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)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2017

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*3*	**3,224,781**	2,822,824
Cost of sales	*4*	**(2,407,112)**	(2,123,122)
Gross profit		**817,669**	699,702
Other income		**42,582**	67,509
Other gains – net	*5*	**9,241**	4,397
Gain/(loss) on disposal of a subsidiary/subsidiaries	*6*	**45,712**	(3,506)
Selling and distribution expenses	*4*	**(302,566)**	(345,440)
General and administrative expenses	*4*	**(353,620)**	(330,219)
Operating profit		**259,018**	92,443
Finance income	*7*	**3,274**	2,807
Finance costs	*7*	**(65,881)**	(71,458)
Finance costs – net	*7*	**(62,607)**	(68,651)
Share of profit/(loss) of an associate		**767**	(483)
Profit before income tax		**197,178**	23,309
Income tax expense	*8*	**(60,537)**	(23,086)
Profit for the year		**136,641**	223
Profit attributable to:			
Owners of the Company		**136,789**	710
Non-controlling interests		**(148)**	(487)
		136,641	223
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	*10(a)*	**12.3**	0.06
– Diluted	*10(b)*	**11.7**	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**136,641**	223
Other comprehensive income/(loss) for the year:		
Items that may be reclassified to profit or loss		
Currency translation difference		
Losses arising during the year	**(118,000)**	(112,751)
Transferred from exchange translation reserve to the consolidated income statement upon disposal of a subsidiary	**1,339**	–
Change in value of available-for-sale financial assets	**243**	253
Item that will not be reclassified subsequently to profit or loss		
Change in value of property, plant and equipment	**16,518**	21,041
Total comprehensive income/(loss) for the year, net of tax	**36,741**	(91,234)
Attributable to:		
– Owners of the Company	**36,889**	(90,747)
– Non-controlling interests	**(148)**	(487)
	36,741	(91,234)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Intangible assets		**10,562**	21,064
Property, plant and equipment		**1,055,978**	1,187,301
Investment properties		**242,200**	139,100
Land use rights		**278,202**	301,750
Interests in joint ventures		**–**	–
Interest in an associate		**28,434**	29,332
Other receivables and deposits		**20,476**	7,202
Deferred income tax assets		**80,890**	60,728
Trade and bills receivables	*11*	**10,808**	27,868
Available-for-sale financial assets		**7,665**	7,422
Restricted bank balances		**20,454**	8,949
Total non-current assets		**1,755,669**	1,790,716
Current assets			
Inventories		**1,061,871**	1,100,119
Trade and bills receivables	*11*	**1,080,316**	959,472
Other receivables, prepayments and deposits		**174,217**	156,456
Restricted bank balances		**67,038**	67,682
Cash and cash equivalents		**422,655**	330,404
Total current assets		**2,806,097**	2,614,133
Total assets		**4,561,766**	4,404,849

	Note	2017 HK$'000	2016 HK$'000
Equity			
Share capital		**113,327**	113,327
Shares held for share award scheme		**(32,446)**	(973)
Reserves		**808,734**	898,079
Retained earnings		**847,039**	742,248
Equity attributable to owners of the Company		**1,736,654**	1,752,681
Non-controlling interests		**1,992**	2,140
Total equity		**1,738,646**	1,754,821
Non-current liabilities			
Deferred income tax liabilities		**17,468**	6,610
Borrowings		**458,561**	736,548
Other payables		**7,740**	9,228
Total non-current liabilities		**483,769**	752,386
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	*12*	**1,333,590**	1,053,348
Borrowings		**959,304**	820,242
Current income tax liabilities		**46,457**	24,052
Total current liabilities		**2,339,351**	1,897,642
Total liabilities		**2,823,120**	2,650,028
Total equity and liabilities		**4,561,766**	4,404,849

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of L.K. Technology Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

2 NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

(a) Effect of adopting new standard and amendments to existing standards

The following new standard and amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2016:

Standards	Subject of amendment
Annual improvements 2014	Annual improvements 2012-2014 Cycle
Amendments to HKAS 1 (Revised)	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27 (2011)	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operation
HKFRS 14	Regulatory deferral accounts

The adoption of these new standard and amendments to existing standards does not have any significant impact on the results and financial position of the Group.

