



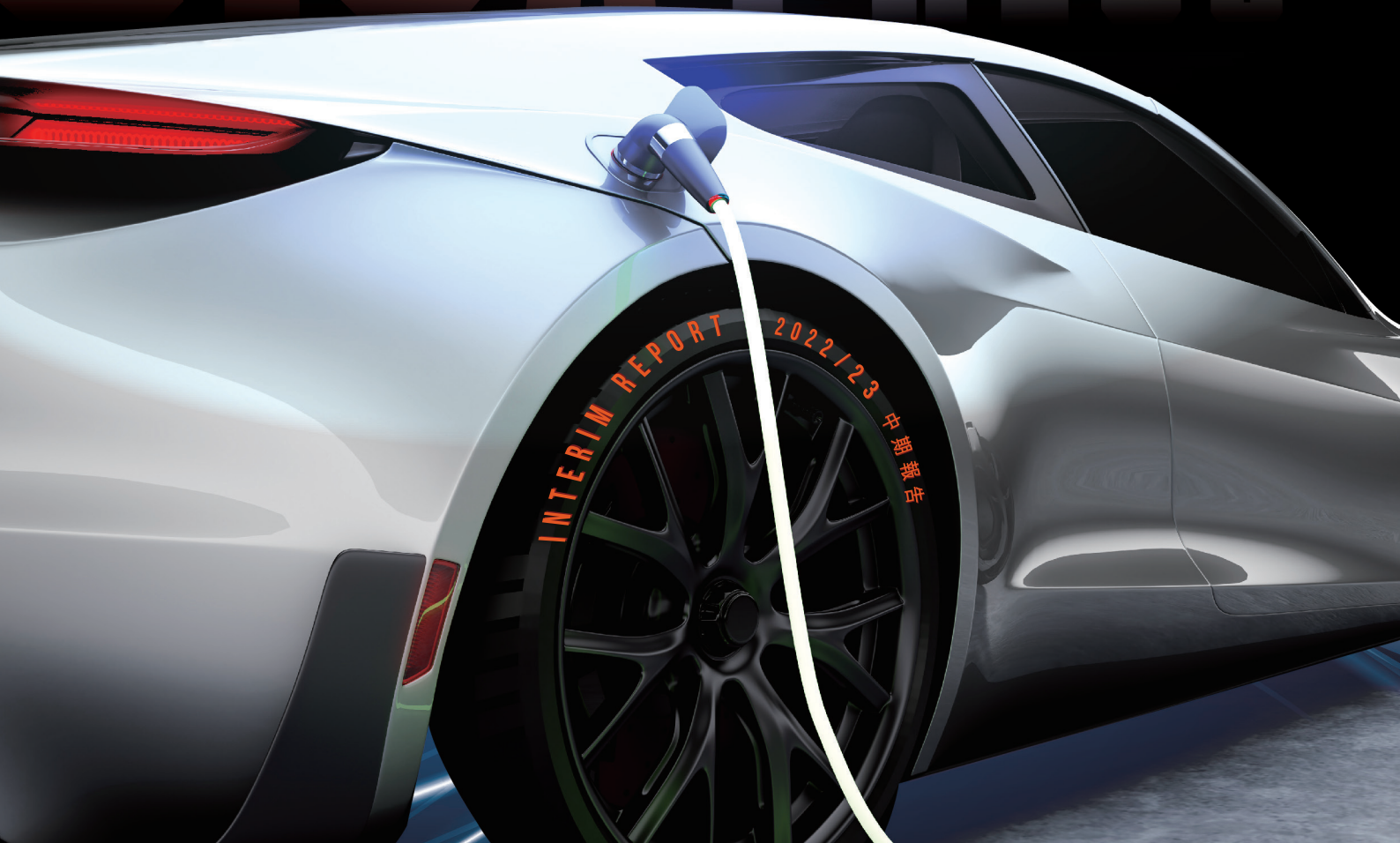
(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 558)

力勁科技集團有限公司
L.K. Technology Holdings Limited

GIGA PRESS



INTERIM REPORT 2022/23 中期報告

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FINANCIAL HIGHLIGHTS

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chong Siw Yin (*Chairperson*)
Mr. Liu Zhuo Ming (*Chief Executive Officer*)
Mr. Tse Siu Sze

Independent Non-executive Directors

Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Mr. Look Andrew

COMPANY SECRETARY

Miss Chung Wing Man

AUTHORISED REPRESENTATIVES

Ms. Chong Siw Yin
Miss Chung Wing Man

AUDIT COMMITTEE

Mr. Tsang Yiu Keung, Paul
Dr. Lui Ming Wah, *SBS, JP*
Dr. Low Seow Chay
Mr. Look Andrew

NOMINATION COMMITTEE

Mr. Look Andrew
Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul

REMUNERATION COMMITTEE

Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Dr. Low Seow Chay
Mr. Look Andrew

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 8th Floor
Mai Wah Industrial Building
1-7 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Bank of China
Intesa Sanpaolo Spa

STOCK CODE

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WEBSITE

www.lk.world

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

FINANCIAL REVIEW

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

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


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

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

PROSPECTS

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 30 September 2022, the Group's cash and cash equivalents amounted to HK\$610,977,000 (31 March 2022: HK\$576,790,000).

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

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

As at 30 September 2022, the capital structure of the Company was constituted exclusively of 1,376,391,500 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,479,108,000 (31 March 2022: HK\$1,088,637,000), approximately 83.3% (31 March 2022: 80.7%) of which being short-term loans. Approximately 26.7% (31 March 2022: 27.8%) of the total borrowing was subject to interest payable at fixed rates.

