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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF PROPERTY

The Board announces that on 25 March 2014, Zhongshan LK, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement as seller in respect of the Disposal. Pursuant to the Sale and Purchase Agreement, Zhongshan LK agreed to sell all its title and rights in the Property to the Nominee as nominated by the Purchaser at an aggregate consideration of RMB70,000,000 (equivalent to HK\$87,500,000). In order to facilitate the Group's relocation of its manufacturing facilities following the Disposal, the Property will be leased back to Zhongshan LK for an initial term of 12 months subject to extension to a maximum term of 21 months as described below.

The transactions under the Sale and Purchase Agreement constitute a discloseable transaction of the Company under the Listing Rules and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Following the acquisition of the land use right of a larger alternative site in Zhongshan, PRC in July 2013, and as part of the Group's plan to relocate its existing manufacturing facilities in Zhongshan as stated in the Company's announcement dated 10 July 2013, the Board announces that on 25 March 2014, Zhongshan LK, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement as seller with the Purchaser in respect of the Disposal of its interests in the Property to, upon the Purchaser's nomination, the Nominee. In order to facilitate the Group's relocation of its manufacturing facilities following the Disposal, the Property will be leased back to Zhongshan LK for an initial term of 12 months, subject to extension to a maximum term of 21 months as described below.

The Property is located in Zhongshan, Guangdong, PRC, and comprises (i) two plots of land with an aggregate area of approximately 21,180m² and (ii) the permanent and temporary buildings erected on those two plots of land, together with utilities and fire service and other ancillary facilities. The Group's manufacturing facilities in Zhongshan are currently located at the Property. The Property has been re-zoned by the local government from industrial use to commercial and residential use but the Group has obtained consent from the local government to retain its current industrial use of the Property until the relocation is complete.

The counterparty under the Sale and Purchase Agreement is the Purchaser whose principal business is property investment. The Nominee is to be a property development project company to be established by the Purchaser to develop the Property. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Nominee and their respective beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Board is of the view that the terms of the transactions contemplated under the Sale and Purchase Agreement (including the Lease Agreement) are fair and reasonable and in the interests of the shareholders of the Company as a whole having considered the following:-

- (i) the Disposal realizes the value of the Property following the re-zoning of the Property by the local government from industrial to commercial and residential use;
- (ii) the proceeds from the Disposal can facilitate the Group's relocation of operation and strategic expansion at the new site acquired in 2013 and add to the Group's working capital;
- (iii) the relocation of the Group's facilities is expected to be carried out in stages and the leaseback arrangement under the Lease Agreement provides a means for the Group to undergo the relocation over a period of time with a view to minimizing the restraint to the Group's manufacturing capacity during the process.

The principal terms of the Sale and Purchase Agreement and information relating to the Lease Agreement are set out below.

SALE AND PURCHASE AGREEMENT

Date

25 March 2014

Parties

Seller: Zhongshan LK

Purchaser: the Purchaser, which will nominate the Nominee to take up the interests in the Property

Subject matter

Pursuant to the Sale and Purchase Agreement, Zhongshan LK agreed to sell, on an “as-is” basis, all its title and rights in the Property to the Nominee as nominated by the Purchaser.

Consideration

The aggregate consideration the Disposal is RMB70,000,000 (equivalent to HK\$87,500,000). The consideration is payable in stages to Zhongshan LK as follows:-

- (i) RMB7,000,000 (equivalent to HK\$8,750,000) (the “Deposit”) is payable on the date of the Sale and Purchase Agreement;
- (ii) RMB28,000,000 (equivalent to HK\$35,000,000) (the “Second Payment”) is payable on the date of issue of a confirmation of receipt of the application (“First Application”) to the relevant PRC land authority for the transfer of land use rights in respect of the first plot of land at the Property and the buildings on it. The application is to be made within 4 business days after the receipt of the Deposit and nomination of the Lessor by the Purchaser; and
- (iii) RMB35,000,000 (equivalent to HK\$43,750,000) (the “Third Payment”) is payable on the date of issue of a confirmation of receipt of the application (“Second Application”) to the relevant PRC land authority for the transfer of land use rights in respect of the second plot of land at the Property and the buildings on it. The Second Application is to be made by 31 October 2014 after receipt of the Deposit and the Second Payment.

The consideration was determined after arm’s length negotiations between Zhongshan LK and the Purchaser, having considered the current market conditions and land price in the surrounding areas.

Termination

The Sale and Purchase Agreement may be terminated by Zhongshan LK if:-

- (i) the Purchaser fails to pay the Deposit on the date of the Sale and Purchase Agreement whereupon Zhongshan LK is entitled to compensation in the amount of RMB7,000,000 (equivalent to HK\$8,750,000) by the Purchaser;
- (ii) the Purchaser fails to make any of the other instalments of the consideration when it falls due and it remains outstanding for more than 15 working days, whereupon Zhongshan LK is entitled to forfeit the Deposit received; or
- (iii) by the default of the Purchaser or the Nominee, the Tri-partite Agreement is not entered into before 8 April 2014, whereupon Zhongshan LK is entitled to forfeit the Deposit received.

If and to the extent Zhongshan LK has received payments in addition to the Deposit, or the land use right to any part of the Property has been transferred upon termination of the Sale and Purchase Agreement, those payments received by Zhongshan LK have to be refunded to the Purchaser without interest and the Purchaser is required to transfer or procure the transfer of any land use right already transferred to the Lessor back to Zhongshan LK.

