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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 2016

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 2016 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	<i>Note</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Revenue	3	2,822,824	3,145,258
Cost of sales	4	<u>(2,123,122)</u>	<u>(2,326,613)</u>
Gross profit		699,702	818,645
Other income		67,509	38,274
Other gains – net	5	891	215
Gain on disposal of properties		–	33,320
Selling and distribution expenses	4	(345,440)	(335,128)
General and administration expenses	4	<u>(330,219)</u>	<u>(369,674)</u>
Operating profit		<u>92,443</u>	<u>185,652</u>
Finance income	6	2,807	4,209
Finance costs	6	<u>(71,458)</u>	<u>(62,655)</u>
Finance costs – net	6	<u>(68,651)</u>	<u>(58,446)</u>
Share of (loss)/profit of an associate		<u>(483)</u>	<u>2,927</u>
Profit before income tax		23,309	130,133
Income tax expense	7	<u>(23,086)</u>	<u>(25,049)</u>
Profit for the year		<u>223</u>	<u>105,084</u>
Profit attributable to:			
Owners of the Company		710	105,159
Non-controlling interests		<u>(487)</u>	<u>(75)</u>
		<u>223</u>	<u>105,084</u>
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
– Basic	9	<u>0.06</u>	<u>9.3</u>
– Diluted	9	<u>0.06</u>	<u>8.8</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	223	105,084
Other comprehensive (loss)/income for the year:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference	(112,751)	(15,465)
Change in value of available-for-sale financial assets	253	224
Realisation of available-for-sale financial assets reserve upon disposal	–	(397)
 <i>Item that will not be reclassified subsequently to profit or loss</i>		
Change in value of property, plant and equipment	21,041	–
Total comprehensive (loss)/income for the year, net of tax	(91,234)	89,446
Attributable to:		
– Owners of the Company	(90,747)	89,521
– Non-controlling interests	(487)	(75)
	(91,234)	89,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Intangible assets		21,064	21,639
Property, plant and equipment		1,187,301	1,122,042
Investment properties		139,100	69,950
Land use rights		301,750	340,448
Interests in joint ventures		–	–
Interest in an associate		29,332	31,294
Deposits paid		7,202	30,416
Deferred income tax assets		60,728	71,496
Trade and bills receivables	<i>10</i>	27,868	21,813
Available-for-sale financial assets		7,422	7,169
Restricted bank balances		8,949	2,976
Total non-current assets		1,790,716	1,719,243
Current assets			
Inventories		1,100,119	1,335,575
Trade and bills receivables	<i>10</i>	959,472	1,016,767
Other receivables, prepayments and deposits		156,456	192,921
Restricted bank balances		67,682	65,876
Cash and cash equivalents		330,404	306,992
Total current assets		2,614,133	2,918,131
Total assets		4,404,849	4,637,374
Equity			
Share capital		113,327	113,177
Shares held for share award scheme		(973)	–
Reserves		898,079	982,660
Retained earnings		742,248	747,564
Equity attributable to owners of the Company		1,752,681	1,843,401
Non-controlling interests		2,140	204
Total equity		1,754,821	1,843,605

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		6,610	5,497
Borrowings		736,548	413,987
Other payables		9,228	9,882
		<hr/>	<hr/>
Total non-current liabilities		752,386	429,366
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	<i>11</i>	1,053,348	1,179,297
Derivative financial instruments		–	–
Borrowings		820,242	1,139,158
Current income tax liabilities		24,052	45,948
		<hr/>	<hr/>
Total current liabilities		1,897,642	2,364,403
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		2,650,028	2,793,769
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		4,404,849	4,637,374
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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 (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

2 NEW/REVISED STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE

(a) Effect of adopting amendments and interpretation to existing standards

The following amendments to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 April 2015. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKAS 19 (2011), “Employee Benefits – Defined Benefit Plans: Employee Contributions”;
- Annual Improvements to HKFRSs 2010 – 2012 Cycle; and
- Annual Improvements to HKFRSs 2011 – 2013 Cycle.

