

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities nor is it calculated to invite any such offer or invitation. In particular, this announcement does not constitute and is not an offer to sell or a solicitation of any offer to buy securities in Hong Kong, the PRC or elsewhere.*



**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 2021**

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 2021 together with the comparative figures for the previous year.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	<b>4,021,206</b>	2,746,099
Cost of sales	3	<b>(2,905,923)</b>	(2,027,618)
Gross profit		<b>1,115,283</b>	718,481
Other income		<b>74,920</b>	69,718
Other gains/(losses) – net	4	<b>58,924</b>	(11,179)
Selling and distribution expenses	3	<b>(366,475)</b>	(290,901)
General and administrative expenses	3	<b>(344,468)</b>	(333,605)
Provision for impairment of trade receivables – net	3	<b>(23,404)</b>	(21,515)
Operating profit		<b>514,780</b>	130,999
Finance income	5	<b>7,722</b>	5,305
Finance costs	5	<b>(56,292)</b>	(85,220)
Finance costs – net	5	<b>(48,570)</b>	(79,915)
Share of losses of associates		<b>(8,258)</b>	(970)
Profit before income tax		<b>457,952</b>	50,114
Income tax expenses	6	<b>(114,285)</b>	(46,836)
Profit attributable to owners of the Company		<b>343,667</b>	3,278
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	8(a)	<b>28.8</b>	0.3
– Diluted	8(b)	<b>28.8</b>	0.3

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Profit attributable to owners of the Company	<b>343,667</b>	3,278
Other comprehensive income/(loss) for the year		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences		
Gains/(losses) arising during the year	<b>166,288</b>	(139,269)
Change in fair value of insurance policy investments	<b>402</b>	291
	<hr/>	<hr/>
Total comprehensive income/(loss) attributable to owners of the Company, net of tax	<b>510,357</b>	(135,700)
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		<b>14,941</b>	12,887
Property, plant and equipment		<b>1,173,530</b>	907,429
Investment properties		<b>342,822</b>	314,825
Right-of-use assets		<b>357,202</b>	347,616
Interests in joint ventures		–	–
Interests in associates		<b>16,495</b>	27,915
Other receivables and deposits		<b>56,821</b>	29,054
Deferred income tax assets		<b>92,966</b>	96,309
Trade and bills receivables	9	<b>14,397</b>	14,962
Insurance policy investments		–	12,438
Financial asset at fair value through other comprehensive income		<b>5,952</b>	5,555
Restricted bank balances		<b>880</b>	329
<b>Total non-current assets</b>		<b>2,076,006</b>	1,769,319
<b>Current assets</b>			
Insurance policy investments		<b>12,840</b>	–
Inventories		<b>1,147,324</b>	1,128,346
Trade and bills receivables	9	<b>1,387,926</b>	1,143,069
Other receivables, prepayments and deposits		<b>201,960</b>	164,611
Restricted bank balances		<b>63,929</b>	79,867
Cash and cash equivalents		<b>588,391</b>	713,793
<b>Total current assets</b>		<b>3,402,370</b>	3,229,686
<b>Total assets</b>		<b>5,478,376</b>	4,999,005
<b>Equity</b>			
Share capital		<b>119,127</b>	119,127
Reserves		<b>1,014,472</b>	833,428
Retained earnings		<b>1,327,673</b>	1,034,097
<b>Total equity</b>		<b>2,461,272</b>	1,986,652

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>49,709</b>	31,921
Borrowings		<b>76,776</b>	9,710
Lease liabilities		<b>20,569</b>	25,289
Other payables and deposit	10	<b>62,293</b>	6,265
<b>Total non-current liabilities</b>		<b>209,347</b>	73,185
<b>Current liabilities</b>			
Trade and bills payables, other payables, deposits and accruals	10	<b>1,678,841</b>	1,160,616
Borrowings		<b>1,088,776</b>	1,755,797
Lease liabilities		<b>10,213</b>	8,559
Current income tax liabilities		<b>29,927</b>	14,196
<b>Total current liabilities</b>		<b>2,807,757</b>	2,939,168
<b>Total liabilities</b>		<b>3,017,104</b>	3,012,353
<b>Total equity and liabilities</b>		<b>5,478,376</b>	4,999,005

## 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 adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The 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 standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 March 2021. The Group has not early adopted these new accounting standards and interpretations in current reporting period and is in the process of assessing their impact on the Group’s future reporting periods and on foreseeable future transactions.

