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力勁科技集團有限公司

L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 558)

**FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2019**

The board (the “Board”) of directors (the “Directors”) of L.K. Technology Holdings Limited (the “Company”) presents the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2019 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

| | <i>Note</i> | 2019 HK\$'000 | 2018 HK\$'000 |
|---|-------------|--------------------------------|------------------|
| Revenue | 3 | 3,604,449 | 3,728,533 |
| Cost of sales | 4 | (2,714,690) | (2,723,484) |
| Gross profit | | 889,759 | 1,005,049 |
| Other income | | 64,700 | 66,336 |
| Other gains – net | 5 | 79,233 | 96,894 |
| Selling and distribution expenses | 4 | (339,092) | (350,095) |
| General and administrative expenses | 4 | (365,162) | (425,281) |
| Operating profit | | 329,438 | 392,903 |
| Finance income | 6 | 5,474 | 4,695 |
| Finance costs | 6 | (81,392) | (73,085) |
| Finance costs – net | 6 | (75,918) | (68,390) |
| Share of profit of an associate | | 252 | 2,824 |
| Profit before income tax | | 253,772 | 327,337 |
| Income tax expense | 7 | (63,096) | (86,349) |
| Profit for the year | | 190,676 | 240,988 |
| Profit attributable to: | | | |
| Owners of the Company | | 190,676 | 241,669 |
| Non-controlling interests | | - | (681) |
| | | 190,676 | 240,988 |
| Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share) | | | |
| – Basic | 9(a) | 16.0 | 21.7 |
| – Diluted | 9(b) | 16.0 | 21.0 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

| | 2019 | 2018 |
|--|------------------|----------|
| | HK\$'000 | HK\$'000 |
| Profit for the year | 190,676 | 240,988 |
| Other comprehensive income for the year: | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation difference | | |
| (Losses)/gains arising during the year | (163,305) | 275,659 |
| Change in value of insurance policy investments | 430 | (59) |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | |
| Change in value of building upon transfer to investment properties | 2,812 | – |
| Total comprehensive income for the year, net of tax | 30,613 | 516,588 |
| Total comprehensive income attributable to: | | |
| – Owners of the Company | 30,613 | 517,269 |
| – Non-controlling interests | – | (681) |
| | 30,613 | 516,588 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

| | <i>Note</i> | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Intangible assets | | 11,462 | 11,015 |
| Property, plant and equipment | | 1,011,716 | 1,142,119 |
| Investment properties | | 328,614 | 353,420 |
| Land use rights | | 340,979 | 301,049 |
| Interests in joint ventures | | – | – |
| Interest in an associate | | 32,848 | 34,633 |
| Other receivables and deposits | | 12,729 | 17,451 |
| Deferred income tax assets | | 83,220 | 87,980 |
| Trade and bills receivables | 10 | 19,901 | 23,672 |
| Insurance policy investments | | 12,147 | 11,717 |
| Financial assets at fair value through other comprehensive income | | 5,882 | – |
| Available-for-sale financial assets | | – | 6,250 |
| Restricted bank balances | | 2,364 | 11,702 |
| Total non-current assets | | 1,861,862 | 2,001,008 |
| Current assets | | | |
| Inventories | | 1,197,255 | 1,372,001 |
| Trade and bills receivables | 10 | 1,288,642 | 1,309,180 |
| Other receivables, prepayments and deposits | | 193,841 | 262,870 |
| Restricted bank balances | | 44,485 | 74,066 |
| Cash and cash equivalents | | 634,699 | 628,672 |
| Total current assets | | 3,358,922 | 3,646,789 |
| Total assets | | 5,220,784 | 5,647,797 |

| | <i>Note</i> | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Equity | | | |
| Share capital | | 119,127 | 119,127 |
| Reserves | | 961,757 | 1,110,033 |
| Retained earnings | | 1,067,676 | 1,011,134 |
| | | <hr/> | <hr/> |
| Total equity | | 2,148,560 | 2,240,294 |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 20,445 | 18,173 |
| Borrowings | | 438,174 | 592,765 |
| Other payables | | 7,818 | 8,728 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 466,437 | 619,666 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade and bills payables, other payables, deposits and accruals | 11 | 1,265,298 | 1,651,979 |
| Borrowings | | 1,313,321 | 1,098,634 |
| Current income tax liabilities | | 27,168 | 37,224 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 2,605,787 | 2,787,837 |
| | | <hr/> | <hr/> |
| Total liabilities | | 3,072,224 | 3,407,503 |
| | | <hr/> | <hr/> |
| Total equity and liabilities | | 5,220,784 | 5,647,797 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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”) and disclosure 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 insurance policy investments, financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 April 2018:

| Standards | Subject of amendment |
|------------------------|---|
| Amendments to HKFRSs | Annual Improvements 2014–2016 Cycle |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |

The impact of the adoption of HKFRS 9, “Financial Instruments” (“HKFRS 9”) and HKFRS 15, “Revenue from Contracts with Customers” (“HKFRS 15”) (Collectively (“New HKFRS”)) are disclosed in Note c.

The Group has renamed the unlisted insurance policy investments of “available-for-sale financial assets” to “insurance policy investments”. The underlying accounting policy of these assets has not been changed.

The other new and amended standards and interpretations did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) **New and amended standards and interpretations not yet adopted by the Group**

| Standards | Subject of amendment | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to HKFRSs | Annual Improvements 2015–2017 Cycle | 1 January 2019 |
| Amendments to HKAS 19 | Employee Benefits: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to HKAS 28 | Long-term Interests In an Associate or Joint Venture | 1 January 2019 |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation | 1 January 2019 |
| HKFRS 16 | Leases | 1 January 2019 |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to HKFRS 3 | Definition of business | 1 January 2020 |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting | 1 January 2020 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

Management is in the process of assessing the impact of these new accounting standards, amendments to existing standards and interpretations.

The Group's assessment of the impact of these new accounting standards, amendments to existing standards and interpretations is set out below.

(i) **HKFRS 16, "Leases"**

Nature of change

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.

Impact

Management of the Group has reviewed all the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$48,524,000. Upon adoption of HKFRS 16, operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. These lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be amortised on a straight-line basis during the lease term.

Net current asset will be lower due to the presentation of a portion of the liability as a current liability. Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of lease liabilities will be reclassified as cash flow from financing activities.

Date of adoption by the Group

The adoption of this 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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Impact of adoption on financial statements – HKFRS 9 and HKFRS 15

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position on 1 April 2018.

The total impact on the Group's retained earnings as at 1 April 2018 is as follow:

| | As at 1 April 2018 <i>HK\$'000</i> |
|---|--|
| Closing balance 31 March 2018 – HKAS 39 | 1,011,134 |
| Increase in provision for trade receivables | (13,600) |
| Increase in deferred tax assets relating to impairment provisions | <u>2,040</u> |
| Opening balance 1 April 2018 – HKFRS 9 | <u><u>999,574</u></u> |

(a) Impact on the financial statements

The Group used modified retrospective approach while adopting HKFRS 9 without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

| Consolidated statement of financial position (extract) | 31 March 2018 as originally presented HK\$'000 | HKFRS 9 HK\$'000 | 1 April 2018 Restated HK\$'000 |
|---|---|-----------------------------|---|
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | – | 6,250 | 6,250 |
| Available-for-sale financial assets | 6,250 | (6,250) | – |
| Deferred tax assets | 87,980 | 2,040 | 90,020 |
| Current assets | | | |
| Trade and bill receivables | 1,309,180 | (13,600) | 1,295,580 |
| Equity | | | |
| Retained earnings | <u>1,011,134</u> | <u>(11,560)</u> | <u>999,574</u> |

(b) *Impairment of financial assets*

The Group has two types of financial assets that are subject to new expected credit loss model under HKFRS 9.

- Trade receivables; and
- Other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 2(c) above.

While short-term deposits, other receivable and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected provision for impairment for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the provision for impairment as at 1 April 2018 was determined for trade receivables.