(b) New standards and amendments to existing standards that are not yet effective for the financial year beginning on or after 1 April 2015 and have not been early adopted by the Group

- HKFRS 9, “Financial Instruments”²;
- HKFRS 14, “Regulatory Deferral Accounts”¹;
- HKFRS 15, “Revenue from Contracts with Customers”²;
- HKFRS 16, “Leases”³;
- Amendments to HKFRS 10, “Consolidated Financial Statements” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴;
- Amendments to HKFRS 10, “Consolidated Financial Statements”, HKFRS 12, “Disclosure of Interests in Other Entities” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Investment Entities: Applying the Consolidation Exception¹;
- Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”¹;
- Amendments to HKAS 1, “Presentation of Financial Statements – Disclosure initiative”¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture” on Agriculture: Bearer Plants¹;
- Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”¹; and
- Annual Improvements to HKFRSs 2012 – 2014 Cycle¹.

¹ Effective for the Group for annual periods beginning on 1 January 2016

² Effective for the Group for annual periods beginning on 1 January 2018

³ Effective for the Group for annual periods beginning on 1 January 2019

⁴ The Group intends to adopt the amendments to existing standards when the effective date is determined.

The Group will apply these new standards and amendments to existing standards in the period of initial application. The Group is currently assessing the impact of the adoption of the above new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3 SEGMENT INFORMATION

The Group determines its operating segments based upon the internal reports reviewed by the chief operating decision maker ("CODM") that are used to make strategic decisions. Segment results represent the profit/(loss) for the period in each reportable segment. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

The measure used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs and income taxes. To arrive at the profit from operations, the Group's profit is further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

- (i) Die-casting machine
- (ii) Plastic injection moulding machine
- (iii) Computerised numerical controlled ("CNC") machining centre

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

	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total segments <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	2,184,813	498,525	139,486	2,822,824	-	2,822,824
Inter-segments sales	60,827	-	-	60,827	(60,827)	-
	<u>2,245,640</u>	<u>498,525</u>	<u>139,486</u>	<u>2,883,651</u>	<u>(60,827)</u>	<u>2,822,824</u>
Results						
Segment results	<u>144,283</u>	<u>21,967</u>	<u>(39,202)</u>	<u>127,048</u>	-	127,048
Administrative expenses						(34,605)
Finance income						2,807
Finance costs						(71,458)
Share of loss of an associate						<u>(483)</u>
Profit before income tax						<u>23,309</u>

The segment results for the year ended 31 March 2015 are as follows:

	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total segments <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	2,142,300	565,376	437,582	3,145,258	–	3,145,258
Inter-segments sales	131,946	–	–	131,946	(131,946)	–
	<u>2,274,246</u>	<u>565,376</u>	<u>437,582</u>	<u>3,277,204</u>	<u>(131,946)</u>	<u>3,145,258</u>
Results						
Segment results	<u>119,371</u>	<u>70,027</u>	<u>35,885</u>	<u>225,283</u>	<u>–</u>	<u>225,283</u>
Administrative expenses						(39,631)
Finance income						4,209
Finance costs						(62,655)
Share of profit of an associate						<u>2,927</u>
Profit before income tax						<u>130,133</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 2016			
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	2,735,698	1,038,120	598,623	4,372,441
Unallocated assets				<u>32,408</u>
Consolidated total assets				<u>4,404,849</u>
Liabilities				
Segment liabilities	1,946,929	413,838	268,066	2,628,833
Unallocated liabilities				<u>21,195</u>
Consolidated total liabilities				<u>2,650,028</u>

	As at 31 March 2015			
	Die-casting machine <i>HK\$'000</i>	Plastic injection moulding machine <i>HK\$'000</i>	CNC machining centre <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	2,968,010	953,870	682,751	4,604,631
Unallocated assets				<u>32,743</u>
Consolidated total assets				<u>4,637,374</u>
Liabilities				
Segment liabilities	2,157,448	272,229	302,953	2,732,630
Unallocated liabilities				<u>61,139</u>
Consolidated total liabilities				<u>2,793,769</u>

