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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 2024**

FINANCIAL HIGHLIGHTS			
	(Unaudited)		
	For the six months ended		
	30 September		
	2024	2023	Change
	HK\$'000	HK\$'000	%
Operating results:			
Revenue	2,594,448	2,753,733	-5.8%
Gross profit	744,623	720,488	3.3%
Gross profit margin	28.7%	26.2%	2.5%
Operating profit	216,520	272,858	-20.6%
Operating profit margin	8.3%	9.9%	-1.6%
Profit for the period	165,923	205,202	-19.1%
Net profit margin	6.4%	7.5%	-1.1%
Return on equity (annualised)	8.2%	12.9%	-4.7%
	HK cents	HK cents	
Basic and diluted earnings per share	10.9	14.9	-26.8%
	(Unaudited)	(Audited)	
	At	At	
	30 September	31 March	
	2024	2024	Change
	HK\$'000	HK\$'000	%
Financial position:			
Total assets	11,145,412	10,905,823	2.2%
Net assets	4,049,114	4,016,099	0.8%
Net current assets	3,329,619	3,475,338	-4.2%
Cash and cash equivalents	1,746,722	2,375,176	-26.5%
Total borrowings	1,709,041	1,792,919	-4.7%

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 2024.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2024

		(Unaudited)	
		Six months ended 30 September	
		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	3	2,594,448	2,753,733
Cost of sales	5	<u>(1,849,825)</u>	<u>(2,033,245)</u>
Gross profit		744,623	720,488
Other income	3	73,130	106,376
Other gains/(losses) – net	4	27,818	(7,360)
Selling and distribution expenses	5	(254,671)	(252,133)
General administrative expenses	5	(367,083)	(291,396)
Provision for impairment of trade receivables – net	5	<u>(7,297)</u>	<u>(3,117)</u>
Operating profit		<u>216,520</u>	<u>272,858</u>
Finance income		11,700	3,134
Finance costs		<u>(33,407)</u>	<u>(41,318)</u>
Finance costs – net	6	<u>(21,707)</u>	<u>(38,184)</u>
Share of losses of associates		<u>(91)</u>	<u>(280)</u>
Profit before income tax		194,722	234,394
Income tax expenses	7	<u>(28,799)</u>	<u>(29,192)</u>
Profit for the period		<u>165,923</u>	<u>205,202</u>
Profit attributable to:			
Equity holders of the Company		148,385	205,202
Non-controlling interests		<u>17,538</u>	<u>–</u>
		<u>165,923</u>	<u>205,202</u>

		(Unaudited)	
		Six months ended 30 September	
		2024	2023
	<i>Notes</i>	<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)	10.9	14.9
		<u><u>10.9</u></u>	<u><u>14.9</u></u>
– Diluted	8(b)	10.9	14.9
		<u><u>10.9</u></u>	<u><u>14.9</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	165,923	205,202
Other comprehensive income/(loss) for the period:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation difference	7,819	(169,402)
Total comprehensive income for the period, net of tax	<u>173,742</u>	<u>35,800</u>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	156,204	35,800
Non-controlling interests	17,538	–
	<u>173,742</u>	<u>35,800</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

		(Unaudited) 30 September 2024 <i>HK\$'000</i>	(Audited) 31 March 2024 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets		12,746	14,377
Property, plant and equipment		2,356,912	2,159,300
Investment properties		423,500	414,000
Right-of-use assets		478,709	450,493
Interests in associates		14,851	14,942
Other receivables and deposits		75,564	77,236
Deferred income tax assets		117,696	112,006
Trade and bill receivables	10	37,135	27,051
Financial asset at fair value through other comprehensive income		5,495	5,495
		3,522,608	3,274,900
Total non-current assets			
Current assets			
Inventories		2,106,310	1,801,043
Trade and bill receivables	10	3,138,709	2,956,548
Other receivables, prepayments and deposits		434,365	346,816
Short-term bank deposits		54,945	–
Restricted bank balances		141,753	151,340
Cash and cash equivalents		1,746,722	2,375,176
		7,622,804	7,630,923
Total current assets			
		11,145,412	10,905,823
Total assets			
Equity			
Share capital		136,440	137,640
Reserves		(738,701)	(688,749)
Retained earnings		2,537,063	2,470,434
		1,934,802	1,919,325
Non-controlling interests		2,114,312	2,096,774
		4,049,114	4,016,099
Total equity			