### 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, share of losses of associates 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 2021 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>
<b>Revenue</b>						
External sales	2,657,244	1,245,546	118,416	4,021,206	–	4,021,206
Inter-segments sales	42,956	–	–	42,956	(42,956)	–
	<u>2,700,200</u>	<u>1,245,546</u>	<u>118,416</u>	<u>4,064,162</u>	<u>(42,956)</u>	<u>4,021,206</u>
<b>Results</b>						
Segment results	<u>433,639</u>	<u>130,929</u>	<u>(15,204)</u>	<u>549,364</u>	<u>–</u>	<u>549,364</u>
Administrative expenses						(34,584)
Finance income						7,722
Finance costs						(56,292)
Share of losses of associates						<u>(8,258)</u>
Profit before income tax						<u>457,952</u>

The segment results for the year ended 31 March 2020 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>
<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 losses of associates						<u>(970)</u>
Profit before income tax						<u>50,114</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 2021			
	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>
<b>Assets</b>				
Segment assets	3,531,273	1,244,248	662,434	5,437,955
Unallocated assets				40,421
Consolidated total assets				<u>5,478,376</u>
<b>Liabilities</b>				
Segment liabilities	2,070,187	744,750	154,083	2,969,020
Unallocated liabilities				48,084
Consolidated total liabilities				<u>3,017,104</u>
	As at 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>	Total <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>

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 (2020: 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 2021				
	Die-Casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets (Note)	251,605	2,369	81,096	973	336,043
Depreciation and amortisation	77,141	41,319	13,645	1,820	133,925
Provision for/(reversal of provision for) inventories write-down	5,749	6,059	(1,202)	–	10,606
Provision for impairment of trade receivables – net	16,485	4,605	2,314	–	23,404
Reversal of provision for impairment of other receivables	(39,773)	–	–	–	(39,773)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	For the year ended 31 March 2020				
	Die-Casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets (Note)	39,614	2,416	41,343	942	84,315
Depreciation and amortisation	78,545	43,577	13,757	1,919	137,798
Reversal of provision for inventories write-down	(19,820)	(4,904)	(9,893)	–	(34,617)
Provision for/(reversal of provision for) impairment of trade receivables – net	12,338	9,201	(24)	–	21,515
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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 2021 and 2020.

## 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>i</sup>	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Mainland China	3,104,819	2,015,235	1,811,855	1,476,156
Hong Kong	–	–	19,231	19,764
Europe	291,740	261,296	43,778	45,115
North America	325,237	232,207	12,540	14,058
Central America and South America	162,394	73,838	–	–
Other countries	137,016	163,523	57,912	56,718
	<b>4,021,206</b>	<b>2,746,099</b>	<b>1,945,316</b>	<b>1,611,811</b>

*Note i:* 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

	2021 HK\$'000	2020 HK\$'000
Amortisation of intangible assets	5,054	3,918
Depreciation of property, plant and equipment	109,804	115,580
Depreciation of right-of-use assets	19,067	18,300
Provision for impairment of trade receivables – net	23,404	21,515
Provision for/(reversal of provision for) inventories write-down	10,606	(34,617)

## 4 OTHER GAINS/(LOSSES) – NET

	2021 HK\$'000	2020 HK\$'000
Reversal of provision for impairment of other receivables ( <i>Note</i> )	39,773	–
Net foreign exchange gain/(loss)	13,325	(15,812)
Increase in fair value of investment properties	6,490	3,537
Net (loss)/gain on disposals of property, plant and equipment	(1,894)	1,096
Gain on disposal of a right-of-use asset	1,230	–
	<b>58,924</b>	<b>(11,179)</b>

*Note:* During the year, Fuxin Lida Steel Casting Co. Ltd. (“Fuxin Lida”), a wholly owned subsidiary of the Group, recovered RMB35,000,000 which was part of the previously impaired outstanding consideration receivable from 阜新金達鋼鐵鑄造有限公司 (“阜新金達”), the purchaser of 35% equity interest in 阜新力昌鋼鐵鑄造有限公司 (“阜新力昌”) completed during the year ended 31 March 2012. The abovementioned RMB35,000,000 was recovered through a tri-partite agreement entered into between 阜新金達, Fuxin Lida and Fuxin County government, whereby 阜新金達 agreed to pay RMB35,000,000 on behalf of Fuxin Lida to a local contractor for construction of a factory site of Fuxin Lida in lieu of settlement of the RMB35,000,000 outstanding consideration receivable. As at 31 March 2021, outstanding consideration receivable of RMB15,908,000 remain unsettled by 阜新金達 and was fully impaired in prior years.