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 and derivative financial instruments.
- 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 2016				
	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 ¹	53,874	184,418	7,314	1,336	246,942
Depreciation and amortisation	85,704	16,849	17,515	1,867	121,935
Provision for inventories write-down	3,605	4,179	3,729	-	11,513
Provision for impairment of trade receivables – net	<u>8,272</u>	<u>1,069</u>	<u>915</u>	<u>-</u>	<u>10,256</u>

	For the year ended 31 March 2015				Total HK\$'000
	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	
Additions to non-current assets ¹	61,754	94,237	42,860	1,170	200,021
Depreciation and amortisation	99,345	14,684	14,039	2,818	130,886
Provision/(reversal of provision) for inventories write-down	10,574	3,894	(3,290)	–	11,178
Provision for impairment of trade receivables – net	7,651	1,993	380	–	10,024

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 2016 and 31 March 2015.

	2016 HK\$'000	2015 HK\$'000
Analysis of revenue by category		
Sales of die-casting machine	2,184,813	2,142,300
Sales of plastic injection moulding machine	498,525	565,376
Sales of CNC machining centre	139,486	437,582
	2,822,824	3,145,258
Other income	67,509	38,274
	2,890,333	3,183,532

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Mainland China	1,866,582	2,321,899	1,549,643	1,474,518
Hong Kong	–	–	21,637	21,079
Europe	407,075	288,543	19,480	11,766
Central America and South America	111,431	65,656	–	–
North America	338,574	258,172	8,045	14,040
Other countries	99,162	210,988	57,612	63,092
	2,822,824	3,145,258	1,656,417	1,584,495

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, restricted bank balances and deferred income tax assets.

4 EXPENSES BY NATURE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amortisation of land use rights	7,542	7,725
Amortisation of trademarks	132	182
Amortisation of patents	214	214
Amortisation of development costs and others	4,710	5,073
Depreciation of property, plant and equipment	109,337	117,692
Provision for impairment of trade receivables – net	10,256	10,024
Provision for inventories write-down	11,513	11,178
	<u>11,513</u>	<u>11,178</u>

5 OTHER GAINS – NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net foreign exchange loss	(8,324)	(4,787)
Increase in fair values of investment properties	13,229	3,590
Loss on disposals of property, plant and equipment	(508)	(262)
Gain on disposal of an available-for-sale financial asset	–	397
Loss on disposal of subsidiaries	(3,506)	–
Others	–	1,277
	<u>891</u>	<u>215</u>

6 FINANCE COSTS – NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance income:		
Interest income on short-term bank deposits	(2,807)	(4,209)
Finance costs:		
Interests on bank loans and overdrafts wholly repayable within five years	83,915	67,757
Charges on bills receivables discounted without recourse	2,256	2,625
Less: Capitalised in property, plant and equipment (<i>Note i</i>)	(14,713)	(7,727)
	<u>71,458</u>	<u>62,655</u>
	<u>68,651</u>	<u>58,446</u>

- (i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 4.28% (2015: 4.00%) to expenditure on qualifying assets.

7 INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	12,432	48,258
– Overseas tax	5,551	928
– Hong Kong profits tax	–	–
– Under-provision in prior years	475	600
	<u>18,458</u>	49,786
Deferred income tax	4,628	(24,737)
	<u>23,086</u>	<u>25,049</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% (2015: 25%).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai and Kunshan 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 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% (2015: 16.5%) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2016 as the subsidiaries established in Hong Kong have no assessable profits for the current year (2015: Nil).

For the year ended 31 March 2016, 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Proposed final dividend	<u>–</u>	<u>–</u>

At a meeting held on 29 June 2016, the directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

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\$710,000 (2015: HK\$105,159,000) and on the weighted average number of approximately 1,132,679,000 (2015: 1,131,765,000) ordinary shares in issue excluding own shares held during the year.