		(Unaudited) 30 September 2024 HK\$'000	(Audited) 31 March 2024 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Deferred income tax liabilities		79,921	76,909
Borrowings		225,469	235,061
Lease liabilities		61,237	63,863
Other payables	11	4,731	4,681
Redemption liabilities	11	2,431,755	2,353,625
		<hr/>	<hr/>
Total non-current liabilities		2,803,113	2,734,139
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and bill payables	11	1,690,530	1,604,840
Other payables and contract liabilities	11	1,058,490	915,478
Borrowings		1,483,572	1,557,858
Lease liabilities		10,643	10,103
Current income tax liabilities		49,950	67,306
		<hr/>	<hr/>
Total current liabilities		4,293,185	4,155,585
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Total liabilities		7,096,298	6,889,724
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Total equity and liabilities		11,145,412	10,905,823
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(166,811)	175,721
Net cash used in investing activities	(368,668)	(268,651)
Net cash (used in)/generated from financing activities	<u>(95,113)</u>	<u>177,866</u>
Net (decrease)/increase in cash and cash equivalents	(630,592)	84,936
Cash and cash equivalents at beginning of period	2,375,176	605,365
Exchange differences on cash and cash equivalents	<u>2,138</u>	<u>(23,666)</u>
Cash and cash equivalents at end of period	<u><u>1,746,722</u></u>	<u><u>666,635</u></u>

NOTES:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 September 2024 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 2024, 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 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 and interpretations which have become applicable for the current reporting period:

- Classification of Liabilities as Current or Non-current – Amendments to HKAS 1
- Non-current Liabilities with Covenants – Amendments to HKAS 1
- Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16
- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Amendments to HK Int 5 (Revised)
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7

These amendments to existing standards and interpretation 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, amendments and interpretation have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards, amendments and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group will adopt these standards, amendments and interpretation when they become effective.

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 2024, none of the customers of the Group individually accounted for 10% or more of the Group’s total revenue (2023: same).

The segment results for the six months ended 30 September 2024 are as follows:

	(Unaudited)					
	Die-casting machine HK\$’000	Plastic injection moulding machine HK\$’000	CNC machining centre HK\$’000	Total segments HK\$’000	Eliminations HK\$’000	Total HK\$’000
Revenue						
External sales	1,622,828	881,269	90,351	2,594,448	–	2,594,448
Inter-segments sales	13,440	–	–	13,440	(13,440)	–
	<u>1,636,268</u>	<u>881,269</u>	<u>90,351</u>	<u>2,607,888</u>	<u>(13,440)</u>	<u>2,594,448</u>
Results						
Segment results	<u>169,093</u>	<u>51,265</u>	<u>5,708</u>	<u>226,066</u>	<u>–</u>	<u>226,066</u>
Administrative expenses						(9,546)
Finance income						11,700
Finance costs						(33,407)
Share of losses of associates						<u>(91)</u>
Profit before income tax						<u>194,722</u>

The segment results for the six months ended 30 September 2023 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	1,996,628	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>
Results						
Segment results	<u>241,576</u>	<u>19,207</u>	<u>(7,205)</u>	<u>253,578</u>	<u>–</u>	253,578
Forfeited deposit						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 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 2024

	(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	7,413,346	1,933,852	1,778,347	11,125,545
Unallocated assets				<u>19,867</u>
Total assets				<u>11,145,412</u>
Liabilities				
Segment liabilities	5,639,215	1,331,024	49,191	7,019,430
Unallocated liabilities				<u>76,868</u>
Total liabilities				<u>7,096,298</u>

As at 31 March 2024

	(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	7,201,559	1,693,190	1,991,379	10,886,128
Unallocated assets				<u>19,695</u>
Consolidated total assets				<u><u>10,905,823</u></u>
Liabilities				
Segment liabilities	5,555,385	1,096,546	227,764	6,879,695
Unallocated liabilities				<u>10,029</u>
Consolidated total liabilities				<u><u>6,889,724</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 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue for sales of goods recognised under HKFRS 15		
Die-casting machine	1,622,828	1,996,628
Plastic injection moulding machine	881,269	677,626
CNC machining centre	<u>90,351</u>	<u>79,479</u>
	<u><u>2,594,448</u></u>	<u><u>2,753,733</u></u>

