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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 2022

FINANCIAL HIGHLIGHTS			
	For the year ended 31 March		
	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Operating results:			
Revenue	5,362,474	4,021,206	33.4%
Gross profit	1,566,400	1,115,283	40.4%
Gross profit margin	29.2%	27.7%	1.5%
Operating profit	792,515	514,780	54.0%
Operating profit margin	14.8%	12.8%	2.0%
Profit attributable to owners of the Company	625,509	343,667	82.0%
Net profit margin	11.7%	8.5%	3.2%
	<i>HK cents</i>	<i>HK cents</i> (Restated)	
Basic and diluted earnings per share	45.6	26.2	74.0%
	At 31 March	At 31 March	
	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Financial position:			
Total assets	7,599,524	5,478,376	38.7%
Net assets	3,702,999	2,461,272	50.5%
Net current assets	1,343,572	594,613	126.0%
Cash and cash equivalents	576,790	588,391	-2.0%
Total borrowings	1,088,637	1,165,552	-6.6%

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 2022 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	5,362,474	4,021,206
Cost of sales	3	(3,796,074)	(2,905,923)
Gross profit		1,566,400	1,115,283
Other income		102,752	74,920
Other gains – net	4	39,279	58,924
Selling and distribution expenses	3	(480,605)	(366,475)
General and administrative expenses	3	(430,471)	(344,468)
Provision for impairment of trade receivables – net	3	(4,840)	(23,404)
Operating profit		792,515	514,780
Finance income	5	6,721	7,722
Finance costs	5	(33,572)	(56,292)
Finance costs – net	5	(26,851)	(48,570)
Share of profit/(losses) of associates		43	(8,258)
Profit before income tax		765,707	457,952
Income tax expenses	6	(140,198)	(114,285)
Profit attributable to owners of the Company		625,509	343,667
		<i>HK cents</i>	<i>HK cents</i>
		<i>per share</i>	<i>per share</i>
			(Restated)
Earnings per share for profit attributable to owners of the Company during the year			
– Basic	8(a)	45.6	26.2
– Diluted	8(b)	45.6	26.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	625,509	343,667
Other comprehensive income/(loss) for the year		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	85,343	166,288
Change in fair value of insurance policy investments	(26)	402
Loss on disposals of insurance policy investments	222	–
<i>Item that will not be reclassified to profit or loss</i>		
Gain on revaluation of property, plant and equipment upon transfer to investment properties	84,315	–
Total comprehensive income attributable to owners of the Company, net of tax	<u>795,363</u>	<u>510,357</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Intangible assets		14,801	14,941
Property, plant and equipment		1,476,984	1,173,530
Investment properties		651,754	342,822
Right-of-use assets		408,912	357,202
Interests in joint ventures		–	–
Interests in associates		17,150	16,495
Other receivables and deposits		149,063	56,821
Deferred income tax assets		92,227	92,966
Trade and bills receivables	9	32,564	14,397
Financial asset at fair value through other comprehensive income		6,173	5,952
Restricted bank balances		677	880
Total non-current assets		2,850,305	2,076,006
Current assets			
Insurance policy investments		–	12,840
Inventories		1,713,348	1,147,324
Trade and bills receivables	9	2,018,270	1,387,926
Other receivables, prepayments and deposits		282,056	201,960
Restricted bank balances		158,755	63,929
Cash and cash equivalents		576,790	588,391
Total current assets		4,749,219	3,402,370
Total assets		7,599,524	5,478,376
Equity			
Share capital		137,640	119,127
Reserves		1,771,131	1,014,472
Retained earnings		1,794,228	1,327,673
Total equity		3,702,999	2,461,272

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		93,933	49,709
Borrowings		210,431	76,776
Lease liabilities		11,789	20,569
Other payables and deposit	10	174,725	62,293
Total non-current liabilities		490,878	209,347
Current liabilities			
Trade and bills payables, other payables, deposits and accruals	10	2,467,217	1,678,841
Borrowings		878,206	1,088,776
Lease liabilities		9,449	10,213
Current income tax liabilities		50,775	29,927
Total current liabilities		3,405,647	2,807,757
Total liabilities		3,896,525	3,017,104
Total equity and liabilities		7,599,524	5,478,376

