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 2018

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 2018 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	3	**3,728,533**	3,224,781
Cost of sales	4	**(2,723,484)**	(2,407,112)
Gross profit		**1,005,049**	817,669
Other income		**66,336**	42,582
Other gains – net	5	**96,894**	9,241
Gain on disposal of a subsidiary		**–**	45,712
Selling and distribution expenses	4	**(350,095)**	(302,566)
General and administrative expenses	4	**(425,281)**	(353,620)
Operating profit		**392,903**	259,018
Finance income	6	**4,695**	3,274
Finance costs	6	**(73,085)**	(65,881)
Finance costs – net	6	**(68,390)**	(62,607)
Share of profit of an associate		**2,824**	767
Profit before income tax		**327,337**	197,178
Income tax expense	7	**(86,349)**	(60,537)
Profit for the year		**240,988**	136,641
Profit attributable to:			
Owners of the Company		**241,669**	136,789
Non-controlling interests		**(681)**	(148)
		240,988	136,641
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	9(a)	**21.7**	12.3
– Diluted	9(b)	**21.0**	11.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**240,988**	136,641
Other comprehensive income for the year:		
Items that may be reclassified to profit or loss		
Currency translation difference		
Gains/(losses) arising during the year	**275,659**	(118,000)
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	**(59)**	243
Item that will not be reclassified subsequently to profit or loss		
Gain on revaluation of leasehold land and building upon transfer to investment properties	**–**	16,518
Total comprehensive income for the year, net of tax	**516,588**	36,741
Total comprehensive income attributable to:		
– Owners of the Company	**517,269**	36,889
– Non-controlling interests	**(681)**	(148)
	516,588	36,741

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Intangible assets		**11,015**	10,562
Property, plant and equipment		**1,142,119**	1,055,978
Investment properties		**353,420**	242,200
Land use rights		**301,049**	278,202
Interests in joint ventures		**–**	–
Interest in an associate		**34,633**	28,434
Other receivables and deposits		**17,451**	20,476
Deferred income tax assets		**87,980**	80,890
Trade and bills receivables	10	**23,672**	10,808
Available-for-sale financial assets		**17,967**	7,665
Restricted bank balances		**11,702**	20,454
Total non-current assets		**2,001,008**	1,755,669
Current assets			
Inventories		**1,372,001**	1,061,871
Trade and bills receivables	10	**1,309,180**	1,080,316
Other receivables, prepayments and deposits		**262,870**	174,217
Restricted bank balances		**74,066**	67,038
Cash and cash equivalents		**628,672**	422,655
Total current assets		**3,646,789**	2,806,097
Total assets		**5,647,797**	4,561,766

	Note	**2018**	2017
		HK$'000	*HK$'000*
Equity			
Share capital		**119,127**	113,327
Shares held for share award scheme		**–**	(32,446)
Reserves		**1,110,033**	808,734
Retained earnings		**1,011,134**	847,039
Equity attributable to owners of the Company		**2,240,294**	1,736,654
Non-controlling interests		**–**	1,992
Total equity		**2,240,294**	1,738,646
Non-current liabilities			
Deferred income tax liabilities		**18,173**	17,468
Borrowings		**592,765**	458,561
Other payables		**8,728**	7,740
Total non-current liabilities		**619,666**	483,769
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	11	**1,651,979**	1,333,590
Borrowings		**1,098,634**	959,304
Current income tax liabilities		**37,224**	46,457
Total current liabilities		**2,787,837**	2,339,351
Total liabilities		**3,407,503**	2,823,120
Total equity and liabilities		**5,647,797**	4,561,766

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 available-for-sale financial assets and investment properties, which are carried at fair value.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2017:

Standards	Subject of amendment
HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses
HKFRS 12 (Amendments)	Annual improvements 2014–2016 cycle

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

(b) New accounting standards, amendments to existing standards and interpretations 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
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
HKFRS 9 *(note (i))*	Financial instruments	1 January 2018
HKFRS 15 *(note (ii))*	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle	1 January 2018
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16 *(note (iii))*	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual improvements 2015–2017 cycle	1 January 2019
HKAS 19 (Amendments)	Employee benefits: plan amendment, curtailment or settlement	1 January 2019

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKAS 28 (Amendments)	Long-term interests in an associate or joint venture	1 January 2019
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 9, "Financial Instruments"

Nature of change

HKFRS 9 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.