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Value added taxes refund	31,787	23,979
Other subsidies from government (<i>Note</i>)	21,073	18,637
Rental income	16,693	17,772
Forfeited deposit in relation to Urban Renewal Project	–	38,889
Sundry income	3,577	7,099
	<u>73,130</u>	<u>106,376</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 PRC. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

4 OTHER GAINS/(LOSSES) – NET

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange losses	(2,545)	(6,983)
Increase/(decrease) in fair value of investment properties	9,500	(272)
Loss on disposals of property, plant and equipment	(1,780)	(105)
Gain on disposal of other receivables previously impaired	17,482	–
Others	5,161	–
	<u>27,818</u>	<u>(7,360)</u>

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Raw materials and consumables used	1,727,827	1,576,578
Change in inventories of finished goods and work in progress	(278,399)	2,075
Staff costs	544,427	511,355
Amortisation of intangible assets	2,541	2,908
Depreciation of property, plant and equipment	107,796	106,174
Depreciation of right-of-use assets	10,940	8,674
Research costs	55,342	26,862
Utilities	42,481	39,314
Auditor's remuneration		
– Audit services	1,600	1,807
– Non-audit services	429	438
Provision for impairment of trade receivables – net (<i>Note 10</i>)	7,297	3,117
(Reversal of provision for)/Provision for inventories write-down – net	(10,451)	9,411
Reversal of loss on financial guarantee contracts	(928)	(478)
Other expenses	267,974	291,656
	<u>2,478,876</u>	<u>2,579,891</u>
Represented by:		
Cost of sales	1,849,825	2,033,245
Selling and distribution expenses	254,671	252,133
General administrative expenses	367,083	291,396
Provision for impairment of trade receivables – net	7,297	3,117
	<u>2,478,876</u>	<u>2,579,891</u>

For the six months ended 30 September 2024, the staff costs related to research and development activities were HK\$67,492,000 (2023: HK\$60,234,000).

6 FINANCE COSTS – NET

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Finance income:		
Interest income on short-term bank deposits	(11,700)	(3,134)
Finance costs:		
Interests on bank borrowings	28,946	39,120
Less: Capitalised into property, plant and equipment (<i>Note</i>)	(3,560)	(2,551)
Interest on employees' incentive plan of subsidiaries	5,624	1,470
Interest on lease liabilities	1,175	155
Charges on bill receivables discounted without recourse	1,222	3,124
	<u>33,407</u>	<u>41,318</u>
	<u>21,707</u>	<u>38,184</u>

Note: Borrowing costs capitalised during the six months ended 30 September 2024 are arose from borrowing pool which were calculated by applying a capitalisation rate of 3.2% (2023: 3.8%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Current income tax		
– PRC income tax	25,016	32,082
– Hong Kong profits tax	2,524	–
– Overseas tax	–	13
– Withholding tax on dividend income	2,780	–
	<u>30,320</u>	<u>32,095</u>
Deferred income tax	(1,521)	(2,903)
Tax charge	<u>28,799</u>	<u>29,192</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% (2023: same).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai, Kunshan, Chongqing 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 2024, deferred income tax liabilities of HK\$32,762,000 (31 March 2024: HK\$34,814,000) 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\$655,248,000 at 30 September 2024 (31 March 2024: HK\$696,270,000). 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\$26,090,000 (31 March 2024: HK\$26,090,000) for the withholding tax as at 30 September 2024 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% (2023: 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\$148,385,000 (2023: HK\$205,202,000) and on the weighted average number of approximately 1,364,392,000 (2023: 1,376,392,000) ordinary shares in issue.

	(Unaudited)	
	Six months ended 30 September	
	2024	2023
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>148,385</u>	<u>205,202</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,364,392</u>	<u>1,376,392</u>
Basic earnings per share (<i>HK cents</i>)	<u>10.9</u>	<u>14.9</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.

For the period ended 30 September 2024, the Group has two categories of potentially dilutive ordinary share: share option issued by the Company (2023: same) and two share-based payment schemes of subsidiaries of the Group (2023: one).