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 7	Disclosure initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9 *(note (i))*	Financial instruments	1 January 2018
HKFRS 15 *(note (ii))*	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15 *(note (ii))*	Clarifications to HKFRS 15	1 January 2018
HKFRS 16 *(note (iii))*	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, financial assets that are currently classified as available-for-sale would appear to satisfy the conditions for classification at fair value through other comprehensive income ("FVOCI") and hence there will be no change in the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, "Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return - HKFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months. HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$68,255,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 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 year in each reportable segment. This is the measurement reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

The measurement used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs and income tax expense. To arrive at the profit 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

The segment results for the year ended 31 March 2017 are as follows:

	Die-casting machine	Plastic injection moulding machine	CNC machining centre	Total segments	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	2,241,147	848,573	135,061	3,224,781	–	3,224,781
Inter-segments sales	115,022	–	–	115,022	(115,022)	–
	2,356,169	848,573	135,061	3,339,803	(115,022)	3,224,781
Results						
Segment results	255,720	75,653	(39,496)	291,877	–	291,877
Administrative expenses						(32,859)
Finance income						3,274
Finance costs						(65,881)
Share of profit of an associate						767
Profit before income tax						197,178

The segment results for the year ended 31 March 2016 are as follows:

	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	2,184,813	498,525	139,486	2,822,824	–	2,822,824
Inter-segments sales	60,827	–	–	60,827	(60,827)	–
	2,245,640	498,525	139,486	2,883,651	(60,827)	2,822,824
Results						
Segment results	144,283	21,967	(39,202)	127,048	–	127,048
Administrative expenses						(34,605)
Finance income						2,807
Finance costs						(71,458)
Share of loss of an associate						(483)
Profit before income tax						23,309

Sales between segments are carried out at arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

Segment assets and liabilities

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

	As at 31 March 2017			
	Die-casting machine	**Plastic injection moulding machine**	**CNC machining centre**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets				
Segment assets	**2,711,284**	**1,268,224**	**548,556**	**4,528,064**
Unallocated assets				**33,702**
Consolidated total assets				**4,561,766**
Liabilities				
Segment liabilities	**2,071,963**	**615,328**	**106,244**	**2,793,535**
Unallocated liabilities				**29,585**
Consolidated total liabilities				**2,823,120**

	As at 31 March 2016			
	Die-casting machine	Plastic injection moulding machine	CNC machining centre	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	2,735,698	1,038,120	598,623	4,372,441
Unallocated assets				32,408
Consolidated total assets				4,404,849
Liabilities				
Segment liabilities	1,946,929	413,838	268,066	2,628,833
Unallocated liabilities				21,195
Consolidated total liabilities				2,650,028

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

- all assets are allocated to reportable segments other than corporate assets and available-for-sale financial assets.
- all liabilities are allocated to reportable segments other than corporate liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

The following amounts are included in the measure of segment results or assets:

	For the year ended 31 March 2017				
	Die-casting machine	**Plastic injection moulding machine**	**CNC machining centre**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Additions to non-current assets[1]	**53,836**	**56,635**	**1,498**	**1,782**	**113,751**
Depreciation and amortisation	**82,715**	**27,791**	**17,434**	**1,591**	**129,531**
Provision for inventories write-down	**21,858**	**5,090**	**11,768**	**–**	**38,716**
Provision for impairment of trade receivables – net	**24,171**	**2,454**	**728**	**–**	**27,353**

	For the year ended 31 March 2016				
	Die-casting machine	Plastic injection moulding machine	CNC machining centre	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets[1]	53,874	184,418	7,314	1,336	246,942
Depreciation and amortisation	85,704	16,849	17,515	1,867	121,935
Provision for inventories write-down	3,605	4,179	3,729	–	11,513
Provision for impairment of trade receivables – net	8,272	1,069	915	–	10,256

1 Non-current assets exclude interests in joint ventures, interest in an associate, deferred income tax assets, available-for-sale financial assets and deposits and receivables.