	2016	2015
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>710</u>	<u>105,159</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,132,679</u>	<u>1,131,765</u>
Basic earnings per share (<i>HK cents</i>)	<u>0.06</u>	<u>9.3</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 and excluding own shares held during the year. The Company has two categories of dilutive potential ordinary shares: perpetual convertible securities and share options. The perpetual convertible securities are assumed to have been converted into ordinary shares. Shares issuable under the share option schemes of the Company are the dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's ordinary shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of ordinary shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2016	2015
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>710</u>	<u>105,159</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,132,679</u>	<u>1,131,765</u>
Assumed conversion of perpetual convertible securities (<i>thousands</i>)	<u>58,000</u>	<u>58,000</u>
Adjustment for share options (<i>thousands</i>)	<u>–</u>	<u>170</u>
Weighted average number of ordinary shares of diluted earnings per share (<i>thousands</i>)	<u>1,190,679</u>	<u>1,189,935</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>HK cents</i>)	<u>0.06</u>	<u>8.8</u>

10 TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	903,507	991,246
Less: Provision for impairment	<u>(74,781)</u>	<u>(79,043)</u>
	828,726	912,203
Bills receivables	<u>158,614</u>	<u>126,377</u>
	987,340	1,038,580
Less: Balance due after one year shown as non-current assets	<u>(27,868)</u>	<u>(21,813)</u>
Trade and bills receivables, net	<u>959,472</u>	<u>1,016,767</u>

The amount of provision for impaired trade receivables was HK\$74,781,000 (2015: HK\$79,043,000). The individually impaired receivables mainly relate to individual customers, the recoverability of which was in doubt.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 90 days	467,060	478,375
91-180 days	109,456	187,388
181-365 days	138,980	129,532
Over one year	<u>188,011</u>	<u>195,951</u>
	<u>903,507</u>	<u>991,246</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 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	527,495	578,974
Bills payables	52,497	56,782
Trade and other deposits and receipts in advance	195,988	230,926
Accrued salaries, bonuses and staff benefits	77,732	75,694
Accrued sales commission	28,443	27,695
Value added tax payable	39,029	45,013
Provision for loss on financial guarantee contracts	75	6,193
Amount due to a related party	–	41,405
Others	132,089	116,615
	<u>1,053,348</u>	<u>1,179,297</u>

The following is the aging analysis of the trade payables:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 90 days	394,052	456,869
91-180 days	102,213	96,732
181-365 days	22,480	16,708
Over one year	8,750	8,665
	<u>527,495</u>	<u>578,974</u>

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
US\$	3,003	3,011
HK\$	8,789	9,155
RMB	337,363	397,834
EUR	221,609	201,196
Taiwan dollars	9,218	24,560
Other currencies	10	–
	<u>579,992</u>	<u>635,756</u>

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

12 EVENTS AFTER THE REPORTING PERIOD

On 28 June 2016, the Group entered into an agreement with an independent third party to dispose its entire equity interest in an indirect wholly owned subsidiary. Shanghai Prex Mfg. Co., Ltd., at a consideration of RMB76,000,000 (equivalent to approximately HK\$88,372,000). The disposal has not been completed as at the date of the preliminary results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK\$2,822,824,000 for the year ended 31 March 2016 (the “Year”), representing a decrease of approximately 10.3% compared to the last year. During the Year, profit attributable to owners of the Company amounted to HK\$710,000, as compared to the profit of HK\$105,159,000 in the last year.

The decrease in revenue was mainly due to the significant decrease in revenue of the Group in the China market. During the Year, the Group’s revenue from the China market amounted to HK\$1,866,582,000, representing a decrease of 19.6% as compared to HK\$2,321,899,000 for the last year.

During the Year, the domestic economy in China was stable in general but the growth rate of the GDP has declined. The PRC government emphasised the adjustment of economic structure, which had certain impacts on the short-term economic growth. Furthermore, export was increasingly difficult due to factors such as fluctuations of RMB exchange rate and the increasing PRC labour costs. A weak demand for machinery and equipment in the manufacturing industry in turn led to a substantial decrease in revenue of the Group in the China market.

In terms of overseas market, the US market and the European market continued to recover but the demands of emerging markets such as Brazil and India remained sluggish. During the Year, the revenue of the Group from overseas market amounted to HK\$956,242,000, representing an increase of 16.1% as compared to HK\$823,359,000 for the last year, which was mainly driven by the growth of the US market and the European market.