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022	2021
	HK\$'000	HK\$'000
Net cash generated from operating activities	182,703	771,063
Net cash used in investing activities	(601,920)	(228,518)
Net cash generated from/(used in) financing activities	396,238	(706,028)
Net decrease in cash and cash equivalents	(22,979)	(163,483)
Cash and cash equivalents at beginning of year	588,391	713,793
Exchange difference on cash and cash equivalents	11,378	38,081
Cash and cash equivalents at end of year	576,790	588,391

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 amendments for the first time for the annual reporting period commencing 1 April 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16
- Covid-19-Related Rent Concessions – amendments to HKFRS 16

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 2022. 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 profit/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 2022 are as follows:

	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
External sales	3,816,178	1,365,111	181,185	5,362,474	–	5,362,474
Inter-segments sales	<u>90,536</u>	<u>–</u>	<u>–</u>	<u>90,536</u>	<u>(90,536)</u>	<u>–</u>
	<u>3,906,714</u>	<u>1,365,111</u>	<u>181,185</u>	<u>5,453,010</u>	<u>(90,536)</u>	<u>5,362,474</u>
Results						
Segment results	<u>660,866</u>	<u>152,148</u>	<u>16,627</u>	<u>829,641</u>	<u>–</u>	829,641
Administrative expenses						(37,126)
Finance income						6,721
Finance costs						(33,572)
Share of profit of associates						<u>43</u>
Profit before income tax						<u>765,707</u>

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>
Revenue						
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>
Results						
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>

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 2022			
	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	5,064,867	1,621,074	885,162	7,571,103
Unallocated assets				<u>28,421</u>
Consolidated total assets				<u>7,599,524</u>
Liabilities				
Segment liabilities	2,691,184	951,347	197,983	3,840,514
Unallocated liabilities				<u>56,011</u>
Consolidated total liabilities				<u>3,896,525</u>

	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>
Assets				
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>
Liabilities				
Segment liabilities	2,070,187	744,750	154,083	2,969,020
Unallocated liabilities				48,084
Consolidated total liabilities				<u>3,017,104</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 (2021: 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 2022				
	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 (Note)	499,179	54,791	60,230	110	614,310
Depreciation and amortisation	88,492	42,950	13,463	968	145,873
Reversal of provision for inventories write-down	(10,315)	(8,510)	(2,966)	–	(21,791)
Provision for impairment of trade receivables – net	6,034	(952)	(242)	–	4,840

	For the year ended 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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)

Note: Non-current assets exclude interests in joint ventures, interests in associates, deferred income tax assets, 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 2022 and 2021.

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 ⁱ	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	4,391,303	3,104,819	2,580,212	1,811,855
Hong Kong	–	–	17,574	19,231
Europe	391,292	291,740	35,797	43,778
North America	255,991	325,237	13,638	12,540
Central America and South America	109,142	162,394	–	–
Other countries	214,746	137,016	54,293	57,912
	5,362,474	4,021,206	2,701,514	1,945,316

Note i: Non-current assets exclude interests in joint ventures, interests in associates, 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets	5,751	5,054
Depreciation of property, plant and equipment	120,573	109,804
Depreciation of right-of-use assets	19,549	19,067
Provision for impairment of trade receivables – net	4,840	23,404
(Reversal of)/provision for inventories write-down	(21,791)	10,606
Staff costs (i)	873,032	614,622
Research costs	29,162	22,062
	<u> </u>	<u> </u>

(i) For the year ended 31 March 2022, the staff costs related to research and development activities were HK\$95,363,000 (2021: HK\$58,037,000).

4 OTHER GAINS – NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Increase in fair value of investment properties	28,546	6,490
Reversal of provision for impairment of other receivables (<i>Note</i>)	–	39,773
Net foreign exchange gain	11,769	13,325
Net loss on disposals of property, plant and equipment	(814)	(1,894)
Gain on disposal of a right-of-use asset	–	1,230
Loss on disposals of insurance policy investments	(222)	–
	<u> </u>	<u> </u>
	<u>39,279</u>	<u>58,924</u>

Note: During the year ended 31 March 2021, Fuxin Lida Steel Casting Co. Ltd. (“Fuxin Lida”), a wholly owned subsidiary of the Group, recovered RMB35,000,000 out of the total RMB50,908,000 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 the disposal, in connection with the disposal 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 2021. As stipulated in a tri-partite agreement entered into between 阜新金達, Fuxin Lida and Fuxin County government, 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 2022 and 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