The provision for impairment for trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past histories, existing market conditions as well as forward looking estimates at the end of each reporting period.

| | Provision for impairment – trade receivables <i>HK\$'000</i> |
|---|--|
| At 31 March 2018 calculated under HKAS 39 | 112,215 |
| Amount restated through opening retained earnings | <u>13,600</u> |
| Opening provision for impairment as at 1 April 2018 calculated under HKFRS 9 | <u><u>125,815</u></u> |

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 April 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) Adoption of HKFRS 15

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

The adoption of HKFRS 15 does not have a significant impact when the Group recognises revenue from sales of goods.

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in presentation of contract assets and contract liabilities.

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 from operations for the year before corporate expenses 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 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 2019 are as follows:

| | Die-casting machine <i>HK\$’000</i> | Plastic injection moulding machine <i>HK\$’000</i> | CNC machining centre <i>HK\$’000</i> | Total segments <i>HK\$’000</i> | Eliminations <i>HK\$’000</i> | Total <i>HK\$’000</i> |
|---------------------------------|---|--|---|--------------------------------------|---------------------------------|--------------------------|
| Revenue | | | | | | |
| External sales | 2,553,286 | 948,509 | 102,654 | 3,604,449 | – | 3,604,449 |
| Inter-segments sales | 48,897 | – | – | 48,897 | (48,897) | – |
| | <u>2,602,183</u> | <u>948,509</u> | <u>102,654</u> | <u>3,653,346</u> | <u>(48,897)</u> | <u>3,604,449</u> |
| Results | | | | | | |
| Segment results | <u>354,552</u> | <u>42,720</u> | <u>(33,990)</u> | <u>363,282</u> | <u>–</u> | <u>363,282</u> |
| Administrative expenses | | | | | | (33,844) |
| Finance income | | | | | | 5,474 |
| Finance costs | | | | | | (81,392) |
| Share of profit of an associate | | | | | | <u>252</u> |
| Profit before income tax | | | | | | <u>253,772</u> |

The segment results for the year ended 31 March 2018 are as follows:

| | Die-casting machine <i>HK\$'000</i> | Plastic injection moulding machine <i>HK\$'000</i> | CNC machining centre <i>HK\$'000</i> | Total segments <i>HK\$'000</i> | Eliminations <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|---|--|---|--------------------------------------|---------------------------------|--------------------------|
| Revenue | | | | | | |
| External sales | 2,507,914 | 1,078,915 | 141,704 | 3,728,533 | – | 3,728,533 |
| Inter-segments sales | 110,375 | – | – | 110,375 | (110,375) | – |
| | <u>2,618,289</u> | <u>1,078,915</u> | <u>141,704</u> | <u>3,838,908</u> | <u>(110,375)</u> | <u>3,728,533</u> |
| Results | | | | | | |
| Segment results | <u>343,693</u> | <u>96,675</u> | <u>(8,339)</u> | <u>432,029</u> | <u>–</u> | 432,029 |
| Administrative expenses | | | | | | (39,126) |
| Finance income | | | | | | 4,695 |
| Finance costs | | | | | | (73,085) |
| Share of profit of an associate | | | | | | <u>2,824</u> |
| Profit before income tax | | | | | | <u>327,337</u> |

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 2019 | | | |
|--------------------------------|---|---|---|--------------------------|
| | Die-casting machine <i>HK\$'000</i> | Plastic injection moulding machine <i>HK\$'000</i> | CNC machining centre <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Assets | | | | |
| Segment assets | 3,309,284 | 1,309,635 | 556,275 | 5,175,194 |
| Unallocated assets | | | | <u>45,590</u> |
| Consolidated total assets | | | | <u>5,220,784</u> |
| Liabilities | | | | |
| Segment liabilities | 2,347,928 | 576,134 | 117,073 | 3,041,135 |
| Unallocated liabilities | | | | <u>31,089</u> |
| Consolidated total liabilities | | | | <u>3,072,224</u> |

| | As at 31 March 2018 | | | Total HK\$'000 |
|--------------------------------|------------------------------------|--|--|-------------------|
| | Die-casting machine HK\$'000 | Plastic injection moulding machine HK\$'000 | CNC machining centre HK\$'000 | |
| Assets | | | | |
| Segment assets | 3,407,537 | 1,572,075 | 600,650 | 5,580,262 |
| Unallocated assets | | | | 67,535 |
| Consolidated total assets | | | | <u>5,647,797</u> |
| Liabilities | | | | |
| Segment liabilities | 2,406,585 | 846,073 | 117,260 | 3,369,918 |
| Unallocated liabilities | | | | 37,585 |
| Consolidated total liabilities | | | | <u>3,407,503</u> |