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2017 and 31 March 2016.

	2017	2016
	HK$'000	*HK$'000*
Analysis of revenue by category		
Sales of die-casting machine	**2,241,147**	2,184,813
Sales of plastic injection moulding machine	**848,573**	498,525
Sales of CNC machining centre	**135,061**	139,486
	3,224,781	2,822,824

Geographical information

The Group's revenue by geographical location is determined by the final destination of delivery of the products and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers		**Non-current assets[1]**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**2,490,736**	1,866,582	**1,470,504**	1,549,643
Hong Kong	**–**	–	**22,516**	21,637
Europe	**358,651**	407,075	**18,296**	19,480
Central America and South America	**69,557**	111,431	**–**	–
North America	**226,379**	338,574	**22,897**	8,045
Other countries	**79,458**	99,162	**57,118**	57,612
	3,224,781	2,822,824	**1,591,331**	1,656,417

1 Non-current assets exclude interests in joint ventures, interest in an associate, available-for-sale financial assets, non-current portion of trade and bills receivables, non-current portion of consideration receivables, restricted bank balances and deferred income tax assets.

4 EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Amortisation of land use rights	**6,747**	7,542
Amortisation of trademarks	**136**	132
Amortisation of patents	**214**	214
Amortisation of development costs and others	**4,839**	4,710
Depreciation of property, plant and equipment	**117,595**	109,337
Provision for impairment of trade receivables – net	**27,353**	10,256
Provision for inventories write-down	**38,716**	11,513

5 OTHER GAINS – NET

	2017	2016
	HK$'000	*HK$'000*
Net foreign exchange loss	**(15,177)**	(8,324)
Increase in fair value of investment properties	**29,141**	13,229
Loss on disposals of property, plant and equipment	**(1,904)**	(508)
Others	**(2,819)**	–
	9,241	4,397

6 GAIN/(LOSS) ON DISPOSAL OF A SUBSIDIARY/SUBSIDIARIES

During the year ended 31 March 2017, the Group disposed of its entire equity interest in Shanghai Prex Mfg. Co., Ltd. ("Shanghai Prex") at a consideration of RMB76,000,000 (equivalent to approximately HK$88,372,000), payable in five instalments. Shanghai Prex is principally engaged in the provision of advisory services, manufacturing and sales of peripheral equipment in The People's Republic of China (the "PRC"). As a result of the disposal, a gain of approximately HK$45,712,000 has been recognised in the consolidated income statement. The effect of the disposal is summarised as follows:

	HK$'000
Property, plant and equipment	**2,250**
Deferred tax assets	**1,184**
Inventories	**9,656**
Trade and other receivables	**25,995**
Cash and cash equivalents	**6,626**
Bank borrowings	**(323)**
Trade payables, other payables and accruals	**(22,328)**
Tax payables	**(1,131)**
Net assets disposed	**21,929**
Goodwill	**9,606**
Expenses attributable to the disposal	**199**
Exchange translation reserve transferred to the consolidated income statement	**1,339**
Tax on disposal gain	**7,274**
Net gain on disposal	**45,712**
Total consideration to be satisfied by cash, discounted at present value (before tax)	**86,059**
Tax on disposal gain	**(7,274)**
Total consideration to be satisfied by cash (after tax)	**78,785**
Consideration receivable, included in other receivables and deposits	**(33,036)**
Consideration received	**45,749**
Cash and cash equivalents disposed of	**6,626**
Net proceeds on disposal of a subsidiary	**39,123**

During the year ended 31 March 2016, the Group disposed of its 53.5% equity interest in Expresso Satellite Navigation Limited at a consideration of HK$1. Expresso Satellite Navigation Limited had a 100% equity interest in Expresso Satellite Navigation Inc., a company principally engaged in sales of global positioning system devices. As a result of the disposal, a loss of approximately HK$3,506,000 has been recognised in the consolidated income statement.

