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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 2020**

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 2020 together with the comparative figures for the previous year.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	<b>2,746,099</b>	3,604,449
Cost of sales	3	<b>(2,027,618)</b>	(2,714,690)
Gross profit		<b>718,481</b>	889,759
Other income		<b>69,718</b>	64,700
Other (losses)/gains – net	4	<b>(11,179)</b>	79,233
Selling and distribution expenses	3	<b>(290,901)</b>	(339,092)
General and administrative expenses	3	<b>(333,605)</b>	(353,192)
Provision for impairment of trade receivables – net	3	<b>(21,515)</b>	(11,970)
Operating profit		<b>130,999</b>	329,438
Finance income	5	<b>5,305</b>	5,474
Finance costs	5	<b>(85,220)</b>	(81,392)
Finance costs – net	5	<b>(79,915)</b>	(75,918)
Share of (loss)/profit of associates		<b>(970)</b>	252
Profit before income tax		<b>50,114</b>	253,772
Income tax expense	6	<b>(46,836)</b>	(63,096)
Profit attributable to owners of the Company		<b>3,278</b>	190,676
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	8(a)	<b>0.3</b>	16.0
– Diluted	8(b)	<b>0.3</b>	16.0

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Profit attributable to owners of the Company	<b>3,278</b>	190,676
Other comprehensive (loss)/income for the year		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference		
Losses arising during the year	<b>(139,269)</b>	(163,305)
Change in value of insurance policy investments	<b>291</b>	430
<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 (loss)/income attributable to owners of the Company, net of tax	<b>(135,700)</b>	30,613

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		<b>12,887</b>	11,462
Property, plant and equipment		<b>907,429</b>	1,011,716
Investment properties		<b>314,825</b>	328,614
Right-of-use assets		<b>347,616</b>	–
Land use rights		–	340,979
Interests in joint ventures		–	–
Interests in associates		<b>27,915</b>	32,848
Other receivables and deposits		<b>29,054</b>	12,729
Deferred income tax assets		<b>96,309</b>	83,220
Trade and bills receivables	9	<b>14,962</b>	19,901
Insurance policy investments		<b>12,438</b>	12,147
Financial asset at fair value through other comprehensive income		<b>5,555</b>	5,882
Restricted bank balances		<b>329</b>	2,364
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>1,769,319</b>	1,861,862
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>1,128,346</b>	1,197,255
Trade and bills receivables	9	<b>1,143,069</b>	1,288,642
Other receivables, prepayments and deposits		<b>164,611</b>	193,841
Restricted bank balances		<b>79,867</b>	44,485
Cash and cash equivalents		<b>713,793</b>	634,699
		<hr/>	<hr/>
<b>Total current assets</b>		<b>3,229,686</b>	3,358,922
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>4,999,005</b>	5,220,784
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<b>Equity</b>			
Share capital		<b>119,127</b>	119,127
Reserves		<b>833,428</b>	961,757
Retained earnings		<b>1,034,097</b>	1,067,676
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,986,652</b>	2,148,560
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	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>31,921</b>	20,445
Borrowings		<b>9,710</b>	438,174
Lease liabilities		<b>25,289</b>	–
Other payables		<b>6,265</b>	7,818
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>73,185</b>	466,437
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<b>Current liabilities</b>			
Trade and bills payables, other payables, deposits and accruals	10	<b>1,160,616</b>	1,265,298
Borrowings		<b>1,755,797</b>	1,313,321
Lease liabilities		<b>8,559</b>	–
Current income tax liabilities		<b>14,196</b>	27,168
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>2,939,168</b>	2,605,787
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>3,012,353</b>	3,072,224
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>4,999,005</b>	5,220,784
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## NOTES:

### 1 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The consolidated financial statements of the Group 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 asset at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

#### 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 2019:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HK (IFRIC) – Int 23	Uncertainty over income tax treatments
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
Annual Improvements Project	Annual improvements to HKFRSs 2015–2017 cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 1c. Other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### b. New and amended standards not yet adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Definition of a business	1 April 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 April 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedging accounting	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
HKFRS 10 and HKAS 28 (Amendments)	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 and amendments to existing standards.