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

- all assets are allocated to reportable segments other than corporate assets, insurance policy investments and financial assets at fair value through other comprehensive income (2018: 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 2019 | | | | Total HK\$'000 |
|--|------------------------------------|---|--|-------------------------|-------------------|
| | Die-casting machine HK\$'000 | Plastic injection moulding machine HK\$'000 | CNC machining centre HK\$'000 | Unallocated HK\$'000 | |
| Additions to non-current assets ¹ | 43,510 | 32,307 | 4,513 | 34,472 | 114,802 |
| Depreciation and amortisation | 78,553 | 44,804 | 13,773 | 1,578 | 138,708 |
| Provision for inventories write-down | 6,984 | 3,540 | 17,730 | – | 28,254 |
| Provision for/(reversal of) impairment of trade receivables – net | 4,669 | 7,444 | (143) | – | 11,970 |

| | For the year ended 31 March 2018 | | | | Total <i>HK\$'000</i> |
|--|---|--|---|--------------------------------|--------------------------|
| | Die-casting machine <i>HK\$'000</i> | Plastic injection moulding machine <i>HK\$'000</i> | CNC machining centre <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | |
| Additions to non-current assets ¹ | 78,023 | 36,782 | 897 | 313 | 116,015 |
| Depreciation and amortisation | 79,826 | 37,413 | 14,326 | 3,114 | 134,679 |
| (Reversal of)/provision for inventories write-down | (6,765) | 6,763 | 14,176 | – | 14,174 |
| Provision for/(reversal of) impairment of trade receivables – net | 12,224 | (492) | 184 | – | 11,916 |
| | <u>12,224</u> | <u>(492)</u> | <u>184</u> | <u>–</u> | <u>11,916</u> |

¹ Non-current assets exclude interests in joint ventures, interest in an associate, deferred income tax assets, insurance policy investments, financial assets at fair value through other comprehensive income (2018: 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 2019 and 31 March 2018.

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Analysis of revenue by category | | |
| Sales of die-casting machine | 2,553,286 | 2,507,914 |
| Sales of plastic injection moulding machine | 948,509 | 1,078,915 |
| Sales of CNC machining centre | 102,654 | 141,704 |
| | <u>3,604,449</u> | <u>3,728,533</u> |

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 | |
|-----------------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
| Mainland China | 2,715,134 | 2,963,770 | 1,589,708 | 1,697,336 |
| Hong Kong | – | – | 20,254 | 21,343 |
| Europe | 349,241 | 287,098 | 19,043 | 20,326 |
| North America | 165,512 | 192,629 | 26,369 | 25,456 |
| Central America and South America | 152,004 | 142,434 | – | – |
| Other countries | 222,558 | 142,602 | 50,126 | 56,696 |
| | 3,604,449 | 3,728,533 | 1,705,500 | 1,821,157 |

Note: Non-current assets exclude interests in joint ventures, interest in an associates, insurance policy investments, financial assets at fair value through other comprehensive income (2018: 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

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Amortisation of land use rights | 7,740 | 6,727 |
| Amortisation of trademarks | 54 | 129 |
| Amortisation of patents | 43 | 1,602 |
| Amortisation of development costs and others | 3,468 | 3,519 |
| Depreciation of property, plant and equipment | 127,403 | 122,702 |
| Provision for impairment of trade receivables – net | 11,970 | 11,916 |
| Provision for inventories write-down | 28,254 | 14,174 |

5 OTHER GAINS – NET

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Net foreign exchange (loss)/gain | (21,079) | 18,806 |
| Increase in fair value of investment properties | 17,605 | 80,791 |
| Gain/(loss) on disposals of property, plant and equipment (<i>Note</i>) | 82,707 | (2,393) |
| Others | – | (310) |
| | <u>79,233</u> | <u>96,894</u> |

Note: During the year ended 31 March 2019, the gain included the compensation payment received from the government in the amount of HK\$88,476,000 (Net gain: HK\$84,611,000) in relation to a governmental resumption of a part of a land parcel owned by the Group in Shenzhen, and the removal of the staff dormitory and related facilities thereon.