## 5 FINANCE COSTS – NET

	2021 HK\$'000	2020 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(7,722)	(5,305)
Finance costs:		
Interest on bank borrowings	57,083	82,266
Charges on bills receivables discounted without recourse	2,309	2,111
Interest on lease liabilities	1,050	1,194
Less: Capitalised in property, plant and equipment ( <i>Note i</i> )	(4,150)	(351)
	<u>56,292</u>	<u>85,220</u>
	<u>48,570</u>	<u>79,915</u>

*Note i:* Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.9% (2020: 4.3%) to expenditure on qualifying assets.

## 6 INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	52,968	28,823
– Hong Kong profits tax	–	–
– Overseas tax	5,942	8,429
– Withholding income tax on dividends	29,299	14,086
	<u>88,209</u>	<u>51,338</u>
Deferred income tax	26,076	(4,502)
Tax charge	<u>114,285</u>	<u>46,836</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% (2020: same).

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. 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% (2020: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2021 (2020: same) as the subsidiaries established in Hong Kong had no assessable profits for the year ended 31 March 2021 (2020: same).

For the year ended 31 March 2021, 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 (2020: same).

## 7 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend	35,737	–
Proposed final dividend	<u>37,538</u>	<u>–</u>
	<u><u>73,275</u></u>	<u><u>–</u></u>

A final dividend in respect of the year ended 31 March 2021 of HK3 cents per ordinary share, amounting to a total dividend of HK\$37,538,000, is to be proposed at the forthcoming annual general meeting on 3 September 2021. These consolidated financial statements do not reflect these dividends payables.

## 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\$343,667,000 (2020: HK\$3,278,000) and on the weighted average number of approximately 1,191,265,000 (2020: 1,191,265,000) ordinary shares in issue.

	2021	2020
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u><u>343,667</u></u>	<u><u>3,278</u></u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><u>1,191,265</u></u>	<u><u>1,191,265</u></u>
Basic earnings per share ( <i>HK cents</i> )	<u><u>28.8</u></u>	<u><u>0.3</u></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 2021 and 2020, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	1,195,060	1,035,885
Less: Provision for impairment	<u>(135,297)</u>	<u>(128,474)</u>
	1,059,763	907,411
Bills receivables	<u>342,560</u>	<u>250,620</u>
	1,402,323	1,158,031
Less: Balance due after one year shown as non-current assets	<u>(14,397)</u>	<u>(14,962)</u>
Trade and bills receivables, net	<u><u>1,387,926</u></u>	<u><u>1,143,069</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	654,625	464,039
91–180 days	197,838	175,116
181–365 days	119,945	121,068
Over one year	<u>222,652</u>	<u>275,662</u>
	<u><u>1,195,060</u></u>	<u><u>1,035,885</u></u>

The maturity date of the bills receivables is generally between one to six months.

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. Majority of customers are granted with credit terms ranging from one to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six to twelve months.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current portion</b>		
Trade payables	738,003	490,902
Bills payables	198,041	157,437
	<hr/>	<hr/>
Trade and bills payables	936,044	648,339
Other deposits	6,465	4,628
Trade deposits and receipts in advance	351,399	203,654
Accrued salaries, bonuses and staff benefits	91,945	73,126
Accrued sales commission	63,375	42,289
Value added tax payable	14,479	10,858
Others	215,134	177,722
	<hr/>	<hr/>
	<b>1,678,841</b>	<b>1,160,616</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current portion</b>		
Deposit ( <i>Note i</i> )	41,667	–
Others	20,626	6,265
	<hr/>	<hr/>
	<b>62,293</b>	<b>6,265</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note i:* As at 31 March 2021, the deposit received represents the initial deposit of RMB35,000,000 (equivalent to approximately HK\$41,667,000) received in relation to the Urban Renewal Project located in the PRC.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	637,076	365,532
91–180 days	82,449	99,625
181–365 days	4,951	14,046
Over one year	13,527	11,699
	<hr/>	<hr/>
	<b>738,003</b>	<b>490,902</b>
	<hr/> <hr/>	<hr/> <hr/>

