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 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2023	2022	**Change**
	HK$'000	*HK$'000*	*%*
Operating results:			
Revenue	**5,896,349**	5,362,474	10.0%
Gross profit	**1,596,687**	1,566,400	1.9%
Gross profit margin	**27.1%**	29.2%	-2.1%
Operating profit	**677,474**	792,515	-14.5%
Operating profit margin	**11.5%**	14.8%	-3.3%
Profit attributable to owners of the Company	**532,235**	625,509	-14.9%
Net profit margin	**9.0%**	11.7%	-2.7%
	HK cents	*HK cents*	
Basic and diluted earnings per share	**38.7**	45.6	-15.1%

	At 31 March		
	2023	2022	**Change**
	HK$'000	*HK$'000*	*%*
Financial position:			
Total assets	**8,539,878**	7,599,524	12.4%
Net assets	**3,855,716**	3,702,999	4.1%
Net current assets	**1,275,782**	1,343,572	-5.0%
Cash and cash equivalents	**605,365**	576,790	5.0%
Total borrowings	**1,641,046**	1,088,637	50.7%

The board (the "Board") of directors (the "Directors") of L.K. Technology Holdings Limited (the "Company") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2023 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Revenue	2	**5,896,349**	5,362,474
Cost of sales	3	**(4,299,662)**	(3,796,074)
Gross profit		**1,596,687**	1,566,400
Other income		**140,342**	102,752
Other gains – net	4	**58**	39,279
Selling and distribution expenses	3	**(544,592)**	(480,605)
General and administrative expenses	3	**(519,675)**	(430,471)
Reversal of provision for/(provision for) impairment of trade receivables – net	3	**4,654**	(4,840)
Operating profit		**677,474**	792,515
Finance income	5	**6,760**	6,721
Finance costs	5	**(53,936)**	(33,572)
Finance costs – net	5	**(47,176)**	(26,851)
Share of (losses)/profit of associates		**(61)**	43
Profit before income tax		**630,237**	765,707
Income tax expenses	6	**(98,002)**	(140,198)
Profit attributable to owners of the Company		**532,235**	625,509
		HK cents per share	*HK cents per share*
Earnings per share for profit attributable to owners of the Company during the year			
– Basic	8(a)	**38.7**	45.6
– Diluted	8(b)	**38.7**	45.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**532,235**	625,509
Other comprehensive (loss)/income for the year		
Items that may be reclassified to profit or loss		
Currency translation differences	**(269,906)**	85,343
Change in fair value of insurance policy investments	**–**	(26)
Loss on disposals of insurance policy investments	**–**	222
Item that will not be reclassified to profit or loss		
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	**262,329**	795,363

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Intangible assets		**15,191**	14,801
Property, plant and equipment		**1,818,955**	1,476,984
Investment properties		**514,690**	651,754
Right-of-use assets		**387,996**	408,912
Interests in joint ventures		**–**	–
Interests in associates		**15,725**	17,150
Other receivables and deposits		**123,970**	149,063
Deferred income tax assets		**92,511**	92,227
Trade and bills receivables	9	**19,948**	32,564
Financial asset at fair value through other comprehensive income		**5,682**	6,173
Restricted bank balances		**–**	677
Total non-current assets		**2,994,668**	2,850,305
Current assets			
Inventories		**1,851,882**	1,713,348
Trade and bills receivables	9	**2,520,720**	2,018,270
Other receivables, prepayments and deposits		**349,611**	282,056
Restricted bank balances		**217,632**	158,755
Cash and cash equivalents		**605,365**	576,790
Total current assets		**5,545,210**	4,749,219
Total assets		**8,539,878**	7,599,524
Equity			
Share capital		**137,640**	137,640
Reserves		**1,513,723**	1,771,131
Retained earnings		**2,204,353**	1,794,228
Total equity		**3,855,716**	3,702,999