6 FINANCE COSTS – NET

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Finance income: | | |
| Interest income on short-term bank deposits | (5,474) | (4,695) |
| Finance costs: | | |
| Interest on bank loans and overdrafts wholly repayable within five years | 79,039 | 71,871 |
| Charges on bills receivables discounted without recourse | 2,353 | 1,214 |
| | <u>81,392</u> | <u>73,085</u> |
| | <u>75,918</u> | <u>68,390</u> |

7 INCOME TAX EXPENSE

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| The tax charge for the year comprises: | | |
| Current income tax | | |
| – PRC income tax | 49,538 | 76,714 |
| – Hong Kong profits tax | 106 | – |
| – Overseas tax | 11,448 | 560 |
| – Under-provision in prior years | – | 6,767 |
| | <u>61,092</u> | <u>84,041</u> |
| Deferred income tax | 2,004 | 2,308 |
| Tax charge | <u>63,096</u> | <u>86,349</u> |

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2018: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai 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. Pursuant to the implementation rules of the Corporate Income Tax Law of the PRC and 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% (2018: 16.5%) on the estimated assessable profits for the year. Hong Kong profits tax of HK\$106,000 has been provided for the year ended 31 March 2019 as the subsidiaries established in Hong Kong have assessable profits for the current year (2018: Nil).

For the year ended 31 March 2019, 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.

8 DIVIDENDS

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Interim dividend | 29,781 | 38,121 |
| Proposed final dividend | 26,207 | 81,006 |
| | 55,988 | 119,127 |

A final dividend in respect of the year ended 31 March 2019 of HK2.2 cents per ordinary share, amounting to a total dividend of HK\$26,207,000, is to be proposed at the forthcoming annual general meeting on 5 September 2019. These consolidated financial statements do not reflect these dividends payables.

9 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\$190,676,000 (2018: HK\$241,669,000) and on the weighted average number of approximately 1,191,265,000 (2018: 1,112,549,000) ordinary shares in issue excluding own shares held during the year.

| | 2019 | 2018 |
|---|------------------|-----------|
| Profit attributable to owners of the Company (<i>HK\$'000</i>) | 190,676 | 241,669 |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 1,191,265 | 1,112,549 |
| Basic earnings per share (<i>HK cents</i>) | 16.0 | 21.7 |

(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 perpetual convertible securities were fully converted into ordinary shares on 11 December 2017.

| | 2019 | 2018 |
|--|-------------------------|------------------|
| Profit attributable to owners of the Company (<i>HK\$'000</i>) | <u>190,676</u> | <u>241,669</u> |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 1,191,265 | 1,112,549 |
| Assumed conversion of perpetual convertible securities (<i>thousands</i>) | <u>–</u> | <u>40,521</u> |
| Weighted average number of ordinary shares of diluted earnings per share (<i>thousands</i>) | <u>1,191,265</u> | <u>1,153,070</u> |
| Diluted earnings per share (<i>HK cents</i>) | <u>16.0</u> | <u>21.0</u> |

10 TRADE AND BILLS RECEIVABLES

| | 2019 | 2018 |
|--|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 1,118,530 | 1,097,168 |
| Less: Provision for impairment | <u>(118,790)</u> | <u>(112,215)</u> |
| Bills receivables | 999,740 | 984,953 |
| | <u>308,803</u> | <u>347,899</u> |
| Less: Balance due after one year shown as non-current assets | 1,308,543 | 1,332,852 |
| | <u>(19,901)</u> | <u>(23,672)</u> |
| Trade and bills receivables, net | <u>1,288,642</u> | <u>1,309,180</u> |

The amount of provision for impairment of trade receivables was HK\$118,790,000 (2018: HK\$112,215,000). 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:

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 90 days | 564,181 | 549,281 |
| 91–180 days | 163,829 | 215,778 |
| 181–365 days | 154,172 | 135,913 |
| Over one year | 236,348 | 196,196 |
| | <u>1,118,530</u> | <u>1,097,168</u> |

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.

