finished goods and work in progress	(132,669)	(2,017)
Employees' benefit costs	411,362	269,747
Amortisation of intangible assets	2,881	2,428
Depreciation of property, plant and equipment	57,294	53,865
Depreciation of right-of-use assets	9,723	8,646
Research costs	12,228	8,749
Transportation expenses	56,735	38,927
Auditor's remuneration	2,009	2,028
Provision for impairment of trade receivables – net (<i>Note 10</i>)	12,184	11,351
(Reversal of)/provision for inventories write-down – net	(371)	9,250
Reversal of loss on financial guarantee contracts	(414)	(1,804)
Other expenses	301,861	183,417
	2,419,004	1,597,248
	2,419,004	1,597,248
Represented by:		
Cost of sales	1,968,062	1,273,744
Selling and distribution expenses	234,946	162,924
General administrative expenses	203,812	149,229
Provision for impairment of trade receivables – net	12,184	11,351
	2,419,004	1,597,248
	2,419,004	1,597,248

6 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Finance income:		
Interest income on short-term bank deposits	(3,571)	(3,826)
Finance costs:		
Interests on bank borrowings	19,648	31,126
Interest on lease liabilities	434	491
Charges on bills receivables discounted without recourse	1,141	717
Less: Capitalised into property, plant and equipment (<i>Note</i>)	(2,628)	(1,016)
	<u>18,595</u>	<u>31,318</u>
	<u>15,024</u>	<u>27,492</u>

Note: Borrowing costs capitalised during the six months ended 30 September 2021 arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.7% (2020: 3.9%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– PRC income tax	68,951	40,519
– Hong Kong profits tax	–	(20)
– Overseas tax	10,062	35
	<u>79,013</u>	<u>40,534</u>
Deferred income tax	(2,661)	1,102
Tax charge	<u>76,352</u>	<u>41,636</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% (2020: 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 2021, deferred income tax liabilities of HK\$12,187,000 (31 March 2021: HK\$10,053,000) 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\$243,722,000 at 30 September 2021 (31 March 2021: HK\$201,059,000). 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\$33,880,000 (31 March 2021: HK\$32,070,000) for the withholding tax as at 30 September 2021 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% (2020: 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 owners of the Company of HK\$323,845,000 (2020: HK\$113,151,000) and on the weighted average number of approximately 1,364,490,000 (2020: 1,310,392,000) ordinary shares in issue.

	(Unaudited)	
	Six months ended 30 September	
	2021	2020 (Restated)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>323,845</u>	<u>113,151</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,364,490</u>	<u>1,310,392</u>
Basic earnings per share (<i>HK cents</i>)	<u>23.7</u>	<u>8.6</u>

Note: Pursuant to the bonus issue which was completed on 27 September 2021, a total of 125,126,500 bonus shares were issued on the basis of one bonus share for every ten existing shares (the “Bonus Issue”) held on 15 September 2021. The weighted average number of ordinary shares in issue and earnings per share for the six months ended 30 September 2021 were adjusted for the Bonus Issue on 27 September 2021. Comparatives figures have also been restated on the assumption that the Bonus Issue has been effective in prior period, excluding the portion related to the placement made in the current period.

(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 2021, the Group has one category of potentially dilutive ordinary share: share options issued by the Company (“Share Options”).

For the six months ended 30 September 2020, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

For the six months ended 30 September 2021, the Share Options were not assumed to be exercised as they would have an antidilutive impact to the basic earnings per share.

9 INTERIM DIVIDEND

At a meeting held on 29 November 2021, the board of directors has resolved to declare an interim dividend of HK6 cents per share (2020: HK3 cents per share) amounting to HK\$82,583,000 (2020: HK\$35,737,000). 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 2022.

10 TRADE AND BILLS RECEIVABLES

	(Unaudited) As at 30 September 2021 HK\$’000	(Audited) As at 31 March 2021 HK\$’000
Trade receivables	1,415,570	1,195,060
Less: Provision for impairment	(145,258)	(135,297)
	1,270,312	1,059,763
Bills receivables	426,054	342,560
	1,696,366	1,402,323
Less: Balance due after one year shown as non-current assets	(26,823)	(14,397)
Trade and bills receivables, net	<u>1,669,543</u>	<u>1,387,926</u>