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 16**

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 1a above, the Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.60%.

	<i>HK\$'000</i>
Operating lease commitments disclosed at 31 March 2019	48,524
Discounted using lessee's incremental borrowing rate as of 1 April 2019	42,255
Less: short-term leases recognised on a straight-line basis as expense	(408)
Less: low value leases recognised on a straight-line basis as expense	(615)
Lease liabilities recognised as at 1 April 2019	41,232
Analysed into:	
Current lease liabilities	8,651
Non-current lease liabilities	32,581
	41,232

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 April 2019.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- Land use rights – decrease by HK\$340,979,000
- Right-of-use assets – increase by HK\$382,218,000
- Prepayments – decrease by HK\$7,000
- Lease liabilities – increase by HK\$41,232,000

There are no impacts on retained earnings on 1 April 2019.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

## **2 SEGMENT INFORMATION**

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. Segment results represent the profit 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 2020 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
<b>Revenue</b>						
External sales	1,890,234	756,390	99,475	2,746,099	–	2,746,099
Inter-segments sales	18,623	–	–	18,623	(18,623)	–
	<u>1,908,857</u>	<u>756,390</u>	<u>99,475</u>	<u>2,764,722</u>	<u>(18,623)</u>	<u>2,746,099</u>
<b>Results</b>						
Segment results	<u>179,742</u>	<u>1,523</u>	<u>(18,095)</u>	<u>163,170</u>	<u>–</u>	<u>163,170</u>
Administrative expenses						(32,171)
Finance income						5,305
Finance costs						(85,220)
Share of loss of associates						<u>(970)</u>
Profit before income tax						<u>50,114</u>

The segment results for the year ended 31 March 2019 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
<b>Revenue</b>						
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>
<b>Results</b>						
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>

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 2020			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>	
<b>Assets</b>				
Segment assets	3,203,315	1,215,106	535,134	4,953,555
Unallocated assets				45,450
Consolidated total assets				<u>4,999,005</u>
<b>Liabilities</b>				
Segment liabilities	2,288,893	592,479	98,063	2,979,435
Unallocated liabilities				32,918
Consolidated total liabilities				<u>3,012,353</u>
	As at 31 March 2019			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>	
<b>Assets</b>				
Segment assets	3,309,284	1,309,635	556,275	5,175,194
Unallocated assets				45,590
Consolidated total assets				<u>5,220,784</u>
<b>Liabilities</b>				
Segment liabilities	2,347,928	576,134	117,073	3,041,135
Unallocated liabilities				31,089
Consolidated total liabilities				<u>3,072,224</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 asset at FVOCI (2019: same).
- 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 2020				
	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>	Total <i>HK\$'000</i>
Additions to non-current assets ( <i>Note</i> )	39,614	2,416	41,343	942	84,315
Depreciation and amortisation	78,545	43,577	13,757	1,919	137,798
Reversal of inventories write-down	(19,820)	(4,904)	(9,893)	–	(34,617)
Provision for/(reversal of) impairment of trade receivables – net	12,338	9,201	(24)	–	21,515
	<u>12,338</u>	<u>9,201</u>	<u>(24)</u>	<u>–</u>	<u>21,515</u>
	For the year ended 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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets ( <i>Note</i> )	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
	<u>4,669</u>	<u>7,444</u>	<u>(143)</u>	<u>–</u>	<u>11,970</u>

*Note:* Non-current assets exclude interests in joint ventures, interests in associates, deferred income tax assets, insurance policy investments, financial asset at FVOCI 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 2020 and 2019.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of die-casting machine	1,890,234	2,553,286
Sales of plastic injection moulding machine	756,390	948,509
Sales of CNC machining centre	99,475	102,654
	<u>2,746,099</u>	<u>3,604,449</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 <sup>1</sup>	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Mainland China	2,015,235	2,715,134	1,476,156	1,589,708
Hong Kong	–	–	19,764	20,254
Europe	261,296	349,241	45,115	19,043
North America	232,207	165,512	14,058	26,369
Central America and South America	73,838	152,004	–	–
Other countries	163,523	222,558	56,718	50,126
	<u>2,746,099</u>	<u>3,604,449</u>	<u>1,611,811</u>	<u>1,705,500</u>

<sup>1</sup> Non-current assets exclude interests in joint ventures, interests in associates, insurance policy investments, financial asset at FVOCI, non-current portion of trade and bills receivables, non-current portion of restricted bank balances and deferred income tax assets.