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

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade payables | 568,958 | 849,374 |
| Bills payables | 145,204 | 221,143 |
| Other deposits | 5,199 | 4,597 |
| Trade deposits and receipts in advance (<i>Note</i>) | 224,587 | 251,984 |
| Accrued salaries, bonuses and staff benefits | 92,845 | 87,182 |
| Accrued sales commission | 49,876 | 52,664 |
| Value added tax payable | 17,737 | 22,071 |
| Others | 160,892 | 162,964 |
| | <u>1,265,298</u> | <u>1,651,979</u> |

Note: The Group recognised its contract liabilities under “Trade and bills payables, other payables, deposits and accruals” as “Trade deposits and receipts in advance” in the consolidated statement of financial position.

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

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 90 days | 414,752 | 699,592 |
| 91–180 days | 123,262 | 107,980 |
| 181–365 days | 13,693 | 32,627 |
| Over one year | 17,251 | 9,175 |
| | <u>568,958</u> | <u>849,374</u> |

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\$3,604,449,000 for the twelve months ended 31 March 2019 (the “Year”), representing a decrease of 3.3% compared to last year. During the Year, profit attributable to owners of the Company amounted to HK\$190,676,000, representing a decrease of approximately 20.9% compared to last year.

The decrease in revenue was mainly due to the decrease in revenue from the sales of the Group in the China market. During the Year, the Group’s revenue from the China market amounted to HK\$2,715,134,000, representing a decrease of 8.4% as compared to last year.

China’s national economy performed well in 2018 despite exceptionally complex and challenging international developments. According to the data published by the National Bureau of Statistics, China achieved a 6.6% GDP growth for 2018, year-on-year, underpinned by an upgraded and optimised industrial structure, stable personal income and sound employment rate. Nevertheless, the automobile industry endured generally bleak sentiments owing to factors such as the withdrawal of the policy of favourable measures for car buyers, China-U.S. trade dispute and waning consumer confidence. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles in China for 2018 reached 27.80 million and 28.08 million, representing year-on-year decrease of 4.2% and 2.5%, respectively. The production and sales volume of the new energy vehicles reached 1,270,000 and 1,256,000, respectively, representing year-on-year growth of 59.9% and 61.7%, respectively. The ongoing rapid growth of new energy vehicles has provided a strong driving force for the development of the aluminium alloy die-casting in the automobile industry.

In connection with the overseas markets, the American market underwent significant adjustments with a slowdown in the demand for corporate investment after substantial growth in the past two years, and nevertheless, the Group continued to explore other markets. The Group’s overseas revenue for the Year amounted to HK\$889,315,000, representing a 16.3% growth compared with that of last year.

Die-casting Machine

The Group’s revenue from the die-casting machine and peripheral equipment business for the Year amounted to HK\$2,553,286,000, representing an increase of 1.8% as compared to HK\$2,507,914,000 for last year.

Specifically, revenue generated from the China market amounted to HK\$1,742,882,000, representing a decrease of 4.5% as compared to HK\$1,825,137,000 for last year. There was a slowdown in growth of the die-casting industry in tandem with the overall bleak sentiments in China’s automobile industry. Revenue from the overseas markets amounted to HK\$810,404,000, representing a 18.7% growth over HK\$682,777,000 as recorded for last year, which was primarily attributable to the sound results achieved by IDRA, our Italian subsidiary, in the international market.

Plastic Injection Moulding Machine

Turnover of the plastic injection moulding machine of the Group for the Year amounted to HK\$948,509,000, representing a decrease of 12.1% compared with HK\$1,078,915,000 of last year. Since the implementation of the U.S. tariff policy in July 2018, the downstream industries of plastic injection moulding machine such as household electrical appliances and 3C had been subject to considerable downside pressure, resulting in extremely intense competition among enterprises engaged in the business of plastic injection moulding machines.

Computerised Numerical Controlled (“CNC”) Machining Centre

Revenue of the Group’s CNC machining centre business for the Year amounted to HK\$102,654,000, representing a 27.6% decrease as compared to HK\$141,704,000 for last year. Following the Group’s effort to lower operating costs, enhance its liquidity position and improve its management processes, losses were contained during the Period under Review.