FINANCIAL GUARANTEES

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 30 September 2022, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$18,530,000 (31 March 2022: HK\$35,857,000).

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

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

STAFF AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed approximately 4,900 full time staff. The staff costs for the Period under Review amounted to HK\$462,309,000 (2021: HK\$411,362,000). The remuneration policies of the Group are determined based on market trends, future plans, and the performance of individuals. In addition, the Group also provides other staff benefit such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

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

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 30 September 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	the Company	Beneficiary of a trust	849,078,004 ⁽¹⁾ Long position	61.69%
	the Company	Beneficial owner	3,105,000 ⁽²⁾ Long position	0.22%
	the Company	Interest of spouse	5,722,750 ⁽³⁾ Long position	0.42%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	849,078,004 ⁽⁴⁾ Long position	61.69%
	the Company	Beneficial owner	1,000,000 ⁽⁵⁾ Long position	0.07%
Mr. Tse Siu Sze ("Mr. Tse")	the Company	Interest of spouse	50,000 ⁽⁶⁾ Long position	0.004%

Notes:

- These 849,078,004 shares are owned by Girgio Industries Limited ("Girgio"). Girgio is owned as to 95% by Full Profit Asset Limited which is wholly-owned by HSBC International Trustee Limited (as trustee of The Liu Family Trust, in which Ms. Chong, Mr. Liu Zhuo Ming and Miss Liu Ying Ying are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu Siang Song ("Mr. Liu"), the spouse of Ms. Chong.
- 3,105,000 underlying shares held by Ms. Chong, 300,000 of which are held by virtue of the interests in the share options of the Company granted to her on 24 September 2021.
- These 5,722,750 shares are beneficially owned by Mr. Liu.
- Mr. Liu Zhuo Ming is deemed to be interested in the 849,078,004 shares held by Girgio as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.
- 1,000,000 underlying shares are held by Mr. Liu Zhuo Ming by virtue of the interests in the share options of the Company granted to him on 24 September 2021.
- 50,000 underlying shares are held by Mr. Tse by virtue of the interests in the share options of the Company granted to his spouse on 24 September 2021.

OTHER INFORMATION

Long position in shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Siu Sze	LK Injection Molding Machine Co., Ltd. (廣東力勁塑機製造股份有限公司)	Beneficial owner	6,011,031 Long position	2.62%

Save as disclosed above, as at 30 September 2022, none of the Directors and chief executive of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND LONG POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2022, according to the relevant disclosure of the interest information as shown on the HKExnews website of HKEx and the register kept by the Company under Section 336 of the SFO, the following companies and persons, other than the Directors and chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares of the Company:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio	Beneficial owner	849,078,004 ⁽¹⁾ Long position	61.69%
Mr. Liu	See Note ⁽²⁾	849,078,004 ⁽²⁾ Long position	61.69%
	See Note ⁽²⁾	3,105,000 ⁽²⁾ Long position	0.22%
	Beneficial owner	5,722,750 Long position	0.42%
HSBC International Trustee Limited	See Note ⁽³⁾	848,078,004 ⁽³⁾ Long position	61.62%



OTHER INFORMATION

Notes:

1. These 849,078,004 shares are owned by Girgio. Girgio is owned as to 95% by Full Profit Asset Limited which is wholly-owned by HSBC International Trustee Limited (as trustee of The Liu Family Trust, in which Ms. Chong, Mr. Liu Zhuo Ming and Miss Liu Ying Ying are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu.
2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.
3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 and amended and restated on 3 December 2021 for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. The Liu Family Unit Trust had terminated since 18 November 2021 and Fullwit Profits Limited had ceased to have an indirect interest in the Company after the transfer of ownership in Girgio to Full Profit Asset Limited since 26 October 2021. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 95% interest in the Company by the virtue of its shareholding in Full Profit Asset Limited.

Save as disclosed above, the Directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) was adopted pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2016 and would remain in force for a period of 10 years.

On 24 September 2021, the Company granted an aggregate of 27,540,000 share options to 390 employees of the Group under the Share Option Scheme. Movements in the outstanding share options of the Company granted under the Share Option Scheme during the six months ended 30 September 2022 (“Interim Period”) were as follows:

Name	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 30 September 2022	No. of share options exercisable during the exercisable period ⁽³⁾
			Balance outstanding as at 1 April 2022	Granted during the Interim Period	Exercised during the Interim Period	Forfeited during the Interim Period		
Directors								
Ms. Chong Siw Yin	24 September 2021	19.86	120,000	–	–	–	120,000	120,000 (25 September 2023 to 23 September 2031)
	24 September 2021	19.86	90,000	–	–	–	90,000	90,000 (25 September 2024 to 23 September 2031)
	24 September 2021	19.86	90,000	–	–	–	90,000	90,000 (25 September 2025 to 23 September 2031)
Mr. Liu Zhuo Ming	24 September 2021	19.86	400,000	–	–	–	400,000	400,000 (25 September 2023 to 23 September 2031)
	24 September 2021	19.86	300,000	–	–	–	300,000	300,000 (25 September 2024 to 23 September 2031)
	24 September 2021	19.86	300,000	–	–	–	300,000	300,000 (25 September 2025 to 23 September 2031)