	Note	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Deferred income tax liabilities		**86,254**	93,933
Borrowings		**253,514**	210,431
Lease liabilities		**4,462**	11,789
Other payables	10	**70,504**	174,725
Total non-current liabilities		**414,734**	490,878
Current liabilities			
Trade and bills payables	10	**1,810,562**	1,507,464
Other payables and contract liabilities	10	**1,021,585**	959,753
Borrowings		**1,387,532**	878,206
Lease liabilities		**7,616**	9,449
Current income tax liabilities		**42,133**	50,775
Total current liabilities		**4,269,428**	3,405,647
Total liabilities		**4,684,162**	3,896,525
Total equity and liabilities		**8,539,878**	7,599,524

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
Net cash generated from operating activities	**99,375**	182,703
Net cash used in investing activities	**(540,635)**	(601,920)
Net cash generated from financing activities	**502,526**	396,238
Net increase/(decrease) in cash and cash equivalents	**61,266**	(22,979)
Cash and cash equivalents at beginning of year	**576,790**	588,391
Exchange difference on cash and cash equivalents	**(32,691)**	11,378
Cash and cash equivalents at end of year	**605,365**	576,790

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. Amendments to existing standards adopted by the Group

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 April 2022:

- Annual Improvements to HKFRS Standards 2018–2020
- Property, Plant and Equipment – Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Narrow-scope Amendments – Amendments to HKFRS 3, HKAS 16 and HKAS 37
- Merger Accounting for Common Control Combinations – Amendments to Accounting Guideline 5

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, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SEGMENT INFORMATION

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

The measurement used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs, share of (losses)/profit 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 2023 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	**4,427,861**	**1,191,013**	**277,475**	**5,896,349**	**–**	**5,896,349**
Inter-segments sales	**95,419**	**–**	**27,700**	**123,119**	**(123,119)**	**–**
	4,523,280	**1,191,013**	**305,175**	**6,019,468**	**(123,119)**	**5,896,349**
Results						
Segment results	**685,671**	**1,737**	**25,030**	**712,438**	**–**	**712,438**
Administrative expenses						**(34,964)**
Finance income						**6,760**
Finance costs						**(53,936)**
Share of losses of associates						**(61)**
Profit before income tax						**630,237**

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	90,536	–	–	90,536	(90,536)	–
	3,906,714	1,365,111	181,185	5,453,010	(90,536)	5,362,474
Results						
Segment results	660,866	152,148	16,627	829,641	–	829,641
Administrative expenses						(37,126)
Finance income						6,721
Finance costs						(33,572)
Share of profit of associates						43
Profit before income tax						765,707

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 2023			
	Die-casting machine ***HK$'000***	**Plastic injection moulding machine** ***HK$'000***	**CNC machining centre** ***HK$'000***	**Total** ***HK$'000***
Assets				
Segment assets	**6,059,037**	**1,454,059**	**996,242**	**8,509,338**
Unallocated assets				**30,540**
Consolidated total assets				**8,539,878**
Liabilities				
Segment liabilities	**3,513,134**	**914,118**	**247,208**	**4,674,460**
Unallocated liabilities				**9,702**
Consolidated total liabilities				**4,684,162**

	As at 31 March 2022			
	Die-casting machine *HK$'000*	Plastic injection moulding machine *HK$'000*	CNC machining centre *HK$'000*	Total *HK$'000*
Assets				
Segment assets	5,064,867	1,621,074	885,162	7,571,103
Unallocated assets				28,421
Consolidated total assets				7,599,524
Liabilities				
Segment liabilities	2,691,184	951,347	197,983	3,840,514
Unallocated liabilities				56,011
Consolidated total liabilities				3,896,525

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets and financial asset at FVOCI.
- 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 2023				
	Die-casting machine ***HK$'000***	**Plastic injection moulding machine** ***HK$'000***	**CNC machining centre** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Additions to non-current assets *(Note)*	**407,616**	**77,721**	**75,198**	**172**	**560,707**
Depreciation and amortisation	**118,784**	**51,418**	**14,627**	**653**	**185,482**
Provision for/(reversal of provision for) inventories write-down	**8,772**	**(2,727)**	**(2,606)**	**–**	**3,439**
(Reversal of provision for)/provision for impairment of trade receivables – net	**(3,252)**	**1,069**	**(2,471)**	**–**	**(4,654)**

	For the year ended 31 March 2022				
	Die-casting machine	Plastic injection moulding machine	CNC machining centre	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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/(reversal of provision for) impairment of trade receivables – net	6,034	(952)	(242)	–	4,840

Note: 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.