As at 30 September 2021, the amount of provision for impaired trade receivables was HK\$145,258,000 (31 March 2021: HK\$135,297,000). The provision for impairment of trade receivables made during the current period was HK\$12,184,000 (30 September 2020: HK\$11,351,000). 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 2021 <i>HK\$'000</i>	(Audited) As at 31 March 2021 <i>HK\$'000</i>
Within 90 days	787,028	654,625
91–180 days	193,573	197,838
181–365 days	216,790	119,945
Over one year	218,179	222,652
	<u>1,415,570</u>	<u>1,195,060</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 2021 <i>HK\$'000</i>	(Audited) As at 31 March 2021 <i>HK\$'000</i>
Current portion		
Trade payables	865,171	738,003
Bills payables	421,814	198,041
Other deposits	5,830	6,465
Trade deposits and receipts in advance	473,298	351,399
Accrued salaries, bonuses and staff benefits	92,496	91,945
Accrued sales commission	78,104	63,375
Value added tax payable	29,235	14,479
Provision for warranty and installation	103,461	88,682
Others	199,620	126,452
	<u>2,269,029</u>	<u>1,678,841</u>
Non-current portion		
Deposits (<i>Note i</i>)	84,337	41,667
Others	20,658	20,626
	<u>104,995</u>	<u>62,293</u>

Note i: As at 30 September 2021, the deposits represent the initial deposits of RMB70,000,000 (equivalent to approximately HK\$84,337,000) (31 March 2021: RMB35,000,000 (equivalent to approximately HK\$41,667,000)) received in relation to the urban renewal project located in the PRC.

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

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
Within 90 days	778,060	637,076
91–180 days	47,958	82,449
181–365 days	28,848	4,951
Over one year	10,305	13,527
	<hr/>	<hr/>
	865,171	738,003
	<hr/> <hr/>	<hr/> <hr/>

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 2021 (the “Period under Review”), the Group recorded a revenue of HK\$2,773,518,000, representing an increase of approximately 60% as compared to the same period last year. The profit attributable to owners of the Company was HK\$323,845,000, representing a substantial increase of 186.2% as compared to a profit of HK\$113,151,000 in the corresponding period last year.

The Group’s revenue from the PRC market was HK\$2,229,079,000, representing an increase of 64.0% as compared to the same period last year.

In 2021, with the gradual improvement of the pandemic situation in China, the automotive industry has seen tremendous recovery and the automotive market is recovering significantly from a low base. The production and sales volume of vehicles saw a substantial increase as compared to the same period last year, and the growth in alternative fuel vehicle sales has far exceeded expectations. According to the data provided by China Association of Automobile Manufacturers, the production and sales volume of vehicles in China from January to September 2021 were 18.243 million and 18.623 million, respectively, representing an increase of approximately 7.5% and 8.7% as compared to the same period last year. The production and sales volume of alternative fuel vehicles saw a significant increase and amounted to 2.166 million and 2.157 million, respectively, representing an increase of 1.8 times and 1.9 times, respectively, which drove the demand for die-casting machines.

Revenue from the overseas market was HK\$544,439,000, representing an increase of 44.9% as compared to the same period last year. With the increase in vaccination rates and the gradual relaxation of social distancing measures, especially in European countries, major economies continue to gather recovery momentum, with clear signs that the demand for industrial equipment is turning around.

Die-casting Machine

During the Period under Review, the revenue of the Group’s die-casting machine and peripheral equipment business was HK\$1,889,649,000, representing an increase of 68.9% as compared to the same period last year.

Specifically, the revenue from the PRC market was HK\$1,449,404,000, representing an increase of 85.2% as compared to the same period last year. During the period, the automotive industry in China demonstrated a distinctive growth trend, driving the development of the automotive components industry.

Plastic Injection Moulding Machine

During the Period under Review, the revenue of the plastic injection moulding machine business of the Group was HK\$785,449,000, representing an increase of 39.2% 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. Manufacturers are actively investing in new equipment.

Computerised Numerical Controlled (CNC) Machining Centre

During the Period under Review, the revenue of the Group's CNC machining centre business was HK\$98,420,000, representing an increase of 90.0% as compared to the same period last year. As the Group endeavoured to reduce operating costs and enhance inventory management, the loss was further improved during the period.

FINANCIAL REVIEW

During the Period under Review, the overall gross profit margin of the business of the Group was 29.0%, representing an increase of 2.4% as compared to the same period last year, which was mainly due to the increase in operating efficiency.

Selling and distribution expenses amounted to HK\$234,946,000, amounting to 8.5% of revenue and representing a decrease of 0.9% as compared to the corresponding period last year.

General administrative expenses amounted to HK\$203,812,000, amounting to 7.3% of revenue and representing a decrease of 1.3% as compared to the corresponding period last year.

Net finance costs amounted to HK\$15,024,000, representing a decrease of 45.4% 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

China is committed to achieve peak carbon emissions by 2030 and becoming carbon neutral by 2060. China has also pledged to move from carbon peak to carbon neutrality in a much shorter time span than what might take in many developed countries, with an aim to fully establish a green and low-carbon circular economic development system. The alternative fuel vehicle industry shows obvious growth momentum, and the Group continues to make contributions to reforming the alternative fuel vehicle manufacturing technology.