The conversion features of the share option issued by the Company and one of the share-based payment schemes of subsidiaries are considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 September 2024 (2023: same), therefore the conversion feature of these potential ordinary shares has no dilutive effect on earnings per share calculation. The unvested potentially dilutive ordinary shares for another share-based payment scheme of subsidiaries were not included in the calculation of diluted earnings per share as they would have an antidilutive impact to the basic earnings per share (2023: same).

9 INTERIM DIVIDEND

At a meeting held on 29 November 2024, the board of directors has resolved to declare an interim dividend of HK3 cents per share (2023: HK4.5 cents per share) amounting to HK\$40,932,000 (2023: HK\$61,938,000). 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 2025.

10 TRADE AND BILL RECEIVABLES

	(Unaudited) As at 30 September 2024 HK\$'000	(Audited) As at 31 March 2024 HK\$'000
Trade receivables	2,725,470	2,602,204
Less: Provision for impairment	<u>(133,890)</u>	<u>(126,422)</u>
	2,591,580	2,475,782
Bill receivables	<u>584,264</u>	<u>507,817</u>
	3,175,844	2,983,599
Less: Balance due after one year shown as non-current assets	<u>(37,135)</u>	<u>(27,051)</u>
Trade and bill receivables, net	<u><u>3,138,709</u></u>	<u><u>2,956,548</u></u>

As at 30 September 2024, the amount of provision for impaired trade receivables was HK\$133,890,000 (31 March 2024: HK\$126,422,000). The provision for impairment of trade receivables made during the current period was HK\$7,297,000 (30 September 2023: HK\$3,117,000). 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 2024 HK\$'000	(Audited) As at 31 March 2024 HK\$'000
Within 90 days	1,372,255	1,464,301
91–180 days	525,887	422,756
181–365 days	413,544	342,516
Over one year	<u>413,784</u>	<u>372,631</u>
	<u><u>2,725,470</u></u>	<u><u>2,602,204</u></u>

The maturity date of the bill 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 BILL PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	(Unaudited) As at 30 September 2024 HK\$'000	(Audited) As at 31 March 2024 HK\$'000
Current portion		
Trade payables (<i>Note (i)</i>)	1,113,002	1,021,152
Bill payables	577,528	583,688
	<u>1,690,530</u>	<u>1,604,840</u>
Trade and bill payables	<u>1,690,530</u>	<u>1,604,840</u>
Contract liabilities	481,854	346,117
Other deposits	10,756	9,181
Accrued salaries, bonuses and staff benefits	128,713	136,769
Accrued sales commission	114,108	106,917
Value added tax payable	10,924	18,773
Provision for warranty and installation	92,645	152,423
Dividend payable	68,311	3,233
Others	151,179	142,065
	<u>1,058,490</u>	<u>915,478</u>
Other payables and contract liabilities	<u>1,058,490</u>	<u>915,478</u>
Non-current portion		
Redemption liabilities (<i>Note (ii)</i>)	2,431,755	2,353,625
Others payables	4,731	4,681
	<u>2,436,486</u>	<u>2,358,306</u>

Notes:

- (i) The ageing analysis of the trade payables based on invoice date is as follows:

	(Unaudited) As at 30 September 2024 HK\$'000	(Audited) As at 31 March 2024 HK\$'000
Within 90 days	991,744	864,700
91–180 days	62,936	99,119
181–365 days	29,940	29,062
Over one year	28,382	28,271
	<u>1,113,002</u>	<u>1,021,152</u>

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

(ii) The balance represents the Group’s obligation to repurchase:

	(Unaudited) As at 30 September 2024 HK\$’000	(Audited) As at 31 March 2024 HK\$’000
Equity interests of non-controlling interests in Shenzhen L.K. (Note a)	2,193,719	2,121,213
Employee’s incentive plan of LK Injection (Note b)	67,530	66,076
Employee’s incentive plan of Shenzhen L.K. (Note b)	170,506	166,336
	<u>2,431,755</u>	<u>2,353,625</u>

Notes:

- a. During the year ended 31 March 2024, the Future Industry Investment Fund II and other investors (the “Investors”) subscribed to approximately 15.22% of the enlarged registered capital of Shenzhen L.K. through cash contributions of RMB1,880,000,000 in total (equivalent to approximately HK\$2,065,934,000) (the “Consideration”).