	2022 HK\$'000	2021 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(6,721)	(7,722)
Finance costs:		
Interest on bank borrowings	37,830	57,083
Interest on employees' incentive programme of a subsidiary	2,135	–
Charges on bills receivables discounted without recourse	1,801	2,309
Interest on lease liabilities	799	1,050
Less: Capitalised in property, plant and equipment (<i>Note i</i>)	(8,993)	(4,150)
	<u>33,572</u>	<u>56,292</u>
	<u>26,851</u>	<u>48,570</u>

Note i: Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.7% (2021: 3.9%) to expenditure on qualifying assets.

6 INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	99,606	52,968
– Hong Kong profits tax	–	–
– Overseas tax	7,308	5,942
– Withholding income tax on dividends	15,870	29,299
	<u>122,784</u>	<u>88,209</u>
Deferred income tax	17,414	26,076
Tax charge	<u>140,198</u>	<u>114,285</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% (2021: 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% (2021: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2022 (2021: same) as the subsidiaries established in Hong Kong had no assessable profits for the year ended 31 March 2022 (2021: same).

For the year ended 31 March 2022, 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 (2021: same).

7 DIVIDENDS

The dividend paid and declared during the year ended 31 March 2022 and 2021:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend	82,583	35,737
Proposed final dividend	<u>55,056</u>	<u>37,538</u>
	<u><u>137,639</u></u>	<u><u>73,275</u></u>

A final dividend in respect of the year ended 31 March 2022 of HK4 cents per ordinary share, amounting to a total dividend of HK\$55,056,000, is to be proposed at the forthcoming annual general meeting on 6 September 2022. 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\$625,509,000 (2021: HK\$343,667,000) and on the weighted average number of approximately 1,370,424,000 (2021: 1,310,392,000) ordinary shares in issue.

	2022	2021 (Restated)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u><u>625,509</u></u>	<u><u>343,667</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u><u>1,370,424</u></u>	<u><u>1,310,392</u></u>
Basic earnings per share (<i>HK cents</i>)	<u><u>45.6</u></u>	<u><u>26.2</u></u>

Note: Pursuant to the bonus issue which was completed on 27 September 2021, a total of 125,126,500 bonus shares were issued on the basis of one bonus share for every ten existing shares (the “Bonus Issue”) held on 15 September 2021. The weighted average number of ordinary shares in issue and earnings per share for the year ended 31 March 2022 were adjusted retrospectively for the Bonus Issue on 27 September 2021. Comparatives figures have also been restated on the assumption that the Bonus Issue has been effective in prior period, excluding the portion related to the placement made in the current period.

(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 2022, the Group has two categories of potentially dilutive ordinary share: share option issued by the Company (“Share Options”) and share based payment scheme of a subsidiary of the Group. These unvested potentially dilutive ordinary shares were not included in the calculation of diluted earnings per share.

For the year ended 31 March 2021, 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	1,672,937	1,195,060
Less: Provision for impairment	<u>(137,005)</u>	<u>(135,297)</u>
	1,535,932	1,059,763
Bills receivables	<u>514,902</u>	<u>342,560</u>
	2,050,834	1,402,323
Less: Balance due after one year shown as non-current assets	<u>(32,564)</u>	<u>(14,397)</u>
Trade and bills receivables, net	<u><u>2,018,270</u></u>	<u><u>1,387,926</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	893,627	654,625
91–180 days	272,944	197,838
181–365 days	240,981	119,945
Over one year	<u>265,385</u>	<u>222,652</u>
	<u><u>1,672,937</u></u>	<u><u>1,195,060</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

	2022 HK\$'000	2021 HK\$'000
Current portion		
Trade payables	936,397	738,003
Bills payables	571,067	198,041
	<hr/>	<hr/>
Trade and bills payables	1,507,464	936,044
Other deposits	5,627	6,465
Trade deposits and receipts in advance (<i>Note i</i>)	483,703	351,399
Accrued salaries, bonuses and staff benefits	121,258	91,945
Accrued sales commission	98,985	63,375
Value added tax payable	30,736	14,479
Others	219,444	215,134
	<hr/>	<hr/>
	2,467,217	1,678,841
	<hr/> <hr/>	<hr/> <hr/>
Non-current portion		
Deposits (<i>Note ii</i>)	86,420	41,667
Employees' incentive programme	67,295	–
Others	21,010	20,626
	<hr/>	<hr/>
	174,725	62,293
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The Group recognised its contract liabilities under 'trade and bills payables, other payables, deposits and accruals' as 'trade deposits and receipts in advance' in the consolidated statement of financial position. The revenue recognised in the current reporting period is HK\$272,690,000 (2021: HK\$198,678,000) related to carried forward contract liabilities.