OTHER INFORMATION

Name	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 30 September 2022	No. of share options exercisable during the exercisable period ⁽³⁾
			Balance outstanding as at 1 April 2022	Granted during the Interim Period	Exercised during the Interim Period	Forfeited during the Interim Period		
Miss Liu Ying Ying ⁽¹⁾	24 September 2021	19.86	60,000	-	-	-	60,000	60,000 (25 September 2023 to 23 September 2031)
	24 September 2021	19.86	45,000	-	-	-	45,000	45,000 (25 September 2024 to 23 September 2031)
	24 September 2021	19.86	45,000	-	-	-	45,000	45,000 (25 September 2025 to 23 September 2031)
Ms. Lau Yau Ting ⁽²⁾	24 September 2021	19.86	20,000	-	-	-	20,000	20,000 (25 September 2023 to 23 September 2031)
	24 September 2021	19.86	15,000	-	-	-	15,000	15,000 (25 September 2024 to 23 September 2031)
	24 September 2021	19.86	15,000	-	-	-	15,000	15,000 (25 September 2025 to 23 September 2031)
			1,500,000	-	-	-	1,500,000	

Notes:

- An employee of LK Injection Molding Machine Co., Ltd. (廣東力勁塑機智造股份有限公司) and L.K. Machinery International Limited (subsidiaries of the Company) and a daughter of Ms. Chong Siw Yin and Mr. Liu Siang Song, hence Miss Liu is an associate of a director and a controlling shareholder of the Company pursuant to the definition of the Listing Rules.
- An employee of L.K. Machinery International Limited and the spouse of Mr. Tse, being an associate of a Director of the Company pursuant to the definition of the Listing Rules.

OTHER INFORMATION

3. The Share Options will be vested in three tranches, subject to the terms of the Share Option Scheme and the fulfilment of the following vesting conditions:

Percentage of exercisable Share Options	Exercise period	Vesting conditions
40% of the Share Options	exercisable during the period commencing from the first trading day after the second anniversary of the date of grant up to and including 23 September 2031	upon satisfaction of the specific performance indicators based on the appraisal mechanism for the relevant grantees for specified financial years
30% of the Share Options	exercisable during the period commencing from the first trading day after the third anniversary of the date of grant up to and including 23 September 2031	
30% of the Share Options	exercisable during the period commencing from the first trading day after the fourth anniversary of the date of grant up to and including 23 September 2031	

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the “Share Award Scheme”) on 28 October 2015 (the “Adoption Date”). The purpose of the Share Award Scheme is to recognize the contributions of the employees (including without limitation employees who are also directors) of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at their absolute discretion select any employee for participation in the Share Award Scheme as a selected employee. The Board may determine the number of shares of the Company to be awarded to each selected employee and may impose any conditions, restrictions or limitations or waive any such conditions, restrictions or limitations from time to time in relation to the award as it may at its absolute discretion think fit.

The Board shall not make any further award which will result in the total number of shares awarded by the Board under the Scheme exceeding 10 per cent. of the issued share capital of the Company as at the Adoption Date. The total number of shares which may be awarded to a selected employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1 per cent. of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

During the six months ended 30 September 2022, the Company has not purchased any shares of the Company through the trustee in the open market on the Stock Exchange for the purpose of the Share Award Scheme. There were no shares awarded to employees pursuant to the Share Award Scheme during the period.

OTHER INFORMATION

USE OF PROCEEDS

On 26 April 2021, Girgio Industries Limited (the “Vendor”), a controlling shareholder of the Company and the Company entered into the placing and subscription agreement with the placing agent in relation to placing of 60,000,000 ordinary shares of the Company at HK\$9.50 per share to no less than six independent placees, 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. Completion of the placing and the subscription of shares took place on 29 April 2021 and 3 May 2021, respectively. The net proceeds from the subscription were approximately HK\$562,546,000 (“2021 Top-Up Placing and Subscription of Shares Proceeds”). Details of the placing and the subscription are set out in the announcements dated 26 April 2021 and 3 May 2021.

Below table sets out the use of net proceeds for the 2021 Top-Up Placing and Subscription of Shares Proceeds as at 30 September 2022:

Items	Net proceeds HK\$'000	Utilisation as at	Unutilised as at
		30 September 2022 HK\$'000	30 September 2022 HK\$'000
For increasing production efficiency and capacity	386,150	373,553	12,597
General working capital	176,396	176,396	–
	562,546	549,949	12,597

The following table illustrates the net proceeds utilised for increasing production efficiency and capacity as at 30 September 2022:

	HK\$'000
Purchases of property, plant and equipment	
Fuxin Jinda Precision Machinery Co., Ltd.* 阜新勁達精密機械有限公司	29,645
Fu Xin L.K. Northern Machinery Co. Ltd.* 阜新力勁北方機械有限公司	84,411
Fuxin Lida Steel Casting Co. Ltd. 阜新力達鋼鐵鑄造有限公司	64,120
L.K. Technology (Kunshan) Co. Ltd.* 力勁科技(昆山)有限公司	35,234
Shenzhen Shenshan Special Cooperation Zone L.K. Technology Co. Ltd.* 深汕特別合作區力勁科技有限公司	60,240
	273,650
Purchases of land use rights and deposit paid	
Ningbo LK Intelligent Machinery Co. Ltd.* 寧波力勁智能裝備有限公司	99,903
	373,553

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

OTHER INFORMATION

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds of HK\$12,597,000, for purchases of property, plant and equipment on Fuxin Jinda Precision Machinery Co. Ltd in accordance with such intended purposes within the upcoming 24 months. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

L.K. High-Tech Industrial Park Urban Renewal Project* (力勁高新科技工業園城市更新項目)

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

CHANGE IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Change in Directors' information during the reporting period ended 30 September 2022 of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

- The chairman of the Nomination Committee was changed from Dr. Low Seow Chay to Mr. Look Andrew on 4 September 2022.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2022. PricewaterhouseCoopers, the Group’s external auditor, also reviewed the unaudited condensed interim financial information for the six months ended 30 September 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Chong Siw Yin