A repurchase option (the “Repurchase Option”) has been granted by Shenzhen L.K., its subsidiaries, and the Company (the “Repurchase Obligor”) to the Investors. In the event of specified repurchase events occur when the Investors hold equity interest in Shenzhen L.K., the Investors can require the Repurchase Obligor to repurchase all or part of their equity interest in Shenzhen L.K. at the agreed repurchase price.

Under the Repurchase Option, the Repurchase Obligor is required to pay the Investors the repurchase price, which is equal to the Consideration plus 7% interest per annum in cash, within 3 years in instalments if any specified repurchase events occur. A redemption liability of RMB1,880,000,000 (equivalent to approximately HK\$2,065,934,000) has been recognised in the consolidated statement of financial position on the date of Completion. As at 30 September 2024, the redemption liability was HK\$2,193,719,000 (31 March 2024: HK\$2,121,213,000), being the Consideration plus accumulated interest of HK\$127,785,000 (31 March 2024: HK\$55,279,000).

Management has assessed the risks and rewards of ownership associating to the equity interests held by the Investors were substantially remain with the Investors in accordance with HKFRS 10. Hence, equity interests held by the Investors were recognised as non-controlling interests as at 30 September 2024 (31 March 2024: same).

- b. These balances represent the Group’s obligation to repurchase, if certain repurchase events occur, all restricted shares of LK Injection and Shenzhen L.K., PRC subsidiaries of the Group in connection with their Employees’ Incentive Plan’s (Note 10(c)). These balances are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACROECONOMIC AND INDUSTRY DEVELOPMENT TRENDS

In 2024, the global macroeconomic landscape showed a complex development trend with a dynamic rebalancing of the international trading system. While some of the major economies have demonstrated a certain degree of resilience, several economies are still facing challenges in varying degrees, such as lowering inflation, increasing policy uncertainty, and insufficient momentum for global economic growth. Looking at the current economic situation, the industry's capital expenditure has experienced cyclical fluctuations during the Reporting Period, and the long-term trend of the industry remains stable and positive with the inflation receding and policy support.

According to the latest World Economic Outlook Report released by the International Monetary Fund (IMF), the global average inflation rate is projected to be 5.8% in 2024, and will further decline to 4.3% in 2025. This forecast suggests that inflationary pressure is expected to continue to ease, which will boost consumer purchasing power. In addition, with further easing of monetary policy and lower funding costs for businesses and individuals, investment and consumption sentiments are expected to revive, showing signs of picking up of market in the second half of the year.

The Guidance Catalogue for Industrial Structure Adjustment (2024 Edition) has come into effect from 1 February 2024, which encourages the application of lightweight automotive materials (e.g., high-strength aluminum alloys, magnesium alloys, high-strength composite plastics, etc.) and advanced forming technologies (e.g. integrated die-casting).

With the increasing requirements by new energy vehicles for body structure optimisation and parts integration, lightweight has become a key direction of automobile design. Integration die-casting technology, as an essential part of lightweight technology, can significantly reduce the weight of auto parts, and improve production efficiency and cost-efficiency. As announced by China Association of Automobile Manufacturers on 14 November 2024, China's annual output of new energy vehicles exceeded 10 million units for the first time. In the field of new energy vehicles, "replacing steel with aluminum", "replacing aluminum with magnesium" and the use of high-strength composite plastics have become essential development trends, presenting new opportunities for the industry's development.

II. PERFORMANCE AND ANALYSIS OF THE COMPANY

Notwithstanding the combined effect of multiple factors such as complex global economic situation, decelerating economic growth, high inflationary pressure and increasing international trade barriers, the Company's business performance demonstrated a certain degree of resilience. For the first half of FY2024/2025, the Company's revenue amounted to HK\$2,594.4 million, representing a period-on-period

decrease of 5.8%. The profit attributable to equity holders of the Company amounted to HK\$148.4 million, representing a period-on-period decline of 27.7%. The gross profit margin was 28.7%, representing a period-on-period increase of 2.5%; the operating profit margin was 8.3%, representing a period-on-period drop of 1.6%; and the net profit margin was 6.4%, representing a period-on-period reduction of 1.1%. During the Reporting Period, revenue generated from the die-casting machine business amounted to HK\$1,622.8 million, representing a period-on-period decrease of 18.7%; revenue generated from the plastic injection moulding machine business amounted to HK\$881.3 million, representing a period-on-period growth of 30.1%; and revenue generated from the CNC machining centre amounted to HK\$90.4 million, representing a period-on-period increase of 13.7%.