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 2023 and 2022.

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** *(Note i)*	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**4,800,915**	4,391,303	**2,743,323**	2,580,212
Hong Kong	**–**	–	**18,694**	17,574
Europe	**350,785**	391,292	**30,466**	35,797
North America	**390,889**	255,991	**14,430**	13,638
Central America and South America	**126,715**	109,142	**–**	–
Other countries	**227,045**	214,746	**53,889**	54,293
	5,896,349	5,362,474	**2,860,802**	2,701,514

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

	2023	2022
	HK$'000	*HK$'000*
Amortisation of intangible assets	**5,419**	5,751
Depreciation of property, plant and equipment	**160,687**	120,573
Depreciation of right-of-use assets	**19,376**	19,549
(Reversal of provision for)/provision for impairment of trade receivables – net	**(4,654)**	4,840
Provision for/(reversal of provision for) inventories write-down	**3,439**	(21,791)
Staff costs *(Note)*	**960,485**	873,032
Research costs	**27,958**	29,162

Note: For the year ended 31 March 2023, the staff costs related to research and development activities were HK$99,345,000 (2022: HK$95,363,000).

4 OTHER GAINS – NET

	2023	2022
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**11,667**	28,546
Net foreign exchange (loss)/gain	**(11,891)**	11,769
Net gain/(loss) on disposals of property, plant and equipment	**163**	(814)
Loss on disposals of insurance policy investments	**–**	(222)
Others	**119**	–
	58	39,279

5 FINANCE COSTS – NET

	2023	2022
	HK$'000	*HK$'000*
Finance income:		
Interest income on short-term bank deposits	**(6,760)**	(6,721)
Finance costs:		
Interest on bank borrowings	**59,082**	37,830
Interest on an employees' incentive plan of a subsidiary	**3,033**	2,135
Charges on bills receivables discounted without recourse	**3,907**	1,801
Interest on lease liabilities	**748**	799
Less: Capitalised in property, plant and equipment *(Note i)*	**(12,834)**	(8,993)
	53,936	33,572
	47,176	26,851

Note:

(i) Borrowing costs capitalised during the year arose from general borrowing pool and were calculated by applying a capitalisation rate of 3.7% (2022: 3.7%) to expenditure on qualifying assets.

6 INCOME TAX EXPENSES

The tax charge for the year comprises:

	2023	2022
	HK$'000	*HK$'000*
Current income tax		
– PRC income tax	**85,965**	99,606
– Hong Kong profits tax	**–**	–
– Overseas tax	**11,684**	7,308
– Withholding income tax on dividends	**9,000**	15,870
	106,649	122,784
Deferred income tax	**(8,647)**	17,414
Tax charge	**98,002**	140,198

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2022: 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% (2022: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2023 (2022: same) as the subsidiaries established in Hong Kong were utilising brought-forward tax losses or had no assessable profits for the year ended 31 March 2023 (2022: same).

For the year ended 31 March 2023, 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 (2022: same).

7 DIVIDENDS

The dividend paid and declared during the year ended 31 March 2023 and 2022:

	2023	2022
	HK$'000	*HK$'000*
Interim dividend	**55,056**	82,583
Proposed final dividend	**61,938**	55,056
	116,994	137,639

A final dividend in respect of the year ended 31 March 2023 of HK4.5 cents per ordinary share, amounting to a total dividend of HK$61,938,000, is to be proposed at the forthcoming annual general meeting on 6 September 2023. 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$532,235,000 (2022: HK$625,509,000) and on the weighted average number of approximately 1,376,392,000 (2022: 1,370,424,000) ordinary shares in issue.