With the global alternative fuel vehicle industry gaining high-growth momentum, 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. In the meantime, the global economy is experiencing an obvious growth momentum, as major economies continue to implement loose monetary and fiscal policies and are making good progress in restarting their economies, which allowed the world to steadily recover from the pandemic.

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, 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 2021, the Group's cash and cash equivalents amounted to HK\$961,377,000 (31 March 2021: HK\$588,391,000).

The gearing ratio of the Group is measured as net debt^(Note) divided by total equity. The Group had a net cash position as at 30 September 2021. As a result, no gearing ratio was presented (31 March 2021: the gearing ratio was approximately 23.4%).

As at 30 September 2021, 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\$855,008,000 (31 March 2021: HK\$1,165,552,000), approximately 82.5% (31 March 2021: 93.4%) of which being short-term loans. Approximately 34.6% (31 March 2021: 20.0%) 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 2021, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$20,397,000 (31 March 2021: HK\$19,857,000).

The Group has also provided guarantees in respect of financial facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 30 September 2021 was HK\$535,000 (31 March 2021: HK\$4,619,000).

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

PLEDGE OF ASSETS

As at 30 September 2021, 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\$801,534,000 (31 March 2021: HK\$685,225,000).

CAPITAL COMMITMENTS

As at 30 September 2021, 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\$281,350,000 (31 March 2021: HK\$316,014,000).

STAFF AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed approximately 4,400 full time staff. The staff costs for the Period under Review amounted to HK\$411,362,000 (2020: HK\$269,747,000). 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 HK6 cents per share for the six months ended 30 September 2021 (2020: HK3 cents per share) to the shareholders whose names appear on the register of members of the Company on Thursday, 23 December 2021. The interim dividend will be paid on or about Friday, 7 January 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 December 2021 to Thursday, 23 December 2021, 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 Monday, 20 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Top-Up Placing and Subscription of Shares

On 26 April 2021, Girgio Industries Limited, a controlling shareholder of the Company, (the “Vendor”) and the Company entered into the placing and subscription agreement with CLSA Limited (as the sole placing agent, the “Placing Agent”), pursuant to which, the Placing Agent had agreed to place a total of 60,000,000 then existing ordinary shares of the Company at a price of HK\$9.50 per share (the “Placing Price”) owned by the Vendor to no less than six independent places on a best effort basis (the “Placing”), while the Vendor conditionally agreed to subscribe for new ordinary shares of the Company, the number of which is equal to the number of the placing shares placed by the Placing Agent at an issue price equal to the Placing Price (the “Subscription”). The Placing Price represented a discount of approximately 9.00% to the closing price of HK\$10.44 per share as quoted on the Stock Exchange on the last trading date prior to the signing of the placing and subscription agreement, i.e., 26 April 2021. Completion of the Placing and the Subscription took place on 29 April 2021 and 3 May 2021, respectively.

The net proceeds from the Subscription are estimated to be approximately HK\$562.23 million, net of expenses incurred by the Vendor in relation to the Placing and the Subscription. The Company intends to use the net proceeds from the Subscription for increasing production efficiency and capacity of the Group’s business, and as general working capital of the Group. The net placing price, after deducting all professional fees and other out-of-pocket expenses incurred by the Vendor, which are ultimately borne by the Company, is estimated at approximately HK\$9.37 per placing share. The proceeds from the Subscription are and will be continuously used according to the plans disclosed in the announcements dated 26 April 2021 of the Company. Details of the Placing and the Subscription are set out in the announcements dated 26 April 2021 and 3 May 2021.

Save as disclosed above, during the six months ended 30 September 2021, 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 2021, monetary consideration of RMB70,000,000 was received by L.K. Machinery (Shenzhen) Co., Ltd.* (力勁機械(深圳)有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company (as the vendor) from Shenzhen Wanjin Investment Co., Ltd.* (深圳市萬勁投資有限公司), a company established in the PRC with limited liability (as the purchaser) in relation to 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”). The project continues as scheduled. Details of the L.K. High-tech Industrial Park Urban Renewal Project are set out in the announcements dated 28 December 2020, 12 January 2021, 18 January 2021, 27 January 2021 and the circular dated 4 March 2021.

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

ISSUE OF BONUS SHARES

The Company issued a bonus issue of one new ordinary share for every ten ordinary shares held by shareholders whose names appear on the register of members of the Company on 15 September 2021. The bonus issue was completed on 27 September 2021.

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 2021. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2021 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 2021/22 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 2021

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, PhD, SBS, JP, and Mr. Tsang Yiu Keung, Paul.