7 FINANCE COSTS – NET

	2017 *HK$'000*	2016 *HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(3,274)**	(2,807)
Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	**66,060**	83,915
Charges on bills receivables discounted without recourse	**1,574**	2,256
Less: Capitalised in property, plant and equipment *(Note i)*	**(1,753)**	(14,713)
	65,881	71,458
	62,607	68,651

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.10% (2016: 4.28%) to expenditure on qualifying assets.

8 INCOME TAX EXPENSE

	2017 *HK$'000*	2016 *HK$'000*
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**52,687**	12,432
– Overseas tax	**23,879**	5,551
– Hong Kong profits tax	**–**	–
– Under-provision in prior years	**–**	475
	76,566	18,458
Deferred income tax	**(16,029)**	4,628
Tax charge	**60,537**	23,086

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2016: 25%).

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

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2017 as the subsidiaries established in Hong Kong have no assessable profits for the current year (2016: Nil).

For the year ended 31 March 2017, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operates.

9 DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim dividend	**20,398**	–
Proposed final dividend	**18,132**	–
	38,530	–

An interim dividend of HK1.8 cents (2016: Nil) per ordinary share in respect of the period ended 30 September 2016 was paid on 9 January 2017.

At a meeting held on 29 June 2017, the directors recommend the payment of a final dividend of HK1.6 cents per ordinary share, totalling HK$18,132,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting of the Company on 7 September 2017. This proposed dividend is not reflected as dividends payable in these consolidated financial statements (2016: Nil).

10 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company of HK$136,789,000 (2016: HK$710,000) and on the weighted average number of approximately 1,112,318,000 (2016: 1,132,679,000) ordinary shares in issue excluding own shares held during the year.

	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**136,789**	710
Weighted average number of ordinary shares in issue *(thousands)*	**1,112,318**	1,132,679
Basic earnings per share *(HK cents)*	**12.3**	0.06

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and excluding own shares held during the year. The Company has one (2016: two) category of dilutive potential ordinary shares: perpetual convertible securities (2016: perpetual convertible securities and share options). The perpetual convertible securities are assumed to have been converted into ordinary shares. Shares issuable under the share option schemes of the Company are the dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**136,789**	710
Weighted average number of ordinary shares in issue *(thousands)*	**1,112,318**	1,132,679
Assumed conversion of perpetual convertible securities *(thousands)*	**58,000**	58,000
Adjustment for share options *(thousands) (Note)*	**–**	–
Weighted average number of ordinary shares of diluted earnings per share *(thousands)*	**1,170,318**	1,190,679
Diluted earnings per share *(HK cents)*	**11.7**	0.06

Note:

There was no outstanding share option as at 31 March 2017. During the year ended 31 March 2016, the conversion of share options outstanding would have an anti-dilutive effect.

11 TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**878,603**	903,507
Less: Provision for impairment	**(94,694)**	(74,781)
	783,909	828,726
Bills receivables	**307,215**	158,614
	1,091,124	987,340
Less: Balance due after one year shown as non-current assets	**(10,808)**	(27,868)
Trade and bills receivables, net	**1,080,316**	959,472

The amount of provision for impairment of trade receivables was HK$94,694,000 (2016: HK$74,781,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**502,619**	467,060
91 – 180 days	**94,949**	109,456
181 – 365 days	**105,750**	138,980
Over one year	**175,285**	188,011
	878,603	903,507

The maturity date of the bills receivables is generally between one month 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 term ranging from one month to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six months to twelve months.