	2023	2022
Profit attributable to owners of the Company *(HK$'000)*	**532,235**	625,509
Weighted average number of ordinary shares in issue *(thousands)*	**1,376,392**	1,370,424
Basic earnings per share *(HK cents)*	**38.7**	45.6

(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 2023, the Group has two categories of potentially dilutive ordinary share: share option issued by the Company 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 as they would have an antidilutive impact to the basic earnings per share (2022: same).

9 TRADE AND BILLS RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**2,136,075**	1,672,937
Less: Provision for impairment	**(125,642)**	(137,005)
	2,010,433	1,535,932
Bills receivables	**530,235**	514,902
	2,540,668	2,050,834
Less: Balance due after one year shown as non-current assets	**(19,948)**	(32,564)
Trade and bills receivables, net	**2,520,720**	2,018,270

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

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**1,201,343**	893,627
91–180 days	**320,501**	272,944
181–365 days	**317,134**	240,981
Over one year	**297,097**	265,385
	2,136,075	1,672,937

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 AND CONTRACT LIABILITIES

	2023	2022
	HK$'000	*HK$'000*
Current portion		
Trade payables	**1,192,733**	936,397
Bills payables	**617,829**	571,067
Trade and bills payables	**1,810,562**	1,507,464
Contract liabilities *(Note i)*	**432,348**	483,703
Other deposits *(Note ii)*	**89,119**	5,627
Accrued salaries, bonuses and staff benefits	**114,912**	121,258
Accrued sales commission	**144,019**	98,985
Value added tax payable	**20,763**	30,736
Others	**220,424**	219,444
Other payables and contract liabilities	**1,021,585**	959,753
Non-current portion		
Deposits *(Note ii)*	**–**	86,420
Obligation in relation to an employees' incentive plan *(Note iii)*	**65,146**	67,295
Others	**5,358**	21,010
Other payables	**70,504**	174,725

Notes:

(i) The revenue recognised in the current reporting period is HK$426,110,000 (2022: HK$272,690,000) 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 2023, the balance included the deposits of RMB70,000,000 (equivalent to approximately HK$79,545,000) (2022: RMB70,000,000 (equivalent to approximately HK$86,420,000)) received in relation to the Urban Renewal Project located in the PRC.

(iii) The balance represents the Group's obligation to repurchase all restricted shares of LK Injection Molding Machine Co., Ltd., a PRC subsidiary of the Group in connection with an employees' incentive plan.

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

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**992,550**	815,447
91–180 days	**158,174**	81,598
181–365 days	**15,061**	9,437
Over one year	**26,948**	29,915
	1,192,733	936,397

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. CURRENT INDUSTRY DEVELOPMENT

Amidst the backdrop of geopolitical turbulence and heightened risk of global economic downturn, China's economic performance was battered by successive unexpected shocks such as ever-changing international situations, rocketed raw material prices, natural disasters and the resurgence of the COVID-19 Pandemic in 2022. The future outlook of global manufacturing industry is clouded by elevated uncertainties under these complex and adverse macroeconomic developments. Some industries of our customers were also impacted, to a varying extent, by structural demand shrinkage, supply shock as well as bleak market outlook. In the face of the prevailing complex economic situations, the Company actively took initiatives to cope with the challenges brought by the global manufacturing industry in China effectively and seize the opportunities rising, with an aim to promoting China transfer from "Made in China" to "Created in China", from "Chinese Speed" to "Chinese Quality" and from "Chinese Product" to "Chinese Brand", and capturing the opportunities arising from changing global manufacturing layout to enhance China's position as well as the right to speak in the value chain of global manufacturing industry.

Fueled by favorable policies and market conditions, the development pace of China's alternative fuel vehicle industry was further "accelerated" in 2022. According to the latest statistics released by China Association of Automobile Manufacturers, China's alternative fuel vehicle industry recorded continuous explosive growth in 2022, with the production and sales of alternative fuel vehicles of 7.058 million and 6.887 million respectively, representing a year-on-year increase of 96.9% and 93.4% respectively and ranking first in the world for eight consecutive years.