Impact

The financial assets held by the Group include unlisted investments currently classified as available-for-sale for which a fair value through other comprehensive income ("FVOCI") election is available.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of the financial assets at FVOCI will no longer be transferred to profits or loss on sale, but instead reclassified from the FVOCI reserve to retained earnings.

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 ("ECL") 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. The Group is currently assessing the effects of applying this new standard on the Group's financial statements. At this stage, the Group is not able to estimate the effect of how its impairment provision would be affected by the new model. Based on the assessments undertaken to date, the Group expects it may have material impact, resulting 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.

Date of adoption by the Group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 31 March 2018 will not be restated.

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

Nature of change

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 and the related literature.

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 the adoption.

Impact

The Group performed a preliminary assessment of HKFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The following revenue stream has been identified as being impacted by the adoption of the new standard:

Area:	The provision of 1 year free warranty to customers where the Group acts as the principal in the supply of the warranty service.
Current treatment:	The Group provides an estimate of the cost of fulfilling the future obligation on the sale of the machines. The cost of fulfilling the obligation when it arises is then charged against the provision.
New treatment under HKFRS 15:	A proportion of revenue will be allocated to the warranty obligation and deferred to the statement of financial position. The revenue will subsequently be recognised over time along with the costs incurred in fulfilling any warranty obligations.

The Group is still assessing the effects of applying this new standard. Based on management's initial assessment, the adoption of HKFRS 15 is not expected to have a material impact on the Group's consolidated financial statements.

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1 April 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

(iii) HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It 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

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$66,447,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expenses in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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.

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 2018 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	**2,507,914**	**1,078,915**	**141,704**	**3,728,533**	**–**	**3,728,533**
Inter-segments sales	**110,375**	**–**	**–**	**110,375**	**(110,375)**	**–**
	2,618,289	**1,078,915**	**141,704**	**3,838,908**	**(110,375)**	**3,728,533**
Results						
Segment results	**343,693**	**96,675**	**(8,339)**	**432,029**	**–**	**432,029**
Administrative expenses						**(39,126)**
Finance income						**4,695**
Finance costs						**(73,085)**
Share of profit of an associate						**2,824**
Profit before income tax						**327,337**

The segment results for the year ended 31 March 2017 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	2,241,147	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

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

	As at 31 March 2017			
	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC machining centre *HK$'000*	Total *HK$'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

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 2018				
	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]	**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**

	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

[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 2018 and 31 March 2017.

	2018	2017
	HK$'000	*HK$'000*
Analysis of revenue by category		
Sales of die-casting machine	**2,507,914**	2,241,147
Sales of plastic injection moulding machine	**1,078,915**	848,573
Sales of CNC machining centre	**141,704**	135,061
	3,728,533	3,224,781

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]	
	2018	2017	**2018**	2017
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
Mainland China	**2,963,770**	2,490,736	**1,697,336**	1,470,504
Hong Kong	**–**	–	**21,343**	22,516
Europe	**287,098**	358,651	**20,326**	18,296
North America	**192,629**	226,379	**25,456**	22,897
Central America and South America	**142,434**	69,557	**–**	–
Other countries	**142,602**	79,458	**56,696**	57,118
	3,728,533	3,224,781	**1,821,157**	1,591,331

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

	2018	2017
	HK\$'000	*HK\$'000*
Amortisation of land use rights	**6,727**	6,747
Amortisation of trademarks	**129**	136
Amortisation of patents	**1,602**	214
Amortisation of development costs and others	**3,519**	4,839
Depreciation of property, plant and equipment	**122,702**	117,595
Provision for impairment of trade receivables – net	**11,916**	27,353
Provision for inventories write-down	**14,174**	38,716

5 OTHER GAINS – NET

	2018	2017
	HK\$'000	*HK\$'000*
Net foreign exchange gain/(loss)	**18,806**	(15,177)
Increase in fair value of investment properties	**80,791**	29,141
Loss on disposals of property, plant and equipment	**(2,393)**	(1,904)
Others	**(310)**	(2,819)
	96,894	9,241

6 FINANCE COSTS – NET

	2018 *HK$'000*	2017 *HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(4,695)**	(3,274)
Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	**71,871**	66,060
Charges on bills receivables discounted without recourse	**1,214**	1,574
Less: Capitalised in property, plant and equipment (Note i)	**–**	(1,753)
	73,085	65,881
	68,390	62,607

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of nil (2017: 4.10%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSE

	2018 *HK$'000*	2017 *HK$'000*
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	**76,714**	52,687
– Overseas tax	**560**	23,879
– Under-provision in prior years	**6,767**	–
	84,041	76,566
Deferred income tax	**2,308**	(16,029)
Tax charge	**86,349**	60,537

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2017: 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% (2017: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2018 as the subsidiaries established in Hong Kong either have unutilised tax losses available to set off current year's assessable profits or have no assessable profits for the current year (2017: Nil).