Die-casting Machines

During the Year, the Group’s revenue from the die-casting machine and peripheral equipment business amounted to HK\$2,184,813,000, representing an increase of 2.0% as compared to HK\$2,142,300,000 for the last year, of which the revenue generated from the China market amounted to HK\$1,289,597,000, representing a decrease of 7.9% as compared to HK\$1,399,654,000 for the last year. However, there was a substantial increase in the revenue from overseas market, representing an increase of 20.5% from HK\$742,646,000 for the last year to HK\$895,216,000 for the Year. In the US market and the European market, the performance of IDRA, our subsidiary, remained splendid during the Year.

Plastic Injection Moulding Machines

During the Year, the Group’s revenue from the plastic injection moulding machine business amounted to HK\$498,525,000, representing a decrease of 11.8% as compared to HK\$565,376,000 for the last year. The decrease in the revenue was mainly attributable to the continuous downturn in the China market.

The Group's new factory, with a total site area of 88,000 sq.m in aggregate, in Dongsheng Town, Zhongshan City, Guangdong Province, has commenced production in early 2016, which laid a solid foundation for the Group's plastic injection moulding machine business to advance forward.

Computerised Numerical Controlled (CNC) Machining Centres

During the Year, the Group's revenue from CNC machining centre business amounted to HK\$139,486,000, representing a decrease of 68.1% as compared to HK\$437,582,000 for the last year. Machine tools industry is still in adjustment, with a continuing weak demand in general after experiencing rapid growth in recent years.

Financial Review

During the Year, the overall gross profit margin of the business of the Group was 24.8%, representing a decrease of approximately 1.2% as compared to the last year, which was mainly due to the corresponding increase in the share of fixed costs resulting from the decrease in revenue, particularly the relatively material impact on the CNC machining centre segment.

Selling and distribution expenses amounted to HK\$345,440,000, representing an increase of 3.1% as compared to HK\$335,128,000 for the last year, which is mainly due to the increase in revenue of IDRA, our subsidiary, from the overseas market during the Year and the corresponding increase in relevant transportation costs and exhibition costs.

General and administration expenses amounted to HK\$330,219,000, representing a decrease of 10.7% as compared to HK\$369,674,000 in the last year. The Group provided guarantee relating to equipment mortgage loans for individual customers, and some of these customers entered into bankruptcy proceedings last year. The Group settled the outstanding mortgage loan balance with the bank on those customers' behalf and suffered a loss of approximately HK\$26,373,000, as a result of default by certain customers for the year ended 31 March 2015. During the Year, loss in this regard has significantly decreased.

Net finance costs amounted to HK\$68,651,000, representing an increase of 17.5% as compared to HK\$58,446,000 last year. The Group restructured the syndicated loan during the Year, which accelerated the amortisation of the related borrowing costs of approximately HK\$11,742,000 prepaid last year.

Research and Development

The Group continued to invest resources in energy saving, environmental protection, efficiency and automation to enhance product performance. Meanwhile, intelligent control systems are developed for die casting machines, plastic injection moulding machines and CNC machining centres in order to catch up with the new trend under "Made in China 2025" and "Industry 4.0" ("工業4.0") and cope with the future requirements to become a smart factory.

At the same time, the Group also developed special die casting process and super large die casting cells so as to meet the requirements of the aluminium alloy structural parts in automobile industry. Steel is gradually replaced by aluminium alloy structural parts for car body structure, such as crossmember, stock tower and door frame, not only providing safety protection but also reducing weight.

During the year, the Group conducted comprehensive upgrade and enhancement of the “FORZA” plastic injection moulding machine series. The third generation of “FORZA” series has been launched with substantial upgrade in performance and workshop internet function.