In FY2023, the Group's revenue amounted to HK$5,896,349,000, representing a significant growth from 10.0% year-on-year as benefited by the accelerated development for China's alternative fuel vehicle industry and the development trend of integrated die-casting solutions. The production technology transformation for large and super large die-casting machines injected powerful momentum to cost reduction, efficiency upgrade as well as lightweight requirement, which in turn stimulated a strong growth in the market demand. For FY2023, the Group has delivered 22 units of super large die-casting machines in total, representing an increase of 57% as compared to 14 units delivered in FY2022.

In terms of product and delivery capability, the Group has been maintaining a leading position in the industry, and strives to achieve product structure optimization and technology innovation continuously in order to enhance its product competitiveness, customers' satisfaction and loyalty. The Group has conducted research and development on components to be used for 6000T to 12000T super large smart die-casting machines, and also worked closely with its partners from car manufacturing industry to implement mass production of large integrated structures including front compartment, rear floor and battery tray, etc. Validation and recognition of our product and service quality were gained in the market and by our customers, which enabled the Group to maintaining strong competitive advantages under fierce market competitions and pioneering in the industry development.

In future, with a rapid development of the alternative fuel vehicle industry alongside increasing penetration of overseas market, the Group will expand into overseas market strategically in a stable and gradual manner, so as to further strengthening its competitiveness in the global market and securing a leading position in the industry.

2. RESULTS AND FINANCIAL ANALYSIS OF THE COMPANY

For FY2023, the Company's revenue amounted to HK$5,896,349,000, representing a year-on-year increase of 10.0%. Profit attributable to owners amounted to HK$532,235,000, representing a year-on-year decrease of 14.9%. The gross margin was 27.1%, representing a year-on-year decrease of 2.1%, and its operating profit margin was 11.5%, representing a year-on-year decrease of 3.3%. Net profit margin was 9.0%, representing a year-on-year decrease of 2.7%.

In particular, sales revenue of die-casting machines amounted to HK$4,427,861,000, representing a year-on-year increase of 16.0% as benefited by a promising outlook for downstream vehicle industry. Super large die-casting machines segment delivered an extraordinary performance with over 90% increase in the revenue. Currently, with a surging demand for lightweight vehicles, aluminum castings are gradually entering the market as automotive body structural parts, and the penetration rate is expected to accelerate. Coupled with the rising demand for aluminum castings on the three-electric system amid the backdrop of a promising outlook for alternative fuel vehicle industry. With continuous expansion and development of die-casting machine business, it is expected the profits generated from this segment will also be gradually increased, thus bringing a positive structural impact to the Company's profit contribution. Such growth momentum not only indicates an increase in operation efficiency and competitiveness, but also demonstrates a leading position and brand value of the Company's die-casting machine business. In addition, the net profit growth of die-casting machine business will also promote optimization of the Company's internal resources allocation as well as the business structure upgrade, which can stimulate the overall profit growth for the Group in the long run.

Sales revenue for the CNC machining centre amounted to HK$277,475,000, representing a year-on-year increase of 53.1% based on the sales strategy of full integration of three business segments and customer sharing policy. In this rapidly changing macroeconomic environment, the market demand for most of the downstream industries involved by the Group was also negatively affected, compounded by the decreasing capital expenditures. Against this backdrop, our customers from downstream plastic injection moulding machine industry were also suffered from a substantial drop in demand. In the latter half of the financial year, the administrative operations unit was set up for plastic injection moulding machine segment, and sales strategies in response to the market conditions of different industries were also implemented. In addition, comprehensive market strategies were formulated and resources were also allocated by the Group for the original equipment manufacturers of alternative fuel vehicles. These measures provided concrete support to the improvement of this business segment during the latter half of the financial year, with the revenue for the year amounted to HK$1,191,013,000.

During the Reporting Period, the Group's financial performance was stable and its total asset increased to HK$8,539,878,000, representing a year-on-year increase of 12.4%, with a liabilities to assets ratio of 54.9%/gearing ratio of 26.9%. The Company has sufficient cash flows, in FY2023, net cash generated from operating activities amounted to HK$99,375,000.