The Group applied the practical expedient and does not disclose the information relating to the remaining performance obligations that have original expected durations of one year or less.

- (ii) As at 31 March 2022, it represents the deposits of RMB70,000,000 (2021: RMB35,000,000) (equivalent to approximately HK\$86,420,000 (2021: 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:

	2022 HK\$'000	2021 HK\$'000
Within 90 days	815,447	637,076
91–180 days	81,598	82,449
181–365 days	9,437	4,951
Over one year	29,915	13,527
	<hr/>	<hr/>
	936,397	738,003
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$5,362,474,000 for the year ended 31 March 2022 (the “Year”), representing an increase of approximately 33.4% as compared to last year. Profit attributable to owners of the Company amounted to HK\$625,509,000, representing a significant increase of 82% as compared to profit of last year.

The Group’s revenue from the China market amounted to HK\$4,391,303,000, representing a year-on-year increase of 41.4%.

With the gradual improvement of the pandemic situation in China in 2021, the automobile industry recovered significantly, and the automobile market showed a recovery growth trend of low base and high growth. Compared with the same period last year, the automobile production and sales have increased significantly, and the growth rate of alternative fuel vehicle sales far exceeded expectations. According to the statistics of China Association of Automobile Manufacturers, the production and sales of alternative fuel vehicles rose significantly with the volume of 3.545 million and 3.521 million respectively, both representing an increase of 1.6 times year-on-year and ranking first in the world for seven consecutive years. The penetration rate of domestic retail sales of alternative fuel passenger vehicles was 14.8% in 2021, representing a significant increase from the penetration rate of 5.8% in 2020. The rapid development of alternative fuel vehicles has strongly promoted the demand for die-casting machines. China’s alternative fuel vehicle industry has responded enthusiastically to advanced die-casting solutions with a strong market demand.

The Group’s revenue from the overseas market amounted to HK\$971,171,000, representing a year-on-year increase of 6.0%. With the increasing vaccination rate and the gradual relaxation of travel restrictions, especially in Europe, the recovery momentum of the major economies continued to grow, and the demand for industrial equipment recovered significantly.

FINANCIAL REVIEW

During the Year, the overall gross profit margin of the business of the Group was 29.2%, representing an increase of 1.5% as compared to the last year, which was mainly due to the increase in operating efficiency.

Selling and distribution expenses amounted to HK\$480,605,000, accounting for 9.0% of operating revenue, which remained relatively stable as compared to last year.

General and administrative expenses amounted to HK\$430,471,000, accounting for 8.0% of operating revenue, which represent a decrease of 0.6% as compared to last year.

Net finance costs amounted to HK\$26,851,000, representing a decrease of 44.7% as compared to last year, which was mainly due to a decrease in interest expense stemming from a significant decrease in bank loans during the Year.

PROSPECTS

China is committed to achieve peak carbon emissions by 2030 and becoming carbon neutral by 2060. China has also pledged to move from carbon peak to carbon neutrality in a much shorter time span than what might take in many developed countries, with an aim to fully establish a green and low-carbon circular economic development system. After the recent years of market cultivation for alternative fuel vehicles in China, the supply chain system has grown and expanded gradually. The scale expansion has brought about a reduction in costs and a substantial enhancement in the general standard of products. In order to fulfill the carbon reduction target, European countries and the United States have increased their support for alternative fuel vehicles, which has become a new growth driver for the Group's overseas markets.

Currently, the Group continues to make contributions to reforming the alternative fuel vehicle manufacturing technology. With the global alternative fuel vehicle industry gaining high growth momentum, the Group has strong level of orders on hand currently, and its production is intense yet orderly. Unless unforeseen circumstances arise, the Group is optimistic about the sustainable development of its business operation.