### 3 EXPENSES BY NATURE

	2020 HK\$'000	2019 HK\$'000
Amortisation of land use rights	–	7,740
Amortisation of intangible assets	3,918	3,565
Depreciation of property, plant and equipment	115,580	127,403
Depreciation of right-of-use assets	18,300	–
Provision for impairment of trade receivables – net	21,515	11,970
(Reversal of)/provision for inventories write-down	(34,617)	28,254
	<u>(34,617)</u>	<u>28,254</u>

### 4 OTHER (LOSSES)/GAINS – NET

	2020 HK\$'000	2019 HK\$'000
Net foreign exchange loss	(15,812)	(21,079)
Increase in fair value of investment properties	3,537	17,605
Net gain on disposals of property, plant and equipment ( <i>Note</i> )	1,096	82,707
	<u>(11,179)</u>	<u>79,233</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.

## 5 FINANCE COSTS – NET

	2020 HK\$'000	2019 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(5,305)	(5,474)
Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	82,266	79,039
Charges on bills receivables discounted without recourse	2,111	2,353
Interest on lease liabilities	1,194	–
Less: Capitalised in property, plant and equipment ( <i>Note i</i> )	(351)	–
	<u>85,220</u>	<u>81,392</u>
	<u><b>79,915</b></u>	<u><b>75,918</b></u>

*Note i:* Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.3% (2019: Nil) to expenditure on qualifying assets.

## 6 INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	28,823	47,212
– Hong Kong profits tax	–	106
– Overseas tax	8,429	11,448
– Withholding income tax on dividends	14,086	2,326
	<u>51,338</u>	<u>61,092</u>
Deferred income tax	(4,502)	2,004
Tax charge	<u><b>46,836</b></u>	<u><b>63,096</b></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% (2019: same).

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% (2019: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2020 (2019: HK\$106,000) as the subsidiaries established in Hong Kong had no assessable profits for the year ended 31 March 2020 (2019: as the subsidiaries established in Hong Kong had assessable profits).

For the year ended 31 March 2020, 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.

## 7 DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend	–	29,781
Proposed final dividend	–	26,208
	<u>–</u>	<u>26,208</u>
	<u>–</u>	<u>55,989</u>

The board of directors do not recommend the payment of a final dividend for the year ended 31 March 2020.

## 8 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\$3,278,000 (2019: HK\$190,676,000) and on the weighted average number of approximately 1,191,265,000 (2019: 1,191,265,000) ordinary shares in issue.

	2020	2019
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>3,278</u>	<u>190,676</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,191,265</u>	<u>1,191,265</u>
Basic earnings per share ( <i>HK cents</i> )	<u>0.3</u>	<u>16.0</u>

### (b) Diluted

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

For the year ended 31 March 2020 and 2019, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

## 9 TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	1,035,885	1,118,530
Less: Provision for impairment	<u>(128,474)</u>	<u>(118,790)</u>
	907,411	999,740
Bills receivables	<u>250,620</u>	<u>308,803</u>
	1,158,031	1,308,543
Less: Balance due after one year shown as non-current assets	<u>(14,962)</u>	<u>(19,901)</u>
Trade and bills receivables, net	<u><u>1,143,069</u></u>	<u><u>1,288,642</u></u>

The amount of provision for impairment of trade receivables was HK\$128,474,000 (2019: HK\$118,790,000).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	464,039	564,181
91–180 days	175,116	163,829
181–365 days	121,068	154,172
Over one year	<u>275,662</u>	<u>236,348</u>
	<u><u>1,035,885</u></u>	<u><u>1,118,530</u></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.