Chairperson

Hong Kong, 29 November 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of L.K. Technology Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 48, which comprises the interim condensed consolidated statement of financial position of L.K. Technology Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 ‘Interim Financial Reporting’. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 ‘Interim Financial Reporting’.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 November 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	<i>Notes</i>	(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Non-current assets			
Intangible assets	7	13,278	14,801
Property, plant and equipment	8	1,485,228	1,476,984
Investment properties	8	598,730	651,754
Right-of-use assets	8	388,608	408,912
Interests in associates		15,415	17,150
Other receivables and deposits		141,972	149,063
Deferred income tax assets		92,324	92,227
Trade and bills receivables	9	44,574	32,564
Financial asset at fair value through other comprehensive income	5.3	5,556	6,173
Restricted bank balances		171	677
Total non-current assets		2,785,856	2,850,305
Current assets			
Inventories		1,801,860	1,713,348
Trade and bills receivables	9	2,097,316	2,018,270
Other receivables, prepayments and deposits		284,896	282,056
Restricted bank balances		167,005	158,755
Cash and cash equivalents		610,977	576,790
Total current assets		4,962,054	4,749,219
Total assets		7,747,910	7,599,524
Equity			
Share capital	10	137,640	137,640
Reserves		1,411,465	1,771,131
Retained earnings		2,010,365	1,794,228
Total equity		3,559,470	3,702,999

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Deferred income tax liabilities		91,366	93,933
Borrowings	11	246,883	210,431
Lease liabilities		7,398	11,789
Other payables and deposits	12	158,878	174,725
Total non-current liabilities		504,525	490,878
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	12	2,395,923	2,467,217
Borrowings	11	1,232,225	878,206
Lease liabilities		8,874	9,449
Current income tax liabilities		46,893	50,775
Total current liabilities		3,683,915	3,405,647
Total liabilities		4,188,440	3,896,525
Total equity and liabilities		7,747,910	7,599,524

The notes on pages 23 to 48 are integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

	Notes	(Unaudited)	
		Six months ended 30 September	
		2022	2021
		HK\$'000	HK\$'000
Revenue	13	2,860,238	2,773,518
Cost of sales	15	(2,074,080)	(1,968,062)
Gross profit		786,158	805,456
Other income	13	77,282	53,317
Other (losses)/gains – net	14	(10,928)	7,283
Selling and distribution expenses	15	(268,311)	(234,946)
General administrative expenses	15	(241,116)	(203,812)
Reversal of provision/(provision) for impairment of trade receivables – net	15	79	(12,184)
Operating profit		343,164	415,114
Finance income		3,031	3,571
Finance costs		(21,944)	(18,595)
Finance costs – net	17	(18,913)	(15,024)
Share of (losses)/profits of associates		(21)	107
Profit before income tax		324,230	400,197
Income tax expenses	18	(53,037)	(76,352)
Profit for the period attributable to owners of the Company		271,193	323,845
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the period			
– Basic	19(a)	19.7	23.7
– Diluted	19(b)	19.7	23.7

The notes on pages 23 to 48 are integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

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

The notes on pages 23 to 48 are integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

Attributable to owners of the Company (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2022	137,640	1,123,842	13,771	183,969	15,055	304,693	129,433	368	1,794,228	3,702,999
Profit for the period	-	-	-	-	-	-	-	-	271,193	271,193
Other comprehensive loss										
Currency translation difference	-	-	-	(361,630)	-	-	-	-	-	(361,630)
Total comprehensive loss	-	-	-	(361,630)	-	-	-	-	271,193	(90,437)
Employees' incentive programmes (Note 10)	-	-	-	-	1,964	-	-	-	-	1,964
Transaction with owners in their capacity as owners										
Dividend paid	-	-	-	-	-	-	-	-	(55,056)	(55,056)
At 30 September 2022	137,640	1,123,842	13,771	(177,661)	17,019	304,693	129,433	368	2,010,365	3,559,470

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

Attributable to owners of the Company (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Insurance policy investments reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2021	119,127	579,809	13,771	98,626	11,116	265,860	45,118	(196)	368	1,327,673	2,461,272
Profit for the period	-	-	-	-	-	-	-	-	-	323,845	323,845
Other comprehensive income/(loss)											
Currency translation difference	-	-	-	25,568	-	-	-	-	-	-	25,568
Change in value of insurance policy investments	-	-	-	-	-	-	-	(26)	-	-	(26)
Loss on disposal of insurance policy investments	-	-	-	-	-	-	-	222	-	-	222
Gain on revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	-	-	-	22,838	-	-	-	22,838
Total comprehensive income	-	-	-	25,568	-	-	22,838	196	-	323,845	372,447
Employees' incentive programmes (Note 10)	-	-	-	-	1,994	-	-	-	-	-	1,994
Transfer to statutory reserve	-	-	-	-	-	8,310	-	-	-	(8,310)	-
Transaction with owners in their capacity as owners											
Placement of shares (Note 10)	6,000	556,546	-	-	-	-	-	-	-	-	562,546
Issue of bonus shares (Note 10)	12,513	(12,513)	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(37,538)	(37,538)
Other	-	-	-	-	1,782	-	-	-	-	-	1,782
At 30 September 2021	137,640	1,123,842	13,771	124,194	14,892	274,170	67,956	-	368	1,605,670	3,362,503