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

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**631,232**	527,495
Bills payables	**223,446**	52,497
Trade and other deposits and receipts in advance	**181,151**	195,988
Accrued salaries, bonuses and staff benefits	**74,688**	77,732
Accrued sales commission	**32,408**	28,443
Value added tax payable	**34,356**	39,029
Others	**156,309**	132,164
	1,333,590	1,053,348

The following is the ageing analysis of the trade payables:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**554,723**	394,052
91-180 days	**61,204**	102,213
181-365 days	**7,928**	22,480
Over one year	**7,377**	8,750
	631,232	527,495

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK$3,224,781,000 for the year ended 31 March 2017 (the "Year"), representing an increase of approximately 14.2% compared to the last year. During the Year, profit attributable to owners of the Company amounted to HK$136,789,000, as compared to the profit of HK$710,000 in the last year.

The increase in revenue was mainly due to the significant increase in revenue of the Group in the China market. During the Year, the Group's revenue from the China market amounted to HK$2,490,736,000, representing an increase of 33.4% as compared to HK$1,866,582,000 for the last year.

During the Year, the overall momentum of the PRC's national economy remained robust and maintained a steady development trend as a whole as evidenced by the statistics released by the National Bureau of Statistics which showed a GDP growth of 6.7% for 2016. Leveraging on the development of the domestic economy, the further increase in the income level of citizens and the favourable policies to the purchase of low-emission vehicles, the automobile industry maintained rapid growth in 2016. According to the statistics of China Association of Automobile Manufactures, the automobile industry achieved a record high in production volume and sales in 2016. Benefitting from the general recovery of the economy of the PRC, demand from the manufacturing industry for machinery and equipment remained strong, resulting in a surge in the Group's revenue in the PRC market.

As for overseas markets, the American and European markets are currently under adjustment after having experienced economic revival in recent years, resulting in a skid in demand. For emerging markets like Brazil and India, the demand remained sluggish. During the Year, the revenue of the Group from overseas market amounted to HK$734,045,000, representing a significant decrease of 23.2% as compared to HK$956,242,000 for the same period of the last year.

In July 2016, the Group disposed of a subsidiary, recording a gain of HK$45,712,000.

Die-casting Machines

During the Year, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK$2,241,147,000 representing an increase of 2.6% as compared to HK$2,184,813,000 for the last year, of which the revenue generated from the China market amounted to HK$1,556,587,000 representing an increase of 20.7% as compared to HK$1,289,597,000 for the last year. However, there was a significant decrease in the revenue from overseas market by 23.5%, from HK$895,216,000 for the last year to HK$684,560,000 for the Year. Our subsidiary, IDRA, is currently under adjustment in the American and European markets, resulting in a sliding demand and a fall back in turnover during the Year.

Plastic Injection Moulding Machines

During the Year, the Group's revenue from the plastic injection moulding machine business amounted to HK$848,573,000, representing an increase of 70.2% as compared to HK$498,525,000 for the last year. In view of the recovery of the PRC domestic market and the increased demand, the Group continued to launch new products and made further efforts in marketing, which contributed to a remarkable growth in performance.

Computerised Numerical Controlled (CNC) Machining Centre

During the Year, the Group's revenue from CNC machining centre business amounted to HK$135,061,000, remaining basically flat as compared to last year. The CNC machining centre industry remained sluggish under the pressure of strong market competition, a challenge as faced by the business sector as a whole.

Financial Review

During the Year, the overall gross profit margin of the business of the Group was 25.4%, representing an increase of approximately 0.6% as compared to last year which was mainly due to the sustained improvements in operational efficiencies of the Group, among which the improvement in plastic injection moulding machine business was encouraging.

Selling and distribution expenses amounted to HK$302,566,000, representing a decrease of 12.4% as compared to HK$345,440,000 for the last year, which was mainly due to reduction in transportation costs and other relevant costs for the Year.

General and administrative expenses amounted to HK$353,620,000, representing an increase of 7.1% as compared to HK$330,219,000 for the last year, which was mainly due to the increase in the provision for impairment of trade receivables for individual customers.