**10 TRADE AND BILLS PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUALS**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	490,902	568,958
Bills payables	157,437	145,204
Other deposits	4,628	5,199
Trade deposits and receipts in advance	203,654	224,587
Accrued salaries, bonuses and staff benefits	73,126	92,845
Accrued sales commission	42,289	49,876
Value added tax payable	10,858	17,737
Others	177,722	160,892
	<u>1,160,616</u>	<u>1,265,298</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	365,532	414,752
91–180 days	99,625	123,262
181–365 days	14,046	13,693
Over one year	11,699	17,251
	<u>490,902</u>	<u>568,958</u>

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

As of the date of this report, a subsidiary of the Group in the PRC (the “Subsidiary”) was involved in litigation with a former distributor which alleged that the Subsidiary breached certain terms of a former distribution agreement. A ruling with damages was issued by a court against the Subsidiary. The Subsidiary had since lodged an appeal against the ruling. The relevant legal process was undergoing as of the date of this report. A full provision was made in these financial statements by management of the Group. Certain information usually required by HKAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group recorded revenue of HK\$2,746,099,000 for the year ended 31 March 2020 (the “Year”), representing a decrease of approximately 23.8% as compared to last year. During the Year, profit attributable to owners of the Company amounted to HK\$3,278,000, representing a significant decrease as compared to profit of HK\$190,676,000 of last year.

The decrease in revenue was mainly due to the decrease in revenue from the sales of the Group in the global market.

The Group’s revenue from the China market for the Year amounted to HK\$2,015,235,000, representing a year-on-year decrease of 25.8%. Due to exceptionally complex and harsh international situation, Sino-US trade friction and the decline of new energy subsidies, the automobile industry faced severe challenges. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles in China for 2019 reached 25.72 million and 25.77 million, representing a year-on-year decrease of 7.5% and 8.2%, respectively. The production and sales volume of new energy vehicles in China reached 1.24 million and 1.21 million, representing a year-on-year decrease of 2.4% and 3.7%, respectively. Without the introduction and implementation of policies that significantly boosted the market, the overall performance of vehicle sales was lower than the industry’s expectation and remained at a low level, which had a significant impact on the Group’s revenue.

In addition, the outbreak of the novel coronavirus in early 2020 has exerted negative impacts on the economy. The pandemic has led to suspension of operations by many companies, and the global supply chain of manufacturing sector has been severely impacted, slowing the growth of the economy, dampening demands for mechanical equipment, and further affecting the Group’s business.

The Group’s revenue from the overseas market for the Year amounted to HK\$730,864,000, representing a year-on-year decrease of 17.8%. Global economic and trade situation was strained from time to time with growth rate slowing down dramatically, and the economic growth rate of major economies generally declined. As the international economic growth rate slowed down, the industrial equipment industry was generally under much pressure.

### Die-casting Machine

The Group’s revenue from the die-casting machine and peripheral equipment business for the Year amounted to HK\$1,890,234,000, representing a year-on-year decrease of 26.0%.

Specifically, revenue generated from the China market amounted to HK\$1,270,517,000, representing a year-on-year decrease of 27.1%. As the Sino-US trade friction remained unresolved and external uncertainties increased, the domestic economy faced new downward pressure. Most manufacturers had not changed their wait-and-see attitude

toward new equipment investment. Revenue generated from the overseas market amounted to HK\$619,717,000, representing a year-on-year decrease of 23.5%. As the international economic growth rate slowed down, the industrial equipment industry was generally under much pressure.

### **Plastic Injection Moulding Machine**

The Group's revenue from plastic injection moulding machine business for the Year amounted to HK\$756,390,000, representing a year-on-year decrease of 20.3%. Since the implementation of the U.S. tariff policy, 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**

The Group's revenue from CNC machining centre business for the Year amounted to HK\$99,475,000, representing a year-on-year decrease of 3.1%. Equipment investment continued to decrease due to the Sino-US trade war, and the overall situation continued to be unpredictable. As a result, the business was under pressure.