The notes on pages 23 to 48 are integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	2,998	374,593
Interest paid	(28,534)	(21,223)
Income tax paid	(57,827)	(61,143)
Net cash (used in)/generated from operating activities	(83,363)	292,227
Cash flows from investing activities		
Payments for intangible assets	(2,353)	(2,536)
Purchases of property, plant and equipment	(167,505)	(170,685)
Deposits for purchases of property, plant and equipment	(62,945)	(76,257)
Proceeds from disposals of property, plant and equipment	5,248	2,457
Advance compensation for disposal of property, plant and equipment	2,777	–
Purchases of land use rights	(27,905)	–
Deposits received in relation to the Urban Renewal Project	–	42,169
Proceeds from disposals of insurance policy investments	–	12,814
Interest received	3,031	3,571
Net cash used in investing activities	(249,652)	(188,467)
Cash flows from financing activities		
Net proceeds from placement of shares (Note 10)	–	562,546
Proceeds in connection with employees' incentive programme	–	63,591
Inception of new bank borrowings	836,483	366,090
Repayment of bank borrowings	(366,807)	(673,263)
Net increase/(decrease) in trust receipt loans	16,347	(11,840)
Payment of lease liabilities	(5,197)	(5,286)
Dividend paid	(55,056)	(37,538)
Net cash generated from financing activities	425,770	264,300
Net increase in cash and cash equivalents	92,755	368,060
Cash and cash equivalents at beginning of period	576,790	588,391
Exchange differences on cash and cash equivalents	(58,568)	4,926
Cash and cash equivalents at end of period	610,977	961,377

The notes on pages 23 to 48 are integral part of this condensed consolidated interim financial information.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

L.K. Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 October 2006. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The immediate and ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

The Company and its subsidiaries (the “Group”) are principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled (“CNC”) machining centre and related accessories.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board (the “Board”) of directors (the “Directors”) on 29 November 2022.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

3.1 Amendments to standards adopted by the Group

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

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

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

3.2 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.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2022.

There have been no changes in the risk management policies since year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- (3) Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the Group's financial assets that are measured at fair value at 30 September 2022 and 31 March 2022.

As at 30 September 2022

	(Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial asset at fair value through other comprehensive income <i>(Note i)</i>	–	–	5,556	5,556

As at 31 March 2022

	(Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial asset at fair value through other comprehensive income <i>(Note i)</i>	–	–	6,173	6,173

Note i: As at 30 September 2022 and 31 March 2022, financial asset at fair value through other comprehensive income consist of an unlisted equity investment which is denominated in RMB and its fair value estimated by market approach.

There were no transfers of financial assets and liabilities between levels 1 and 2 of the value hierarchy classifications.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

Level 3 fair value

Reconciliation of Level 3 fair value measurement of financial assets:

	(Unaudited) Six months ended 30 September 2022 Financial asset at fair value through other comprehensive income HK\$'000
Financial assets	
Balance at 1 April 2022	6,173
Exchange difference	(617)
Balance at 30 September 2022	5,556

	(Unaudited) Six months ended 30 September 2021		
	Financial asset at fair value through other comprehensive income HK\$'000	Insurance policy investments HK\$'000	Total HK\$'000
Financial assets			
Balance at 1 April 2021	5,952	12,840	18,792
Net loss recognised in the condensed consolidated statement of comprehensive income	–	(26)	(26)
Disposal	–	(12,814)	(12,814)
Exchange difference	72	–	72
Balance at 30 September 2021	6,024	–	6,024

There were no transfers into or out of level 3 value hierarchy during the period.

The Group's 'trade, bills and other receivables', 'deposits', 'restricted bank balances', 'cash and cash equivalents' and 'trade, bills and other payables' are financial assets and liabilities not carried at fair value. As at both 30 September 2022 and 31 March 2022, the carrying values of these financial assets and liabilities approximated their respective fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 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) CNC machining centre

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

The segment results for the six months ended 30 September 2022 are as follows:

	Unaudited					
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
External sales	2,050,390	659,510	150,338	2,860,238	–	2,860,238
Inter-segments sales	44,271	–	13,078	57,349	(57,349)	–
	2,094,661	659,510	163,416	2,917,587	(57,349)	2,860,238
Results						
Segment results	318,286	24,957	17,904	361,147	–	361,147
Administrative expenses						(17,983)
Finance income						3,031
Finance costs						(21,944)
Share of losses of associates						(21)
Profit before income tax						324,230

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 September 2021 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	1,889,649	785,449	98,420	2,773,518	–	2,773,518
Inter-segments sales	22,977	–	–	22,977	(22,977)	–
	1,912,626	785,449	98,420	2,796,495	(22,977)	2,773,518
Results						
Segment results	342,526	95,063	(5,444)	432,145	–	432,145
Administrative expenses						(17,031)
Finance income						3,571
Finance costs						(18,595)
Share of profits of associates						107
Profit before income tax						400,197

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 30 September 2022

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

As at 31 March 2022

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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.

7 INTANGIBLE ASSETS

	Trademarks, patents, development cost and others HK\$'000	Goodwill HK\$'000	Total HK\$'000
Six months ended 30 September 2022			
Opening net book amount as at 1 April 2022	12,001	2,800	14,801
Additions	2,353	–	2,353
Amortisation <i>(Note 15)</i>	(2,631)	–	(2,631)
Exchange difference	(1,245)	–	(1,245)
Closing net book amount as at 30 September 2022 (unaudited)	10,478	2,800	13,278
	Trademarks, patents, development cost and others HK\$'000	Goodwill HK\$'000	Total HK\$'000
Six months ended 30 September 2021			
Opening net book amount as at 1 April 2021	12,141	2,800	14,941
Additions	2,536	–	2,536
Amortisation <i>(Note 15)</i>	(2,881)	–	(2,881)
Exchange difference	(39)	–	(39)
Closing net book amount as at 30 September 2021 (unaudited)	11,757	2,800	14,557