1. Die-casting machine business shows resilience, opening a new chapter of dual development in expansion and innovation

During the Reporting Period, the Company recorded a revenue of HK\$1,622.8 million from its die-casting machine business, representing a period-on-period decrease of 18.7%. Under the current market conditions, the Company has adopted multi-pronged measures to guarantee long-term development of and achieve breakthroughs in its die-casting machine business.

In terms of business expansion, the Company achieved a major breakthrough during the Reporting Period through approaching various new energy vehicle original equipment manufacturers (OEMs) and reaching cooperation intention with them, which includes its cooperation with a leading OEM in new energy vehicle sector who has significant presence in southern part of China and globally. The proactive layout and cooperation intention of downstream customers on integrated die-casting will hopefully become a strong driver of new growth in the Company's future revenue. At the same time, the overseas expansion of downstream customers will also be conducive to broadening the Company's market space in the future.

In terms of technological innovation, the Company continued to carry out the R&D of the dual injection die-casting machine with a tonnage of over 10,000 tonnes and the TPI semi-solid magnesium alloy die-casting machine during the Reporting Period, both pioneering the industry. The dual injection die-casting machine with a tonnage of over 10,000 tonnes can be used in the production of integrated chassis of new energy vehicles, while modules adapted for the TPI semi-solid magnesium alloy technology can flexibly convert aluminum alloy die-casting machines to semi-solid magnesium alloy die-casting machines, effectively addressing customers' needs in different stages, thereby opening up new opportunities and directions for the development of the die-casting machine business under the current complex situation.

2. Driven by procyclical diversification, plastic injection moulding machines reached new value peaks with high-end products

The Company's plastic injection moulding machines are primarily used in the production of automotive parts, household appliances, 3C electronics and communications, as well as consumer products. In the first half of FY2024/2025, the Company's revenue from plastic injection moulding machines reached HK\$881.3 million, representing a year-on-year growth of 30.1%, which was mainly attributable to the recovery in the plastic injection moulding machine industry, the rebound in demand and the support by a range of policies.

The Chinese government has designated 2024 as the "Year of Consumption Promotion," creating a favourable environment for industry development through a dual approach featuring "policies + activities" to stimulate consumption potential, expand consumption scale, and improve quality of consumption. In March 2024, the State Council issued the "Action Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Trade-in" (《推動大規模設備更新和消費品以舊換新行動方案》), which clearly outlined the "four key initiatives": equipment upgrading, consumer goods trade-in, recycling & reuse, and standard improvements. These measures have significantly boosted market demand. Meanwhile, the implementation of the trade-in subsidy policy has effectively stimulated the consumption potential of the market and bolstered the demand for plastic injection moulding machines. Against this backdrop, the Company actively responded to the policy, helping its corporate customers to accelerate equipment and capacity upgrading. Sales of the high-capacity, hinged POTENZA and FORZA series as well as the electric motor ELETTRICA series injection moulding machines have seen a substantial increase,

Under the combined effect of the industry's recovery, policy support, and the demand for lightweight components in new energy vehicles, the Company's plastic injection moulding machine business has shown steady revenue growth in the automotive and 3C electronics and communications sectors, with year-on-year growth rates of approximately 15% and 7%, respectively. In the toys, consumer goods, home appliances, and medical supplies sectors, revenue has seen even stronger growth, with year-on-year growth rates of approximately 130%, 84%, 54%, and 76%, respectively.

3. Strategic adjustment of CNC machining centres achieving initial results

During the Reporting Period, the Company restructured the management team of its CNC machining centre business, and the CNC business recorded a revenue of HK\$90.4 million, representing an improvement of 13.7% compared to the same period last year. This initiative suggests that the Company's strategic adjustment of the CNC machining centre business has achieved initial results with enhanced competitiveness of the Company's business, thereby boosting the revenue of the business. In the future, the Company will further adjust the management team to improve management effectiveness based on the actual operation situation.