The Purchaser is entitled to terminate the Sale and Purchase Agreement and refund of the Deposit and all other payments made if (1) Zhongshan LK fails to make the First Application within 4 business days after the receipt of the Deposit and nomination of the Lessor by the Purchaser and the default lasts for more than 20 working days, or (2) Zhongshan LK disposes the Property to a third party after signing the Sale and Purchase Agreement. In either case, Zhongshan LK is required to pay RMB7,000,000 (equivalent to HK\$8,750,000) by way of compensation.

Financial effect of the Disposal and use of proceeds

Taking into account the carrying value of the Property of approximately HK\$12,688,000 as at 31 January 2014, upon completion of the Disposal, a gain in the sum of approximately HK\$74,812,000 before tax and expenses is expected to accrue to the Group as a results of the Disposal.

The proceeds from the Disposal will be used by the Group as general working capital and part of it is expected to be applied towards the development of new facilities on the new site in Zhongshan acquired by the Group in July 2013.

LEASE AGREEMENT

Pursuant to the terms of the Sale and Purchase Agreement, Zhongshan LK and the Purchaser entered into the Lease Agreement in respect of which the Tri-partite Agreement will be entered into before 8 April 2014. whereupon the Purchaser and the Nominee will, among other things, become the Lessors in respect of the Property. The Lease Agreement provides that, subject to completion of the Disposal taking place, the Property be leased to Zhongshan LK for an initial term of 12 months, with option to extend for 6 months (the “First Extension Period”) and a further option (with two months’ prior notice by Zhongshan LK) to extend for an additional 3 months (the “Second Extension Period”) in the event Zhongshan LK is unable to vacate the Property within the initial term. The rental term commences from the date of completion of the Disposal pursuant to the terms of the Lease Agreement. The monthly rental is RMB150,000 for the initial term, RMB300,000 for the First Extension Period and RMB600,000 for the Second Extension Period. Under the Lease Agreement, the Lessors may terminate the lease before the expiry of the Second Extension Period with two months’ notice and the consent of Zhongshan LK.

The monthly rental was negotiated on an arm’s length basis taking into account prevailing market monthly rental of surrounding land with comparable facilities of approximately RMB200,000. The lower-than-market monthly rental payable during the initial term of the Lease Agreement is to facilitate the Group’s relocation of its manufacturing facilities from the Property to a new location. The Group estimates it needs approximately 18 months to relocate its existing manufacturing facilities. The Board also noted that whilst the monthly rental for the First Extension Period is well above current market rental, the average monthly rental over the entire expected duration of the relocation process will be at market rent. As for the higher-than-market monthly rental for the Second Extension Period, the Board is of the view that this is acceptable taking into account the sale and leaseback arrangement as a whole, the fact that the consideration for the Disposal being materially higher than other offers received, and that the Group expects the relocation process should not, in the absence of unforeseen circumstances, extend beyond the expected duration of 18 months.

GENERAL

The Company is a company incorporated in the Cayman Islands and its principal activity is investment holding. The Group is principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastics injection moulding machines, computerized numerical controlled machining centres and related accessories. The Group is also engaged in steel casting.

As the applicable percentage ratios (as defined under the Listing Rules) exceed 5% but are less than 25%, the transactions under the Sale and Purchase Agreement constitute a discloseable transaction of the Company under the Listing Rules and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below:-

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| “Board” | the board of Directors |
| “Company” | L.K. Technology Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange |
| “Directors” | the directors of the Company |
| “Disposal” | the sale by Zhongshan LK of all its title and rights in the Property to the Nominee as nominated by the Purchaser pursuant to the Sale and Purchase Agreement |
| “HK\$” | Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC |
| “Lease Agreement” | lease agreement dated 25 March 2014 entered into pursuant to the terms of the Sale and Purchase Agreement between Zhongshan LK and the Purchaser, to be supplemented by the Tri-partite Agreement and under which the Lessor(s) agree(s) to lease the Property to Zhongshan LK for an initial term of 12 months commencing from the date of completion of the Disposal with options to extend the term to a maximum of 21 months |
| “Lessor(s)” | the lessors under the Lease Agreement, being the Purchaser and, upon the signing of the Tri-partite Agreement, the Nominee |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “m ² ” | square metre |
| “Nominee” | a property development project company to be established by the Purchaser to develop the Property |

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| “PRC” | the People’s Republic of China |
| “Property” | two plots of land situated at Zhongshan City, Guangdong Province, PRC with an aggregate site area of approximately 21,180m ² , and all the permanent and temporary buildings erected on those plots of land, together with utility and fire service and other ancillary facilities |
| “Purchaser” | 中山市慧峰房地產開發有限公司 (Zhongshan Huifeng Property Development Company Limited), a real estate development enterprise established in the PRC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 25 March 2014 entered into between Zhongshan LK as seller and the Purchaser as purchaser in relation to the Disposal |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tri-partite Agreement” | an agreement to be entered into among Zhongshan LK, the Purchaser and the Nominee before 8 April 2014 pursuant to the terms of the Sale and Purchase Agreement under which, among other things, the Purchaser and the Nominee will become the Lessors in respect of the Property |
| “Zhongshan LK” | 中山力勁機械有限公司 (Zhongshan L.K. Machinery Co. Ltd.), a wholly owned foreign enterprise established in the PRC and a wholly-owned subsidiary of the Company |

By order of the Board
L.K. Technology Holdings Limited
Wong Kin Ming
Company Secretary

Hong Kong, 25 March 2014

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Cao Yang, Mr. Chung Yuk Ming, Mr. Tse Siu Sze and Mr. Wang Xinliang; the non-executive Director is Mr. Hu Yongmin and 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 of Chinese names or words in this announcement are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

For the purposes of this announcement, RMB is converted into HK\$ at a rate of RMB 1 to HK\$1.25 for illustration purpose only.