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Right-of-use assets HK\$'000
Six months ended 30 September 2022			
Opening net book amount as at 1 April 2022	1,476,984	651,754	408,912
Additions	234,796	–	29,935
Disposals	(4,974)	–	–
Depreciation (Note 15)	(79,471)	–	(9,712)
Increase in fair value (Note 14)	–	11,015	–
Exchange difference	(142,107)	(64,039)	(40,527)
Closing net book amount as at 30 September 2022 (unaudited)	1,485,228	598,730	388,608
	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Right-of-use assets HK\$'000
Six months ended 30 September 2021			
Opening net book amount as at 1 April 2021	1,173,530	342,822	357,202
Additions	181,507	–	–
Disposals	(2,656)	–	–
Depreciation (Note 15)	(57,294)	–	(9,723)
Transfer of property, plant and equipment to investment properties (Note i)	(27,250)	27,250	–
Increase in fair value on date of change in use (Note i)	–	30,450	–
Increase in fair value (Note 14)	–	5,422	–
Exchange difference	14,534	3,910	3,966
Closing net book amount as at 30 September 2021 (unaudited)	1,282,371	409,854	351,445

Note i: During the six months ended 30 September 2021, property, plant and equipment of HK\$27,250,000 has been reclassified to investment properties as a result of change in usage. The fair value of the property, plant and equipment at the date of transfer was HK\$57,700,000, resulting in recognition of revaluation surplus of HK\$22,838,000 and deferred tax liabilities of HK\$7,612,000 in other comprehensive income and accumulated in revaluation reserve.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS (Continued)

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 (the “disposal properties”) located in Shenzhen Longhua, The People’s Republic of China (“PRC”), for a total consideration comprising monetary consideration of RMB350 million and certain resettlement properties. The Purchaser will be responsible for obtaining approval from relevant government authorities for the redevelopment and reconstruction works contemplated under the Urban Renewal Project. As at 30 September 2022, the aforementioned Urban Renewal Project had not been approved by the relevant government authorities.

As at 30 September 2022, the disposal properties comprised of property, plant and equipment and right-of-use assets of approximately HK\$2,926,000 and HK\$8,563,000, respectively. These disposal properties were still in use for production and not vacated. Having considered the progress of the Urban Renewal Project, management do not expect the disposal of the disposal properties to be completed within one year from 30 September 2022. Management is of the view that the disposal properties do not meet the held for sale definition as per HKFRS 5 ‘Non-current assets held for sale and discontinued operations’. Hence, the disposal properties were not classified as assets held-for-sale as at 30 September 2022.

Investment properties

The fair values of the investment properties have been arrived at on the basis of valuations carried out by LCH (Asia-Pacific) Surveyors Limited (“LCH”) and Valor Appraisal & Advisory Limited (“Valor”), independent professional surveyor and valuer. LCH and Valor are members of the Hong Kong Institute of Surveyors (“HKIS”), and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

Description	Fair value measurements at 30 September 2022 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties (unaudited)	–	–	598,730

Description	Fair value measurements at 31 March 2022 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties (audited)	–	–	651,754

There were no transfers between Levels 1, 2 and 3 during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Balance at 1 April	651,754	342,822
Transfer from property, plant and equipment	–	27,250
Increase in fair value on date of change in use	–	30,450
Increase in fair value <i>(Note 14)</i>	11,015	5,422
Exchange difference	(64,039)	3,910
Balance at 30 September	598,730	409,854
Total unrealised gains recognised in the condensed consolidated income statement for assets held at the end of the reporting period <i>(Note 14)</i>	11,015	5,422

The valuations, which conform to the HKIS valuation standards, were based on the income approach which largely used unobservable inputs (e.g. unit rate, discount rate, etc.) and taking into account the significant adjustment on discount rate to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

There were no changes to the valuation technique during the period.

The key assumptions used for the valuation and their relationships to fair value are as follows:

Unobservable input	Relationship of unobservable inputs to fair value
Unit rate	The higher the unit rate, the higher the fair value
Discount rate	The higher the discount rate, the lower the fair value

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 TRADE AND BILLS RECEIVABLES

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

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

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 SHARE CAPITAL AND SHARE OPTION

(a) Share capital of the Company

	Authorised: Number of ordinary shares of HK\$0.1 each	Issued and fully paid HK\$'000
As at 31 March 2021	1,191,265,000	119,127
Placement of shares (<i>Note i</i>)	60,000,000	6,000
Issue of bonus shares (<i>Note ii</i>)	125,126,500	12,513
As at 30 September 2021, 31 March 2022 and 30 September 2022	1,376,391,500	137,640

Note i: On 3 May 2021, the Company issued 60,000,000 ordinary shares at price of HK\$9.50 each through placement. The gross and net proceeds (after deduction of placing commission and other costs and expenses) from the placing were approximately HK\$570,000,000 and HK\$562,546,000, respectively.

Note ii: 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 held on 15 September 2021.

(b) Share option scheme

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2016, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. The Share Option Scheme is valid and effective for a period of 10 years commencing on 8 September 2016. The Share Option Scheme was classified as an equity-settled share-based payment arrangement.

On 24 September 2021, 27,540,000 share options have been granted to certain directors and employees (the "Grantees") of the Group under the Share Option Scheme.

The vesting of the share options is mainly subject to fulfilment of certain performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations. Fulfilment of the performance and service conditions is subject to the review of the Administration Committee of the Share Option Scheme. The Administration Committee of the Share Option Scheme has absolute discretion in approving the exercise of the share options and sale of shares request from the Grantees.