For the year ended 31 March 2018, 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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend	**38,121**	20,398
Proposed final dividend	**81,006**	18,132
	119,127	38,530

A final dividend in respect of the year ended 31 March 2018 of HK6.8 cents per ordinary share, amounting to a total dividend of HK$81,006,000, is to be proposed at the forthcoming annual general meeting on 6 September 2018. 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$241,669,000 (2017: HK$136,789,000) and on the weighted average number of approximately 1,112,549,000 (2017: 1,112,318,000) ordinary shares in issue excluding own shares held during the year.

	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**241,669**	136,789
Weighted average number of ordinary shares in issue *(thousands)*	**1,112,549**	1,112,318
Basic earnings per share *(HK cents)*	**21.7**	12.3

(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 category of dilutive potential ordinary share: perpetual convertible securities (2017: same). The perpetual convertible securities were fully converted into ordinary shares on 11 December 2017.

	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**241,669**	136,789
Weighted average number of ordinary shares in issue *(thousands)*	**1,112,549**	1,112,318
Assumed conversion of perpetual convertible securities *(thousands)*	**40,521**	58,000
Weighted average number of ordinary shares of diluted earnings per share *(thousands)*	**1,153,070**	1,170,318
Diluted earnings per share *(HK cents)*	**21.0**	11.7

10 TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**1,097,168**	878,603
Less: Provision for impairment	**(112,215)**	(94,694)
	984,953	783,909
Bills receivables	**347,899**	307,215
	1,332,852	1,091,124
Less: Balance due after one year shown as non-current assets	**(23,672)**	(10,808)
Trade and bills receivables, net	**1,309,180**	1,080,316

The amount of provision for impairment of trade receivables was HK$112,215,000 (2017: HK$94,694,000). 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:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**549,281**	502,619
91–180 days	**215,778**	94,949
181–365 days	**135,913**	105,750
Over one year	**196,196**	175,285
	1,097,168	878,603

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**849,374**	631,232
Bills payables	**221,143**	223,446
Trade and other deposits and receipts in advance	**256,581**	181,151
Accrued salaries, bonuses and staff benefits	**87,182**	74,688
Accrued sales commission	**52,664**	32,408
Value added tax payable	**22,071**	34,356
Others	**162,964**	156,309
	1,651,979	1,333,590

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**699,592**	554,723
91–180 days	**107,980**	61,204
181-365 days	**32,627**	7,928
Over one year	**9,175**	7,377
	849,374	631,232

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$3,728,533,000 for the twelve months ended 31 March 2018 (the "Year"), representing an increase of approximately 15.6% compared to last year. During the Year, profit attributable to owners of the Company amounted to HK$241,669,000, representing an increase of approximately 76.7% compared to last year.

The increase in revenue was mainly due to the significant increase 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$2,963,770,000, representing an increase of 19.0% as compared to last year.

In 2017, the overall momentum of the PRC's national economy remained robust and maintained a steady development trend, with major economic development targets for the Year successfully accomplished. The GDP recorded a year-on-year growth of 6.9% to RMB82 trillion. During the Year, major progress has been achieved in the supply-side structural reform with constant improvement in the quality and efficiency of economic development. By 2017, the automobile market in the PRC ranked No. 1 in the world in terms of production and sales volume for nine consecutive years, remaining the most robust market in the world. Given that the marginal propensity to consume further increased on the back of the higher percapita income, the consumption of automobiles registered persistent growth driven by the stronger demand. The domestic manufacturing industry witnessed a desirable trend of stable growth with improved revenue. The Group strived to strengthen its marketing efforts and optimised the marketing system, with an aim to reinforce its dominant position in the market. In particular, the plastic injection moulding machine business sustained rapid growth.

As for overseas markets, the European market underwent notable adjustment with a prolonged slowdown in corporate investment demand. However, the Group continued to explore other markets. During the Year, the Group's overseas turnover was HK$764,763,000, representing an increase of 4.2% compared with last year.

Die-casting Machine

During the Year, the Group's revenue from the die-casting machine and peripheral equipment business amounted to HK$2,507,914,000, representing an increase of 11.9% as compared to HK$2,241,147,000 for last year.