### **Financial Review**

The overall gross profit margin of the Group's business for the Year was 26.2%, remaining at the same level as the corresponding period last year.

Selling and distribution expenses amounted to HK\$290,901,000, representing a decrease of 14.2% as compared to the corresponding period last year, which was mainly due to the decrease in employee salary, transportation costs and agency costs.

General and administrative expenses amounted to HK\$333,605,000, representing a decrease of 5.5% as compared to the corresponding period last year, which was mainly due to the decrease in employee salary.

Net finance costs amounted to HK\$79,915,000, representing an increase of 5.3% as compared to the corresponding period last year, which was mainly due to an increase in interest expense stemming from interest rate rises of domestic and overseas loans.

### **Prospects**

The impact of the novel coronavirus pandemic has accelerated the global economic slowdown since 2020. At the beginning of March 2020, Organisation for Economic Co-operation and Development (OECD) lowered global economic growth forecast for 2020 from previous 2.9% to 2.4%, the lowest level since 2009. Global manufacturing supply chain has suffered a severe blow and the prospect is uncertain. In addition, due to various adverse factors including the continued recession of China's automobile industry and Sino-US trade friction uncertainties,

the market expectation is pessimistic and manufacturers have not changed their wait-and-see attitude toward new equipment investment. The long-lasting impact arising from the recession of the automobile industry is expected to bring greater challenge for the Group's subsequent results.

In order to cope with the situation of possibly sustained weak demand in China, the Group has made material adjustments to accelerate its decision-making process and improve operation efficiency through optimizing and streamlining management and sales structure, aiming to deal with the recent fast-changing market situation.

The Group will continue to focus on the research and development of technologies for die-casting machine, plastic injection moulding machine and CNC machining centre, striving for breakthroughs to satisfy customers' ever-changing demands. It will actively exploit products in application areas including new energy vehicles and 5G communication, accelerate the upgrade of products and the development of new products, strengthen the automation and networking level of products, and establish long-term business relationship with customers. Meanwhile, the Group will expand its overseas agency, striving to promote its products to the global market and establish new foundation for its sustainable development.

### **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 2020, the Group's cash and bank balances amounted to HK\$713,793,000 (31 March 2019: HK\$634,699,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 53% (31 March 2019: 52%).

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

As at 31 March 2020, 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\$1,765,507,000 (31 March 2019: HK\$1,751,495,000), approximately 99% (2019: 75%) of which being short-term loans. Approximately 17% (2019: 10%) 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 2020, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group was HK\$24,538,000 (31 March 2019: HK\$108,960,000). The Group has also provided guarantees in respect of financial facilities of its customers to leasing finance providers amounting to approximately HK\$9,282,000 (31 March 2019: HK\$13,851,000).

## **Pledge of Assets**

The Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, land use rights, an investment property, property, plant and equipment, insurance policy investments and bills receivables, with aggregate carrying amounts of HK\$611,793,000 (31 March 2019: HK\$671,646,000).

## **Capital Commitments**

As at 31 March 2020, the Group had made capital expenditure commitments amounts of HK\$131,293,000 (31 March 2019: HK\$6,129,000) in respect of acquisition of property, plant and equipment.

## **Staff and Remuneration Policies**

As at 31 March 2020, the Group employed approximately 3,600 full time staff. The staff costs for the current year amounted to HK\$537,257,000 (2019: HK\$618,271,000). 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 2020, 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**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK2.2 cents).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 10 September 2020, the register of members of the Company will be closed from Monday, 7 September 2020 to Thursday, 10 September 2020 (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, 4 September 2020.

## **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 2020.

## **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 2020.

## **REVIEW OF FINANCIAL INFORMATION**

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020.

## **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 2020 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](http://www.hkexnews.hk)) and the Company’s website at ([www.lktechnology.com](http://www.lktechnology.com)). The annual report of the Company for the year ended 31 March 2020 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, 10 September 2020. 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 2019/20 in due course.

On behalf of the Board  
**Chong Siw Yin**  
*Chairperson*

Hong Kong, 29 June 2020

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