Following the growth of industry in respect of automobile, household appliances and daily necessities in China, consumers demand plastic products with diversity, personality and colorful patterns. In order to accommodate market changes and seize business opportunities, the Group developed a cutting-edge “PT-DV” series for its two-platen 3-color large-tonnage plastic injection moulding machine based on its advanced two-platen 2-color machine. This machine is equipped with a number of patented technologies, superior function and features, which complements the deficiency of two-platen 3-color large-tonnage plastic injection molding machine in China market and is able to satisfy the needs of multi-color plastic products in various industries.

With outstanding performance in the market, “POTENZA-G” series “PT80-PT160” machine is in a leading position in the eye glasses specialized plastic injection molding machine technology, and is well accepted by eye glasses manufacturers. In order to further satisfy the market demand for refined and compact eye glasses, the Group launched a few fully upgraded eye glasses machines series in 2016.

The upgrade version of the “POTENZA-G” series aims at different plastic materials and different operating requirements with different power system and injection system, which could further satisfy the needs of a niche market and promote the development of eye glasses industry.

During the Year, the Group also enhanced the function of CNC machining centres and conducted research and development over different types and different machining centres series to cater to the needs of different markets and industries. Moreover, the Group also developed various models of specialised bridge machining centres. The Group’s CNC machining centres series are widely used for the post-processing of 3C products, processing of automobile components, manufacturing of dies, and processing of other sophisticated components.

Prospects

Looking forward to the coming year, global economy remains uncertain, and the business environment will be tough and challenging. First of all, growth of the Chinese economy has slowed down and its demand remains weak. The development in China’s manufacturing industry will slow down correspondingly under relatively large downward pressure, while total market demand may continue to decline. Although the economy of United States improved, the economies of emerging countries remained sluggish, together with substantial depreciation in their currencies against United States dollars, will have a direct influence on

the intention to invest in machinery and equipment. Brexit came true as UK voted to leave the EU in the referendum held on 23 June. This stunning vote result has rattled the financial markets worldwide and generates uncertainties for investors which may deter their investment in the EU. However, the Chinese government has stepped up its efforts to implement reform measures in different industries and different business sectors, so as to stimulate the economy of China to maintain medium-to-high speed growth. Driven by the national policy such as “Made in China 2025”, the Group is committed to enhancing its innovative ability, strengthening the quality and brand building, and promoting R&D, innovation, high-value added, automation and marketing of the Group’s three main products, namely die casting machines, plastic injection moulding machines and CNC machining centres. Meanwhile, the Group will also adopt a prudent fiscal strategy to ensure a healthy, stable and sustainable development for the Group.

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 2016, the Group’s cash and bank balances amounted to approximately HK\$330,404,000 (2015: HK\$306,992,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 70% (2015: 68%).

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

As at 31 March 2016, the capital structure of the Company was constituted exclusively of 1,133,265,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was approximately HK\$1,556,790,000 (2015: HK\$1,553,145,000), approximately 53% of which being short-term loans. Approximately 17% of the total borrowing was subject to interest payable at fixed rates.

Financial Guarantees

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2016, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to approximately HK\$231,962,000 (2015: HK\$317,048,000).

Pledge of Assets

The Group’s banking facilities and financial guarantees were secured by the assets of the Group, including restricted bank balances, available-for-sale financial assets, land use rights, investment properties, property, plant and machinery and trade and bills receivables, with aggregate carrying amounts of HK\$550,441,000 (2015: HK\$748,522,000).

Capital commitments

As at 31 March 2016, the Group had made capital expenditure commitments of approximately HK\$19,318,000 (2015: HK\$109,613,000) in respect of acquisition of property, plant and equipment.

Staff and Remuneration Policies

As at 31 March 2016, the Group employed approximately 3,700 full time staff. The staff costs for current year amounted to HK\$510,190,000 (2015: HK\$544,982,000). 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 2016, neither the Company nor any of its subsidiaries 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 2,277,500 shares of the Company at a total consideration of approximately HK\$973,000.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 8 September 2016, the register of members of the Company will be closed from Tuesday, 6 September 2016 to Thursday, 8 September 2016 (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, 5 September 2016.

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 2016.

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 2016.

REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2016.

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 2016 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 2016 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, 8 September 2016. 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 2015-16 in due course.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 29 June 2016

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