III. OUTLOOK

1. Deepening global 2.0 strategy to expand our global presence

As a global enterprise, the Company will continue to deepen the layout of its global 2.0 strategy, actively expanding its global presence in addition to the existing production bases. The Company has now successfully set up production bases in the United States, Japan, Mexico, and Europe, and has commenced operation of its sales networks and ancillary service centres for its main businesses in Southeast Asia, such as Thailand.

Under the background of deglobalisation, the reconstruction of the global industrial chain towards localisation brings new market opportunities. The Company will speed up the layout of overseas bases and continue to expand its global presence, providing all-round localised support and empowerment for corporate customers and major automobile manufacturers.

2. Positive response to customised production simulation that support further business development with precision

The Company has built the world's largest die-casting test mould production centre with a capacity of over 10,000 tonnes in Hangzhou Bay, and is committed to creating customised production services for customers. During the customised production simulation, we provide highly customised production arrangement simulation services to accurately simulate production line layouts and equipment configurations based on specific market demands, thereby generating comprehensive production solutions. Currently, the Company has launched its customised production simulation project, receiving positive response from downstream enterprises and proving an initial success. Looking ahead, in order to accomplish the long-term development objectives of achieving mutual benefit and win-win situation, the Company will continue to increase the promotion of customised production simulation services, create more diversified development opportunities and possibilities for customers, and work together with customers to explore the innovative boundaries of the production model of the manufacturing industry.

3. Creating a synergistic development layout to promote technological innovation and development

The Company's business direction is driven by the needs of industry development. During the industry demand fluctuation cycle, the Company will make technological reserve in advance, analyse and plan for future market development, integrate resources and plan for new technologies and supply chains, and implement foreign industrial investments. By utilising inter-industry synergies and expanding the market through effective integration, it is hoped to boost future revenue growth of the Company's business, strengthen our position as an industry leader, and guide the industry to new heights.

In response to the industry development opportunity of the transformation, upgrading and structural adjustment of the automobile industry, the Company will continue to plough into the field of automotive lightweight with forward-looking layout and explore the R&D and application of magnesium alloy, aluminum alloy and high-performance composite materials, with a view to leading the new direction of future manufacturing of new energy vehicles and promoting the innovation and progress of the manufacturing technology of automobiles.

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 2024, the Group's cash and cash equivalents amounted to HK\$1,746.7 million (31 March 2024: HK\$2,375.2 million).

The gearing ratio of the Group is measured as total borrowings net of cash and cash equivalents divided by total equity. The Group had a net cash position as at 30 September 2024. As a result, no gearing ratio was presented.

As at 30 September 2024, the capital structure of the Company was constituted exclusively of 1,364,391,500 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,709.0 million (31 March 2024: HK\$1,792.9 million), approximately 86.8% (31 March 2024: 86.9%) of which being short-term loans. Approximately 39.9% (31 March 2024: 36.1%) of the total borrowing was subject to interest payable at fixed rates.

PLEDGE OF ASSETS

As at 30 September 2024, 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, bills receivables and other receivables, with aggregate carrying amounts of HK\$1,116.7 million (31 March 2024: HK\$888.3 million).

CAPITAL COMMITMENTS

As at 30 September 2024, the Group had capital commitments in respect of acquisition of property, plant and equipment contracted but not provided in the consolidated financial information amounting to HK\$536.1 million (31 March 2024: HK\$399.4 million).

STAFF AND REMUNERATION POLICIES

As at 30 September 2024, the Group employed 5,294 full-time staff. The staff costs for the Period under Review amounted to HK\$544.4 million (2023: HK\$511.4 million). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff 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 HK3 cents per share for the six months ended 30 September 2024 (2023: HK4.5 cents per share) to the shareholders whose names appear on the register of members of the Company on Tuesday, 24 December 2024. The interim dividend will be paid on or about Thursday, 9 January 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 December 2024 to Tuesday, 24 December 2024, 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 Thursday, 19 December 2024.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code as set out in Appendix C1 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 C3 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 2024. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2024 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 2024/25 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 2024

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.