Net finance costs amounted to HK$62,607,000, representing a decrease of 8.8% as compared to HK$68,651,000 for the last year. The Group restructured its syndicated loan during the last year, which accelerated the amortisation of the related borrowing costs of approximately HK$11,742,000 which was one-off in nature in last year.

Prospects

With the rapid development in 2016, the car parc in the automobile industry of China was further enhanced. However, as a result of the reduction of preferential treatment for the purchase of vehicles and the decrease in subsidies for new energy vehicles, the development of the automobile industry is expected to slow down in 2017. Leveraging on the overall economic growth and the strong demand for vehicles, the development of China's automobile industry will remain stable. Since the PRC government has strengthened the regulation and control of the real estate industry in October 2016, the financing channel of real estate enterprises is narrowing. In addition, due to the continuous slowdown of the growth of real estate sales, it is expected that the growth of investment in real estate industry will continue to slow down, which may in turn hinder the expansion of industrial production.

After having experienced substantial growth in recent years, the overseas market is currently under adjustment. The Group will strengthen its efforts in the promotion of new products and the implementation of stringent cost control.

The Group will continue to increase investments in research and development and improve product quality to satisfy the rising customer demands.

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 31 March 2017, the Group's cash and bank balances amounted to approximately HK$422,655,000 (2016: HK$330,404,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 57% (2016: 70%).

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

As at 31 March 2017, the capital structure of the Company was constituted exclusively of 1,133,265,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was approximately HK$1,417,865,000 (2016: HK$1,556,790,000), approximately 68% (2016: 53%) of which being short-term loans. Approximately 15% (2016: 17%) of the total borrowing was subject to 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 31 March 2017, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK$311,428,000 (2016: HK$231,962,000). The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers amounted to approximately HK$39,658,000 (2016: HK$32,274,000).

Pledge of Assets

The Group's banking facilities and financial guarantees were secured by the assets of the Group, including restricted bank balances, available-for-sale financial assets, land use rights, investment properties, property, plant and equipment and bills receivables, with aggregate carrying amounts of HK$739,598,000 (2016: HK$550,441,000).

Capital Commitments

As at 31 March 2017, the Group had made capital expenditure commitments of approximately HK$8,323,000 (2016: HK$19,318,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2017, the Group employed approximately 3,800 full time staff. The staff costs for current year amounted to HK$546,419,000 (2016: HK$510,190,000). 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries, fellow subsidiaries and holding company has purchased, sold or redeemed any of the listed securities of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased an aggregate of 57,512,500 shares of the Company at a total consideration of approximately HK$31,473,000 between April 2016 to March 2017.

DIVIDENDS

An interim dividend of HK1.8 cents (2016: Nil) per ordinary share in respect of the period ended 30 September 2016 was paid on 9 January 2017.

The Board recommended a payment of final dividend of HK1.6 cents per ordinary share for the year ended 31 March 2017, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 7 September 2017, payable to the Shareholders whose names appear on the register of members of the Company on Tuesday, 19 September 2017. The dividend will be paid on or about Tuesday, 3 October 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 7 September 2017, the register of members of the Company will be closed from Monday, 4 September 2017 to Thursday, 7 September 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of 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 Friday, 1 September 2017.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 18 September 2017 to Tuesday, 19 September 2017, (both days inclusive) during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of 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 Friday, 15 September 2017.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2017.

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 of 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 year ended 31 March 2017.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of two independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul and Dr. Lui Ming Wah, and one non-executive Director, Ms. Han Jie.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2017.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at (www.hkexnews.hk) and the Company's website at (www.lktechnology.com). The annual report of the Company for the year ended 31 March 2017 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 7 September 2017. The notice of the annual general meeting, which constitutes part of the circular to the Shareholders, will be published on the aforesaid websites and despatched to the Shareholders together with the Company's annual report 2016/17 in due course.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 June 2017

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Liu Zhuo Ming, Mr. Tse Siu Sze and Mr. Wang Xinliang; the non-executive Director is Ms. Han Jie and the independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, and Mr. Tsang Yiu Keung, Paul.