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

Zhongshan L.K. Machinery Co. Ltd. (“Zhongshan L.K.”), a subsidiary of the Group in the PRC was involved in litigation with a former distributor which alleged that Zhongshan L.K. breached certain terms of a distribution agreement. A ruling with damages of approximately RMB15,448,000 (equivalent to approximately HK\$18,390,000) was issued by a local people’s court against Zhongshan L.K.. Zhongshan L.K. had lodged an appeal against the ruling, and the relevant legal process was undergoing as at the date of this announcement. A full provision was made in these financial statements by management of the Group as at 31 March 2021 and 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group recorded revenue of HK\$4,021,206,000 for the year ended 31 March 2021 (the “Year”), representing an increase of approximately 46.4% as compared to last year. Profit attributable to owners of the Company amounted to HK\$343,667,000, representing a significant increase as compared to profit of HK\$3,278,000 of last year.

The Group’s revenue from the China market for the Year amounted to HK\$3,104,819,000, representing a year-on-year increase of 54.1%.

In 2020, the COVID-19 pandemic swept across the world, greatly affecting on the global economy, safety and development momentum. Commencing from the second quarter of 2020, in the face of the severe challenges brought about by the COVID-19 pandemic and the complex and ever-changing international and domestic environment, China’s pandemic prevention and control continued to improve, the resumption of work, production, trading, and business activities accelerated, and the overall economy declined initially but recovered subsequently. According to statistics from the National Bureau of Statistics, main indicators grew restoratively, the economic operation steadily recovered, market expectation was overall positive, and the general social development was stable.

The automobile industry in China was hard hit by the pandemic, but the sales volume has shown a V-shape growth trajectory in 2020. Since the second quarter, thanks to the effective control of the pandemic, the pace of work and production resumption by enterprises has accelerated. Driven by policies of various regions to promote automobile consumption, automobile sales recovered steadily since the second quarter, and the overall performance exceeded expectation. According to the statistics of China Association of Automobile Manufacturers, the production and sales volume of vehicles in 2020 were 25.225 million and 25.311 million, respectively, representing a year-on-year decrease of 2.0% and 1.9% respectively as compared to the same period last year. However, the production and sales volume of vehicles extended upward momentum on a month-by-month basis and maintained a positive development trend.

The Group’s revenue from the overseas market for the Year amounted to HK\$916,387,000, representing a year-on-year increase of 25.4%. The COVID-19 pandemic has been under effective control in certain overseas countries since spreading. Besides, the continuous demand for super-large die-casting machine by overseas new energy automobile enterprises effectively eliminated the overall difficulties in overseas markets.

### **Die-casting Machine**

The Group’s revenue from the die-casting machine and peripheral equipment business for the Year amounted to HK\$2,657,244,000, representing a year-on-year increase of 40.6%.

Specifically, the revenue from the PRC market was HK\$1,865,589,000, representing an increase of 46.8% as compared to the same period last year. During the Year, the finished automobiles industry in China grew in a distinctive V-shape trajectory, driving the development of the automotive components industry. As the construction of 5G networks accelerated, investments in infrastructure increased markedly, fuelling the fast growth of the communications-related components industry. The investment by manufacturers in new equipment notably recovered.

### **Plastic Injection Moulding Machine**

During the Year, the revenue of the plastic injection moulding machine business of the Group was HK\$1,245,546,000, representing an increase of 64.7% as compared to the same period last year. Downstream industries of plastic injection moulding machine, such as medical care, packaging, small home appliances, and daily necessities, saw sound demands. The investment by manufacturers in new equipment notably recovered.

### **Computerised Numerical Controlled (CNC) Machining Centre**

During the Year, the revenue of the Group's CNC machining centre business was HK\$118,416,000, representing an increase of 19.0% as compared to the same period last year. As the Group endeavoured to reduce operating costs and enhance inventory management, the loss was further under control during the Year.

## **FINANCIAL REVIEW**

The overall gross profit margin of the Group's business for the Year was 27.7%, representing an increase of 1.5% from the corresponding period last year, primarily attributable to the improvement in operating efficiency.

Selling and distribution expenses amounted to HK\$366,475,000, representing an increase of 26.0% as compared to the corresponding period last year, which was mainly due to the increase in employee salary and transportation costs.