Specifically,the revenue generated from the China market amounted to HK$1,825,137,000, representing an increase of 17.3% as compared to HK$1,556,587,000 for last year. The income from operations showed continuous recovery across the board and marked a new high in recent years. The revenue of overseas market was HK$682,777,000, which was basically in line with HK$684,560,000 as recorded for last year.

Plastic Injection Moulding Machine

During the Year, the turnover of the plastic injection moulding machine of the Group was HK$1,078,915,000, representing an increase of 27.1% compared with HK$848,573,000 of last year. The demand for major models of machines continued to witness a remarkable rebound. The Group spared no effort in its marketing campaigns to function as strong growth drivers and pushed forward the optimisation of its marketing system in a bid to sharpen its competitive edges.

Computerised Numerical Controlled ("CNC") Machining Centre

During the Year, the revenue of the CNC machining centre business of the Group was HK$141,704,000, representing an increase of 4.9% as compared to HK$135,061,000 for last year. The Group endeavored to lower operating costs, enhance its liquidity position and improve management processes. Therefore, the loss-making situation was brought under control during the Year.

Financial Review

During the Year, the overall gross profit margin of the business of the Group was 27.0%, representing an increase of approximately 1.6% as compared to last year, which was mainly due to the sustained improvements in operational efficiencies of the Group, among which the improvement in die-casting machine business was remarkable.

Selling and distribution expenses amounted to HK$350,095,000, representing an increase of 15.7% as compared to HK$302,566,000 for last year, which was mainly due to increase in transportation costs and agency costs for the Year.

General and administrative expenses amounted to HK$425,281,000, representing an increase of 20.3% as compared to HK$353,620,000 for last year, which was mainly due to the employee remuneration and benefit expenses of HK$48,177,000 as a result of grant of shares to the employees under the Share Award Scheme by the Group in October 2017.

Net finance costs amounted to HK$68,390,000, representing an increase of 9.2% as compared to HK$62,607,000 for last year, which was mainly attributable to the increase in funding costs due to the rising interest rates for domestic and overseas loans.

Prospects

Following years of struggle with the scaling down and rebalancing of supply and demand in the machinery industry, 2017 marked a turnaround year for the industry on the back of the recovered demand and optimised industry competitive landscape. In the coming year, with the ongoing accelerated development in both industrialisation and urbanisation, persistent growth in the GDP and resident income, coupled with the increasing demands for automobiles in the third- and fourth-tier cities and rural markets, the automobile consumption market in China is expected to further expand, which will promote the development of the machinery industry.

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 2018, the Group's cash and bank balances amounted to HK$628,672,000 (2017: HK$422,655,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 47% (2017: 57%).

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

As at 31 March 2018, the capital of the Company comprised 1,191,265,000 ordinary shares of HK$0.1 each. The total amount of outstanding borrowings was HK$1,691,399,000 (2017: HK$1,417,865,000), approximately 65% (2017: 68%) of which being short-term loans. Approximately 17% (2017: 15%) of the total borrowings 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 2018, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK$262,468,000 (2017: HK$311,428,000). The Group has also provided guarantees in respect of financial facilities of its customers to leasing finance providers amounting to approximately HK$34,608,000 (2017: HK$39,658,000).

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, available-for-sale financial assets and bills receivables, with aggregate carrying amounts of HK$929,126,000 (2017: HK$739,598,000).

Capital Commitments

As at 31 March 2018, the Group had made capital expenditure commitments amounts of HK$6,576,000 (2017: HK$8,323,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2018, the Group employed approximately 4,100 full time staff. The staff costs for the current year amounted to HK$663,574,000 (2017: HK$546,419,000). 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 2018, 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 7,122,500 shares of the Company at a total consideration of approximately HK$4,615,000 during the Year.

DIVIDENDS

An interim dividend of HK3.2 cents per ordinary share in respect of the period ended 30 September 2017 was paid on 10 January 2018.

The Board recommended a payment of final dividend of HK6.8 cents per ordinary share for the year ended 31 March 2018 (2017: HK1.6 cents), subject to Shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 6 September 2018 and payable to the Shareholders whose names appear on the register of members of the Company on Wednesday, 19 September 2018. The dividend will be paid on or about Tuesday, 9 October 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 6 September 2018, the register of members of the Company will be closed from Monday, 3 September 2018 to Thursday, 6 September 2018 (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, 31 August 2018.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 18 September 2018 to Wednesday, 19 September 2018, (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 Monday, 17 September 2018.

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 2018.

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 2018.

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 2018.

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 2018 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 2018 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, 6 September 2018. 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 2017/18 in due course.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 28 June 2018

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.