3. MAIN BUSINESS OPERATIONS AND MARKET ANALYSIS

(1) Pioneering in R&D and production of die-casting machines and a rapid growth in orders received

In September 2022, DREAMPRESS 12000 smart die-casting units were newly launched by the Company, which had created strong momentum to the development of the alternative fuel vehicle industry. The Company has been pioneering in the global waves of "integrated die-casting solutions". As significant technology innovations in car manufacturing, large and super large die-casting machines will replace the component stamping and welding processes required for traditional automotive body structural parts, bringing a substantial increase in production efficiency. In addition to building stable and long-term cooperations with vehicle component manufacturers including Wencan Co., Ltd., Xusheng Group, Tuopu Group, and Guangdong Hongtu, the Group has also been working continuously to deepen its good and stable relationships with reputable local and overseas vehicle manufacturers while expanding its base of client partners strategically.

(2) A stable market share of plastic injection moulding machine business segment backed with gradual expansion of profit growth points

As one of the top five plastic injection moulding machine manufacturers in China, the Company has been able to maintaining a stable market share. Based on the industry characteristics and clients' requirements, the Company provided specialized machines with comprehensive solutions to its clients. At present, the complete range of third generation series newly launched by the Company received overwhelming support in the market. In view of the complex and ever-changing macro environment, the demand for plastic injection moulding machines within consumer and medical sectors were dampened to a certain extent. As such, the Company proposed strategic sales model transformation during the latter half of the year by implementing full business segment integration to create collaborative synergies through client resources sharing in vehicle sector. As a result, the Company entered into strategic cooperation with a number of original equipment manufacturers of alternative fuel vehicles successfully and gained widespread recognition from clients in terms of efficiency and stability of its plastic injection moulding machines. Meanwhile, with a deep cultivation in the home appliance, toy and medical industries for years, combined with a stable client base, the Company has gained a widespread recognition and support from the downstream clients, which has also paved a strong and solid ground for the long-term development and enabled the Company to navigate smoothly through economic cycles.

(3) New products released by CNC Machining Centre, bringing a new highlight to the product range

During the Reporting Period, the Company developed L.K. MCG5 series five-axis moving column gantry type machining center in response to the processing needs of large integrated structural parts for alternative fuel vehicles. Through the adoption of lightweight and integrated design supported with linear motor, the Company has achieved over 70m/per minute high speed operations in the field of medium to large scale moving column gantry type machine tools. The high, deep, wide and large stoke, combined with the turntable, facilitates the advancement from multiple processing stages to single and effective processing procedure for large scale components integration.

4. DEVELOPMENT TRENDS AND STRATEGIC OUTLOOK OF THE INDUSTRY

(1) Riding on the momentum of the alternative fuel vehicle industry, initial success already emerged in new application areas such as building formworks and energy storage shells through successful business layout

According to the public information available, the alternative fuel vehicle market remained a vigorous growth in 2022. The sales volume of global alternative fuel vehicles reached 10.824 million, representing a year-on-year growth of 61.6% with a market share of 13.6%. Of which, the sales volume of China's alternative fuel vehicles reached 6.887 million, representing a year-on-year increase of 93.4% with a market share of 25.6%, and a year-on-year increase of 12.1 percentage points. The penetration rate of the alternative fuel vehicles is currently at a rapid growth period, which is beneficial to the business development of the Company's large and super large die-casting machines.

From the perspective of national strategic development, the adoption of alternative fuel technology to replace traditional fossil fuel energy is one of the crucial means to achieve "peak carbon" and becoming "carbon neutral", while the promotion of alternative fuel vehicle application, in turn, is an important strategy to achieve this goal. In the Energy-saving and New Energy Vehicle Technology Roadmap (《節能與新能源汽車技術路線圖》), the Ministry of Industry and Information Technology previously proposed the goal of aluminum usage in the country's lightweight vehicle: 250kg/unit and 350kg/unit by 2025 and 2030 respectively. According to the statistics of CM Group, the amount of aluminum usage in passenger cars in the country was 145kg/unit in 2021, clearly much remains to be done in order to achieve the goal of aluminum usage. Integrated die-casting provides a low-cost method of lightweight integration for fuel-powered vehicles. Spare parts of aluminum alloys which has a wider range of applications for alternative fuel vehicles mainly include subframe, steering knuckle, control arm, motor housing, and wheels, etc. In the long run, the total cost of integrated die-casting aluminum alloy will be much lower than all aluminum welding process (53.1%–68.8%).