General and administrative expenses amounted to HK\$344,468,000, representing an increase of 3.3% as compared to the corresponding period last year, which was mainly due to the increase in employee salary.

Net finance costs amounted to HK\$48,570,000, representing a decrease of 39.2% as compared to the corresponding period last year, which was mainly due to a decrease in interest expense stemming from a significant decrease in bank loans.



## **PROSPECTS**

In 2021, global economy and business environment will still be subject to harsh challenges and pressure. Lingering pandemic and sporadic occurrence of cases infected by COVID-19 variance in the short term around the world obstructed economic recovery. Overall, the economic growth is expected to pick up in the second half of 2021 with the increase of vaccination rates across various regions and the further relief of the pressure from global pandemic.

China is forging a new development landscape by continuously expanding domestic demands so that production, allocation, distribution, and spending will rely more on the domestic market, thereby creating a virtuous cycle for the national economy. Currently, the Group has strong level of orders on hand, and its production is intense yet orderly and thus it is optimistic about business sustainability.

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 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 2021, the Group's cash and cash equivalents amounted to HK\$588,391,000 (31 March 2020: HK\$713,793,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 23.4% (31 March 2020: 52.9%).

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

As at 31 March 2021, 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\$1,165,552,000 (31 March 2020: HK\$1,765,507,000), approximately 93.4% (2020: 99.5%) of which being short-term loans. Approximately 20.0% (2020: 17.0%) 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 2021, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group was HK\$19,857,000 (31 March 2020: HK\$24,538,000).

The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 31 March 2021 was HK\$4,619,000 (31 March 2020: HK\$9,282,000).

## **PLEDGE OF ASSETS**

As at 31 March 2021, the Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, right-of-use assets, investment properties, property, plant and equipment and bills receivables (31 March 2020: restricted bank balances, right-of-use assets, investment properties, property, plant and equipment, insurance policy investments and bills receivables), with aggregate carrying amounts of HK\$685,225,000 (31 March 2020: HK\$611,793,000).

## **CAPITAL COMMITMENTS**

As at 31 March 2021, the Group had made capital expenditure commitments amounts of HK\$316,014,000 (31 March 2020: HK\$131,293,000) in respect of acquisition of property, plant and equipment.

## **STAFF AND REMUNERATION POLICIES**

As at 31 March 2021, the Group employed approximately 4,000 full time staff. The staff costs for the current year amounted to HK\$614,622,000 (2020: HK\$537,257,000). 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **ISSUE OF BONUS SHARES**

Subject to the passing of the relevant resolution at the forthcoming annual general meeting and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in new shares, the Board proposes to make a bonus issue of one new ordinary share for every ten ordinary shares held by shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be posted on or around Monday, 27 September 2021.

## **DIVIDENDS**

An interim dividend of HK3 cents per ordinary share in respect of the period ended 30 September 2020 was paid on 8 January 2021. The Board recommended a payment of final dividend of HK3 cents per ordinary share for the year ended 31 March 2021 (2020: Nil), subject to Shareholders' approval at the forthcoming annual general meeting to be held on Friday, 3 September 2021 and payable to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021. The dividend will be paid on or about Monday, 27 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Friday, 3 September 2021, the register of members of the Company will be closed from Tuesday, 31 August 2021 to Friday, 3 September 2021 (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 Monday, 30 August 2021.

For determining the entitlement to the proposed bonus issue and final dividend, the register of members of the Company will be closed from Monday, 13 September 2021 to Wednesday, 15 September 2021, (both days inclusive) during which no transfer of shares of the Company will be registered. In order to qualify for the proposed bonus issue and 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, 10 September 2021.

## **CONTRACTS OF SIGNIFICANCE**

On 1 December 2020, the Company entered into the Consultancy Agreement with Mr. Liu Siong Song to appoint him as the strategic and technical consultant of the Company for the term from 1 December 2020 to 30 November 2023.

Details of the abovementioned continuing connected transaction are set out in the announcement dated 1 December 2020.

On 28 December 2020, L.K. Machinery (Shenzhen) Co., Ltd.\* (力勁機械(深圳)有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company (the “Vendor”) and Shenzhen Wanjin Investment Co., Ltd.\* (深圳市萬勁投資有限公司), a company established in the PRC with limited liability (the “Purchaser”) entered into the memorandum of understanding (the “MOU”) in relation to the disposal of properties, pursuant to which, amongst others, the Purchaser paid a refundable earnest money of RMB10,000,000 to the Vendor in relation to the urban renewal project titled L.K. High-tech Industrial Park Urban Renewal Project\* (力勁高新科技工業園城市更新項目) (the “Urban Renewal Project”).