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 2022, the Group's cash and cash equivalents amounted to HK\$576,790,000 (31 March 2021: HK\$588,391,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 13.8% (31 March 2021: 23.4%).

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

As at 31 March 2022, the capital structure of the Company was constituted exclusively of 1,376,391,500 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,088,637,000 (31 March 2021: HK\$1,165,552,000), approximately 80.7% (31 March 2021: 93.4%) of which being short-term loans. Approximately 27.8% (31 March 2021: 20.0%) 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 2022, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$35,857,000 (31 March 2021: HK\$19,857,000).

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 2022 was nil (31 March 2021: HK\$4,619,000).

PLEDGE OF ASSETS

As at 31 March 2022, 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, with aggregate carrying amounts of HK\$869,950,000 (31 March 2021: HK\$685,225,000).

CAPITAL COMMITMENTS

As at 31 March 2022, the Group had capital commitments in respect of acquisition of property, plant and equipment contracted but not provided in the consolidated financial information amounting to HK\$136,283,000 (31 March 2021: HK\$316,014,000).

STAFF AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed approximately 4,934 full time staff. The staff costs for the current year amounted to HK\$873,032,000 (2021: HK\$614,622,000). 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 2022, 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

The Company issued 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 15 September 2021. The bonus issue was completed on 27 September 2021.

SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) was adopted pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2016 and would remain in force for a period of 10 years.

On 24 September 2021, the Company granted an aggregate of 27,540,000 share options to 390 eligible persons under the Share Option Scheme. As at 31 March 2022, there was no share option had been exercised by the eligible persons.

DIVIDENDS

An interim dividend of HK6 cents per ordinary share in respect of the period ended 30 September 2021 was paid on 7 January 2022. The Board recommended a payment of final dividend of HK4 cents per ordinary share for the year ended 31 March 2022 (2021: HK3 cents), subject to Shareholders’ approval at the forthcoming annual general meeting to be held on Tuesday, 6 September 2022 and payable to the Shareholders whose names appear on the register of members of the Company on Wednesday, 14 September 2022. The dividend will be paid on or about Friday, 30 September 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Tuesday, 6 September 2022, the register of members of the Company will be closed from Thursday, 1 September 2022 to Tuesday, 6 September 2022 (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 annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch 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 Wednesday, 31 August 2022.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 15 September 2022 to Monday, 19 September 2022, (both days inclusive) during which no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch 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 Wednesday, 14 September 2022.

CONTRACTS OF SIGNIFICANCE

L.K. High-Tech Industrial Park Urban Renewal Project* (力勁高新科技工業園城市更新項目)

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 announcement.

On 18 January 2021 (the “Approval Date”), the Company has obtained a written shareholders’ approval from Girgio Industries Limited (“Girgio”), 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 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.

As at 31 March 2022, monetary consideration of RMB70,000,000 was received by L.K. Machinery (Shenzhen) Co., Ltd.* (力勁機械(深圳)有限公司) from the Purchaser. The Urban Renewal Project continues as scheduled.

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.

THE TOP-UP PLACING AND SUBSCRIPTION OF SHARES

On 26 April 2021, Girgio Industries Limited, a controlling shareholder of the Company, (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 places 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.

INCLUSION AS A CONSTITUENT STOCK OF HANG SENG COMPOSITE INDEX AND HANG SENG STOCK CONNECT GREATER BAY AREA COMPOSITE INDEX

The Company was selected and included as constituent stocks of the Hang Seng Composite Index and the Hang Seng Stock Connect Greater Bay Area Composite Index with effect from 7 March 2022.

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 2022.

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 2022.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee consists of four independent non-executive Directors, namely Dr. Low Seow Chay, Dr. Lui Ming Wah, Mr. Tsang Yiu Keung, Paul and Mr. Look Andrew (appointed on 1 April 2022).

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2022.

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 2022 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.lk.world). The annual report of the Company for the year ended 31 March 2022 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 Tuesday, 6 September 2022. 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 2021/22 in due course.

By order of the Board
Chong Siw Yin
Chairperson

Hong Kong, 28 June 2022

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, Mr. Tsang Yiu Keung, Paul and Mr. Look Andrew.

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