At present, the three-electric system of alternative fuel vehicles has fully adopted aluminum die-castings. Weight reduction demand among the original equipment manufacturers itself along with stated policy requirements within the industry, the trend of automotive lightweighting is indisputable, which will continue to facilitate the amount of aluminum being used in vehicles. At this stage, the amount of aluminum used in body structural parts such as shock towers and longitudinal beams is still relatively low. Under the development trend of automotive lightweighting, it is expected the usage of aluminum will increase rapidly in next few years.

Driven by these prevailing trends, the Company's large die-casting machine business segment is expected to grow rapidly in the future. Moreover, the original equipment manufacturers around the world are now actively exploring the feasibility and validity of die-casting automobile chassis with super large die-casting machines, which is an important milestone of technology innovation within the industry. The Company always keeps abreast with the latest industry trends and will continue to increase its investment on R&D to tirelessly promote production technology transformation for the whole industry by proactively deploying R&D resources continuously on die-casting automobile chassis technique for alternative fuel vehicles.

In addition, the construction industry uses die-casting magnesium alloy formwork to replace traditional wooden and steel formwork, which will create new demand for die-casting machines with a level similar to the automotive industry. At present, according to the public data released by the China Construction Materials Rental Contractor Association, the amount of building formworks in China in 2022 is about 280 million square meters, of which wood boards, steel plates, plastic boards, and aluminum boards account for about 50%, 15%, 10%, and 25% respectively. If building formworks can entirely replace wooden and steel formworks, which means about 90% of the existing market products can be replaced, suggesting an ample room of market development.

In addition, all countries around the globe are facing a deepening energy crisis, and demand for energy storage has also drastically surged. In Europe and the United States, the penetration rate of household energy storage has picked up gradually under the support of tax exemption and subsidy policies. The integrated die-casting energy storage shell body contains the main advantages of increased production efficiency and higher safety performance, which are absent in those products manufactured using traditional technology. Currently, integrated die-casting shell body has gradually entered the market, and it is expected this might be able to capture enormous growth in future. In light of this, the Company has proactively tapped into energy storage shell body market in hopes of bringing synergies through economies of scale to enhance the profitability and to solidify its leading position in the industry.

(2) Implementing Global 2.0 Strategy to expand its overseas market footprint, build profit growth engine and enhance brand value

Currently, the alternative fuel vehicle industry is in the course of accelerated transformation and development stage. Through a comprehensive overseas markets footprint, the Company will be in a better position to seize new market opportunities and client resources, which in turn will enhance and strengthen its leading position in the industry. With more than 60 sales offices and service centers spanning over 20 countries, the Company plans to set up new production bases and service centers in Mexico, India, Eastern Europe and other regions to ensure the overseas markets supply and to meet the demand in these regions.

Apart from the above, the Company has also been upgrading the product technology continuously, with an aim to produce more competitive products and provide services for the entire life cycle of its products. Through the implementation of the "turnkey project", coupled with increasing market share and customer satisfaction, these factors will drive growth in the performance of the whole Company and achieve sustainable development. In addition, fulfilling the needs of overseas client supply chain is another focused area of the Company in the near future. With increasing globalization, the Company is also facing the challenges of more diverse and complicated client demand. As such, the Company will continue to allocate more resources to cultivate and recruit talents for the establishment of a professional team. As its long-term strategy, the Company will also strengthen its management capability, in a bid to meet the needs, to gain trust and loyalty of the customers, and also increase the competitive power of the brand.