On 12 January 2021, the Vendor entered into the cooperation agreement (the “Cooperation Agreement”) with the Purchaser, pursuant to which the Vendor had agreed to sell, and the Purchaser had agreed to purchase, the properties located in Shenzhen, Guangdong, the PRC, for a consideration comprising (i) the monetary consideration of RMB350 million (equivalent to approximately HK\$419.1 million); and (ii) the resettlement properties, which are estimated by Vigers Appraisal and Consulting Limited, an independent valuer appointed by the Company, to have a gross development value of approximately RMB1,249 million (equivalent to approximately HK\$1,495.6 million) as at 5 January 2021. Upon the entering into of the Cooperation Agreement, the refundable earnest money of RMB10,000,000 has been returned to the Purchaser without interest in accordance with the terms of the MOU. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the progress of the Urban Renewal Project is on schedule as at the date of this annual results announcement.

On 18 January 2021 (the “Approval Date”), the Company has obtained a written shareholders’ approval from Girgio Industries Limited (“Girgio Industries”), a controlling shareholder of the Company, then holding in aggregate 770,980,000 shares of the Company, representing approximately 64.7% of the entire issued share capital of the Company as at the Approval Date, for the Cooperation Agreement and the transactions contemplated thereunder. Accordingly, the written approval from Girgio Industries has been accepted in lieu of holding a general meeting of the Company for the approval of the Cooperation Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Details of the above disposal of properties and acquisition of resettlement properties are set out in the announcements dated 28 December 2020, 12 January 2021, 18 January 2021, 27 January 2021 and the circular dated 4 March 2021.

## **EVENT AFTER THE REPORTING PERIOD**

### **The Top-Up Placing And Subscription of Shares**

On 26 April 2021, Girgio Industries (the “Vendor”) and the Company entered into the placing and subscription agreement with CLSA Limited (as the sole placing agent, the “Placing Agent”), pursuant to which, the Placing Agent had agreed to place a total of 60,000,000 then existing ordinary shares of the Company at a price of HK\$9.50 per share (the “Placing Price”) owned by the Vendor to no less than six independent placees on a best effort basis (the “Placing”), while the Vendor conditionally agreed to subscribe for new ordinary shares of the Company, the number of which is equal to the number of the placing shares placed by the Placing Agent at an issue price equal to the Placing Price (the “Subscription”). The Placing Price represented a discount of approximately 9.00% to the closing price of HK\$10.44 per share as quoted on the Stock Exchange on the last trading date prior to the signing of the placing and subscription agreement, i.e., 26 April 2021. Completion of the Placing and the Subscription took place on 29 April 2021 and 3 May 2021, respectively.

The net proceeds from the Subscription are estimated to be approximately HK\$562.23 million, net of expenses incurred by the Vendor in relation to the Placing and the Subscription. The Company intends to use the net proceeds from the Subscription for increasing production efficiency and capacity of the Group’s business, and as general working capital of the Group. The net placing price, after deducting all professional fees and other out-of-pocket expenses incurred by the Vendor, which are ultimately borne by the Company, is estimated at approximately HK\$9.37 per placing share.

The proceeds from the Subscription are and will be continuously used according to the plans disclosed in the announcements dated 26 April 2021 of the Company.

Details of the Placing and the Subscription are set out in the announcements dated 26 April 2021 and 3 May 2021.

The Group is currently looking into the feasibility of corporate reorganization and possible spinning-off of subsidiaries engaged in plastic injection moulding machine business to be listed on a stock exchange in the PRC. The said possible listing exercise is still at the feasibility study stage with some professional advisers being engaged, and it may or may not proceed.

## **CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2021.

## **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 2021.

## **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 2021.

## **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 2021 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.lk.world](http://www.lk.world)). The annual report of the Company for the year ended 31 March 2021 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 Friday, 3 September 2021. 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 2020/21 in due course.

By order of the Board  
**Chong Siw Yin**  
*Chairperson*

Hong Kong, 29 June 2021

*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.*

\* *The English translation is provided for identification purpose only.*