Financial Review

The overall gross profit margin of the Group’s business for the Period under Review decreased by 2.3%, year-on-year, to 24.7%, reflecting mainly extremely intense market competition and rising prices for raw materials.

Selling and distribution expenses amounted to HK\$339,092,000, representing a decrease of 3.1% as compared to HK\$350,095,000 for last year, which was mainly due to lower transportation costs and agency costs for the Year.

General and administrative expenses amounted to HK\$365,162,000, representing a decrease of 14.1% as compared to HK\$425,281,000 for last year. Last year, the Group recorded employee remuneration and benefit expenses amounting to HK\$48,177,000 as a result of the grant of shares to the employees by the Group under the Share Award Scheme. There was no such grant of shares this year.

Net finance costs amounted to HK\$75,918,000, representing an 11% increase as compared to HK\$68,390,000 for last year, which was mainly attributable to the increase in working capital loans which has led to higher funding cost, rising interest rates for domestic and overseas debt market.

Prospects

Tensions in China – U.S. trade has escalated following the imposition of tariff on exports to the U.S. in July 2018. Escalating trade conflicts have resulted in considerable pressure for the depreciation of RMB exchange rates, which has in turn steepened the stock market plummet and dealt a blow to investors’ confidence as well as consumers’ purchasing behaviour. As such, the PRC economy and market is expected to be adversely affected in many ways.

The development of the PRC manufacturing industry will be subject to increasing uncertainties with a significantly greater downside pressure, as enterprises will encounter more difficulties in their operations. After a period of rapid development, the industrial equipment industry is currently dealing with corrections and decline in overall demand, underpinned by reduced orders and increasing competition among enterprises.

Notwithstanding such difficulties and challenges, the Group will seek to meet the ever-increasing demand of customers by continuing to enhance its investment in research and development and improve the quality of its products, on the back of its sound talent pool and the excellent professional qualities of its production and technical staff.

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 2019, the Group's cash and bank balances amounted to HK\$634,699,000 (2018: HK\$628,672,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 52% (2018: 47%).

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

As at 31 March 2019, the capital structure of the Company was constituted exclusively of 1,191,265,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,751,495,000 (2018: HK\$1,691,399,000), approximately 75% (2018: 65%) of which being short-term loans. Approximately 10% (2018: 17%) 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 31 March 2019, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$108,960,000 (2018: HK\$262,468,000). The Group has also provided guarantees in respect of financial facilities of its customers to leasing finance providers amounting to approximately HK\$13,851,000 (2018: HK\$34,608,000).

Pledge of Assets

The Group's banking facilities and financial guarantees contracts were secured by the assets of the Group, including restricted bank balances, land use rights, investment properties, property, plant and equipment, insurance policy investments, financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets) and bills receivables, with aggregate carrying amounts of HK\$671,646,000 (2018: HK\$929,126,000).

Capital Commitments

As at 31 March 2019, the Group had made capital expenditure commitments amounts of HK\$6,129,000 (2018: HK\$6,576,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2019, the Group employed approximately 3,900 full time staff. The staff costs for the current year amounted to HK\$618,271,000 (2018: HK\$663,574,000). 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 benefits 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 2019, 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.

DIVIDENDS

An interim dividend of HK2.5 cents per ordinary share in respect of the period ended 30 September 2018 was paid on 18 January 2019.

The Board recommended a payment of final dividend of HK2.2 cents per ordinary share for the year ended 31 March 2019 (2018: HK6.8 cents), subject to Shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 5 September 2019 and payable to the Shareholders whose names appear on the register of members of the Company on Tuesday, 17 September 2019. The dividend will be paid on or about Thursday, 26 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 5 September 2019, the register of members of the Company will be closed from Monday, 2 September 2019 to Thursday, 5 September 2019 (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, 30 August 2019.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 16 September 2019 to Tuesday, 17 September 2019, (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, 13 September 2019.

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 2019.

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 2019.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah and Dr. Low Seow Chay.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019.

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 2019 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 2019 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, 5 September 2019. 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 2018/19 in due course.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 27 June 2019

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 independent non-executive Directors are Dr. Low Seow Chay, Dr. Lui Ming Wah, SBS, JP, and Mr. Tsang Yiu Keung, Paul.