(3) Promoting digital transformation to optimise management structure, achieve cost reduction and enhance efficiency

Looking ahead, the Company will gradually finish its product lines upgrade to realise comprehensive data and digital management, whereby all data and indicators during production process will be collected in real time, to make more accurate analysis and evaluation on production efficiency so as to make adjustments and improvements when and as necessary. In order to achieve seamless collaboration with the suppliers, the Company will also enhance its supply chain management to reduce procurement cost and increase logistics efficiency. At the same time, the Company will increase operations automation through the application of advanced robots and production equipment automation, so that parts or all human operations of the Company can be replaced to achieve process automation and intelligent production. Operations automation not only can reduce labour costs significantly and quality issues caused by human errors, but also help to improve product precision and consistency, which in turn reduce process time, enhance production efficiency as well as capability.

(4) Continue to increase investment on R&D and innovative technology, maintain its position as industry leader in technology

The Company will continue to increase investment on R&D, focus on developing cutting edge technologies in specialized areas, as well as product expansion. The Company has obtained over 300 patents, and participated in the formulation of 2 international standards, 18 national standards, 8 industry standards, and 2 group standards. The Company actively promotes the development of R&D centers and continues to facilitate R&D collaboration within the industry. Following the establishment of the Shenzhen R&D center, the Company has also built another R&D institute together with Shanghai Jiao Tong University in Ningbo, focusing around super large integrated intelligent die-casting equipment, and advanced light alloy materials and production techniques that are urgently needed by the alternative fuel vehicle manufacturing industry. The Company and Shanghai Jiao Tong University will carry out comprehensive cooperation and jointly develop new technologies for high quality intelligent thermal processing equipment with competitive advantages in order to promote better and rapid development of the alternative fuel vehicle manufacturing industry. All these strategies will enable the Company to rapidly respond to market changes, satisfy consumers' needs and adapt to market changes immediately.

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 2023, the Group's cash and cash equivalents amounted to HK$605,365,000 (31 March 2022: HK$576,790,000).

The gearing ratio (a ratio of net debt to total equity) was approximately 26.9% (31 March 2022: 13.8%).

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

As at 31 March 2023, 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$1,641,046,000 (31 March 2022: HK$1,088,637,000), approximately 84.6% (31 March 2022: 80.7%) of which being short-term loans. Approximately 41.3% (31 March 2022: 27.8%) 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 2023, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK$21,991,000 (31 March 2022: HK$35,857,000).

PLEDGE OF ASSETS

As at 31 March 2023, 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$827,339,000 (31 March 2022: HK$869,950,000).

CAPITAL COMMITMENTS

As at 31 March 2023, 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$178,850,000 (31 March 2022: HK$136,283,000).

STAFF AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed approximately 5,193 full time staff. The staff costs for the current year amounted to HK$960,485,000 (2022: HK$873,032,000). 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 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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 2023, there was no share option had been exercised by the eligible persons.

DIVIDENDS

An interim dividend of HK4 cents per ordinary share in respect of the period ended 30 September 2022 was paid on 10 January 2023. The Board recommended a payment of final dividend of HK4.5 cents per ordinary share for the year ended 31 March 2023 (2022: HK4 cents), subject to shareholders' approval at the forthcoming annual general meeting to be held on Wednesday, 6 September 2023 and payable to the shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2023. The dividend will be paid on or about Tuesday, 3 October 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Wednesday, 6 September 2023, the register of members of the Company will be closed from Friday, 1 September 2023 to Wednesday, 6 September 2023 (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 Thursday, 31 August 2023.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 14 September 2023 to Monday, 18 September 2023, (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, 13 September 2023.

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 2023.

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 2023.

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 2023.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement 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 and consequently no opinion or assurance conclusion 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 2023 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 Wednesday, 6 September 2023. 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 2022/23 in due course.

On behalf of the Board
L.K. Technology Holdings Limited
Chong Siw Yin
Chairperson

Hong Kong, 28 June 2023

As at the date of this announcement, the executive Directors are Ms. Chong Siw Yin, Mr. Liu Zhuo Ming and Mr. Tse Siu Sze; and 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.