The fair value of the share options of equity-settled share-based payment transactions is expensed over the vesting period with a corresponding increase in equity, taking into account the best available estimate by management of the number of shares expected to vest under the service and performance conditions at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 SHARE CAPITAL AND SHARE OPTION (Continued)

(b) Share option scheme (Continued)

Set out below are summaries of options granted under the plan:

Name	Date of grant	Exercise price	Exercisable period	Number of share options held as at 1 April 2022	Granted during the period	Exercised during the period	Forfeited during the period	Number of share options held as at 30 September 2022
Directors (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	520,000	-	-	-	520,000
		HK\$19.86	25 September 2024 to 23 September 2031	390,000	-	-	-	390,000
		HK\$19.86	25 September 2025 to 23 September 2031	390,000	-	-	-	390,000
Employees (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	10,066,000	-	-	(150,000)	9,916,000
		HK\$19.86	25 September 2024 to 23 September 2031	7,549,500	-	-	(112,500)	7,437,000
		HK\$19.86	25 September 2025 to 23 September 2031	7,549,500	-	-	(112,500)	7,437,000
				26,465,000	-	-	(375,000)	26,090,000

Name	Date of grant	Exercise price	Exercisable period	Number of share options held as at 1 April 2021	Granted during the period	Exercised during the period	Forfeited during the period	Number of share options held as at 30 September 2021
Directors (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	-	520,000	-	-	520,000
		HK\$19.86	25 September 2024 to 23 September 2031	-	390,000	-	-	390,000
		HK\$19.86	25 September 2025 to 23 September 2031	-	390,000	-	-	390,000
Employees (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	-	10,496,000	-	-	10,496,000
		HK\$19.86	25 September 2024 to 23 September 2031	-	7,872,000	-	-	7,872,000
		HK\$19.86	25 September 2025 to 23 September 2031	-	7,872,000	-	-	7,872,000
				-	27,540,000	-	-	27,540,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 SHARE CAPITAL AND SHARE OPTION *(Continued)*

(c) Employees' incentive plan of a subsidiary

On 29 July 2021, the Company approved the employees' incentive plan of 廣東力勁塑機智造股份有限公司 LK Injection Molding Machine Co., Ltd. ("LK Injection"), a PRC subsidiary of the Group. Following the Board approval on 29 July 2021, LK Injection entered into five subscription agreements ("Subscription Agreements") with three individuals, being Mr. Tse Siu Sze, an executive director of the Company, Mr. Huang Xi, an employee of LK Injection and Ms. Liu Ying Ying, daughter of Ms. Chong Siw Yin (an executive director and the Chairperson of the Company) and Mr. Liu Siong Song (a controlling shareholder of the Company) and two limited liability partnerships ("LLP"), namely 中山市睿力企業管理合夥企業(有限合夥) Zhongshan City Ruili Corporate Management Partnership (Limited Partnership) ("Zhongshan Ruili") and 寧波市鑄力企業管理合夥企業(有限合夥) Ningbo City Zhuli Corporate Management Partnership (Limited Partnership) ("Ningbo Zhuli") in connection with the employees' incentive plan of LK Injection. The general partner of Zhongshan Ruili is Ms. Ke Ai Rong (an employee of LK Injection); the general partner of Ningbo Zhuli is Mr. Tan Ying Shi (an employee of 寧波力勁機械有限公司 Ningbo LK Machinery Co. Ltd.). The LLP were established in the PRC in July 2021 solely for the purpose of holding the equity interests in LK Injection in connection with the employees' incentive plan of LK Injection.

The qualified employees participating the employees' incentive plan contribute the capital at the specified grant price and become the limited partners of the LLP. Pursuant to the Subscription Agreements, LK Injection transferred 8.69% of enlarged registered capital in LK Injection to the abovementioned three qualified individuals and two LLPs at consideration of RMB2.75 per share.

Each participating employee in the employees' incentive plan shall remain in service with LK Injection or any of its subsidiaries for six years from the date of granting the restricted shares (the "Service Period"). The restricted shares granted pursuant to the employees' incentive plan are personal to each participating employee, and are not transferrable during the Service Period, unless otherwise approved as stipulated under the Subscription Agreements. If any of the participating employees resign from LK Injection or any of its subsidiaries before the end of the Service Period or if LK Injection failed to be listed in any qualified Stock Exchange by 29 July 2027 (i.e. six years from the date of granting the restricted shares), the participating employees have the right to request Power Excel International Limited, the immediate holding company of LK Injection, to repurchase all of the restricted shares of LK Injection held by the participating employees at an consideration of the initial investment cost plus 5% interest per annum.

The above transaction was considered as an equity-settled share-based payment to employees in exchange for their services. The fair value of the share-based payment expenses was determined by the difference between the fair value of the equity transferred (determined by an independent professional valuer) and the capital contribution by incentive targets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 BORROWINGS

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Non-current:		
Bank borrowings	246,883	210,431
Current:		
Bank borrowings	1,208,409	869,951
Trust receipt loans	23,816	8,255
	1,232,225	878,206
	1,479,108	1,088,637
Secured:		
Bank borrowings	129,293	139,349
Unsecured:		
Bank borrowings	1,325,999	941,033
Trust receipt loans	23,816	8,255
	1,349,815	949,288
	1,479,108	1,088,637

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 BORROWINGS (Continued)

At 30 September 2022 and 31 March 2022, the Group's borrowings were repayable as follows:

	Trust receipt loans		Bank borrowings		Total	
	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Within 1 year	23,816	8,255	1,162,478	813,258	1,186,294	821,513
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	-	-	31,578	39,063	31,578	39,063
After 2 years but within 5 years	-	-	16,725	24,284	16,725	24,284
After 5 years	-	-	244,511	203,777	244,511	203,777
	-	-	292,814	267,124	292,814	267,124
	23,816	8,255	1,455,292	1,080,382	1,479,108	1,088,637

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

At 30 September 2022, borrowings of approximately HK\$1,153,903,000 (31 March 2022: HK\$888,081,000), were borrowed from banks in the PRC by subsidiaries of the Group that are established in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

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

Note ii: The balance represents the Group's obligation to repurchase all restricted shares of LK Injection, a PRC subsidiary of the Group in connection with an employees' incentive plan (Note 10(c)). The balance is denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS *(Continued)*

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

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

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

13 REVENUE AND OTHER INCOME

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Revenue for sales of goods recognised under HKFRS 15		
Die-casting machine	2,050,390	1,889,649
Plastic injection moulding machine	659,510	785,449
CNC machining centre	150,338	98,420
	2,860,238	2,773,518

	(Unaudited) Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Other income		
Value added taxes refund	15,609	16,267
Other subsidies from government <i>(Note)</i>	37,673	22,688
Rental income	15,291	9,546
Sundry income	8,709	4,816
	77,282	53,317

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 OTHER (LOSSES)/GAINS – NET

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Net foreign exchange (losses)/gains	(22,217)	2,282
Increase in fair value of investment properties (Note 8)	11,015	5,422
Gain/(loss) on disposals of property, plant and equipment	274	(199)
Loss on disposals of insurance policy investments	–	(222)
	(10,928)	7,283

15 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Raw materials and consumables used	1,777,665	1,686,181
Change in inventories of finished goods and work in progress	(128,556)	(132,669)
Staff costs (Note 16)	462,309	411,362
Amortisation of intangible assets (Note 7)	2,631	2,881
Depreciation of property, plant and equipment (Note 8)	79,471	57,294
Depreciation of right-of-use assets (Note 8)	9,712	9,723
Research costs	13,435	12,228
Transportation expenses	71,787	56,735
Utilities	39,668	29,572
Auditor's remuneration		
– Audit services	1,706	1,575
– Non-audit services	459	434
(Reversal of provision)/provision for impairment of trade receivables – net (Note 9)	(79)	12,184
Provision/(reversal of provision) for inventories write-down – net	81	(371)
Reversal of loss on financial guarantee contracts (Note 21)	(12)	(414)
Other expenses	253,151	272,289
	2,583,428	2,419,004
Represented by:		
Cost of sales	2,074,080	1,968,062
Selling and distribution expenses	268,311	234,946
General administrative expenses	241,116	203,812
(Reversal of provision)/provision for impairment of trade receivables – net	(79)	12,184
	2,583,428	2,419,004

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 EMPLOYEES' BENEFITS COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Wages and salaries	414,930	371,162
Retirement scheme contributions	31,393	27,152
Other allowances and benefits	13,907	11,054
Employees' incentive programmes	2,079	1,994
	462,309	411,362

17 FINANCE COSTS – NET

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 INCOME TAX EXPENSES

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

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

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

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai, Kunshan and Fuxin have been certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the Corporate Income Tax Law of the PRC, dividends out of profit earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. The implementation rules of the Corporate Income Tax Law of the PRC provide for the withholding income tax on such dividend to be at 10% unless reduced by tax treaty. Pursuant to a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from PRC. Provision for withholding tax is included in deferred taxation.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

20 INTERIM DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 FINANCIAL GUARANTEES

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	18,530	35,857

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$18,530,000 (31 March 2022: HK\$35,857,000) which are granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the Group is required to deposit a portion of the sales proceeds received from these customers with the banks. Upon default in repayments by these customers, the Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Group is entitled to take over the legal title and possession of the related products.

The Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

During the six months period ended 30 September 2022, the Group recognised a reversal of loss of approximately HK\$12,000 (30 September 2021: HK\$414,000), as a result of repayment by customers of certain loans that defaulted in repayments in the prior years.

The Company has provided guarantees in respect of banking facilities of its subsidiaries of approximately HK\$697,991,000 (31 March 2022: HK\$738,708,000). The facilities utilised by the subsidiaries as at 30 September 2022 amounted to HK\$242,317,000 (31 March 2022: HK\$176,374,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 COMMITMENTS

(a) Capital commitments

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not provided for are as follows:		
Property, plant and equipment	281,610	136,283

(b) Operating lease commitments

The Group as lessor

The Group leases out the investment properties and certain machinery under operating leases. The leases generally run for an initial period of one to five years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	(Unaudited) As at 30 September 2022 HK\$'000	(Audited) As at 31 March 2022 HK\$'000
Leases receivable:		
Within one year	24,922	7,202
In the second to fifth year	50,574	687
	75,496	7,889

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Except for those disclosed below and other than those disclosed elsewhere in the condensed consolidated interim financial information, the Group has no other significant transaction with related parties during the six months ended 30 September 2022 (2021: same).

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Consultancy fee (<i>Note i</i>)	3,000	3,000

Note i: On 1 December 2020, the Company entered into a consultancy agreement with Mr. Liu Siang Song to appoint him as the strategic and technical consultant of the Company for the term from 1 December 2020 to 30 November 2023. This related party transaction was also the continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Key management compensation

The remuneration of directors and other members of key management personnel during the period were as follows:

	(Unaudited)	
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Wages and salaries, other allowances and benefits	11,118	16,130
Retirement scheme contributions	890	842
Employees' incentive programmes	532	495
	12,540	17,467



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