THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **L.K. Technology Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTIONS
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

Unless the context requires otherwise, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 28 of this circular.

The Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder have been approved by written shareholder's approval obtained from Girgio Industries, pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholder for information only.

29 February 2024

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board"	the board of Directors of the Company
"business day(s)"	day(s) on which banks in China are generally open to the public (excluding Saturdays, Sundays, and statutory holidays)
"Capital Injection"	the subscription for RMB34,752,600 of the newly increased registered capital of Shenzhen LK (representing approximately 5.91% of the enlarged registered capital of Shenzhen LK as at the date of Completion) by way of capital injection in cash pursuant to the Capital Injection Agreement
"Capital Injection Agreement"	the capital injection agreement dated 5 December 2023 entered into among the Company Side and the Investors in connection with the subscription and injection of capital in Shenzhen LK
"CICC SAIC Emerging Industry Fund"	CICC SAIC Emerging Industry Equity Investment Fund Partnership (Limited Partnership)* (蘇州中金上汽新興產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC in 2021
"Company"	L.K. Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
"Company Side"	the Company, Shenzhen LK, LK Machinery, Power Excel, Shenzhen Leadwell, Ningbo LK, Miss Liu, Mr. Liu ZM, Mr. Liu SS and Ms. Chong
"Completion"	completion of the Capital Injection pursuant to the Capital Injection Agreement, where the completion of the Capital Injection by the last Investor took place on 2 January 2024
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Covenantors"	the Target Group, LK Machinery, Power Excel and the Company
"Director(s)"	the director(s) of the Company

"Employee Stock Ownership Platform(s)"	limited partnership(s) or other form of entit(ies) established to subscribe for a certain portion of the registered capital of Shenzhen LK for the purpose of granting equity incentives to employees of members of the Target Group. For further details, please refer to the circular of the Company dated 6 December 2023
"FIIF"	Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)), a limited partnership established in the PRC in 2019. For further information on FIIF, please refer to the announcement of the Company dated 29 September 2023
"FIIF Capital Injection"	the subscription by FIIF for approximately 9.47% of the registered capital of Shenzhen LK by way of capital injection of RMB1,150.0 million pursuant to the FIIF Capital Injection Agreement
"FIIF Capital Injection Agreement"	the capital injection agreement dated 14 September 2023 (as supplemented, amended or otherwise modified from time to time) entered into among the Company Side and FIIF in connection with the subscription and injection of capital in Shenzhen LK, as further particularized in the announcements of the Company dated 14 September 2023, 29 September 2023 and 24 October 2023
"FIIF Shareholders Agreement"	the shareholders agreement dated 14 September 2023 entered into among the Company Side and FIIF, as further particularized in the announcements of the Company dated 14 September 2023, 29 September 2023 and 24 October 2023
"FIIF Repurchase Option"	FIIF's option to require the Company and Target Group to purchase all or part of its equity interest in Shenzhen LK pursuant to the FIIF Shareholders Agreement (as supplemented by the Shareholders Agreement)
"Girgio Industries"	Girgio Industries Limited, a company incorporated under the laws of the British Virgin Islands, and a controlling shareholder of the Company. Girgio Industries is owned as to 95% by Full Profit Asset Limited which is wholly-owned by HSBC International Trustee Limited (as trustee of The Liu Family Trust, in which Ms. Chong, Mr. Liu ZM and Miss Liu are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu SS
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"independent third party(ies)"	the independent third party(ies) who is/are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
"Industrial Machinery Industry Investment Fund"	Industrial Machinery Industry Investment Fund (Limited Partnership)* (工業母機產業投資基金(有限合夥)), a limited partnership established in the PRC in 2022
"Internal Group Restructuring"	the internal restructuring of the Target Group and related acquisition(s)
"Investors"	Industrial Machinery Industry Investment Fund, CICC SAIC Emerging Industry Fund, Shenzhen Pengyuan, Shenzhen Cornerstone SME and Yantai Huijia, and an "Investor" shall mean any of them
"Latest Practicable Date"	26 February 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LK Machinery"	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 indirect wholly-owned subsidiary of the Company
"Miss Liu"	Miss Liu Ying Ying, a daughter of Ms. Chong and Mr. Liu SS, and a sister of Mr. Liu ZM
"Mr. Liu ZM"	Mr. Liu Zhuo Ming, the chief executive officer and an executive Director, and a son of Ms. Chong and Mr. Liu, and a brother of Miss Liu
"Mr. Liu SS"	Mr. Liu Siong Song, the spouse of Ms. Chong, and the father of Mr. Liu ZM and Miss Liu
"Ms. Chong"	Ms. Chong Siw Yin, the chairperson of the Board and an executive Director, the spouse of Mr. Liu SS, and the mother of Mr. Liu ZM and Miss Liu

"Ningbo LK"	Ningbo L.K. Technology Co., Ltd. (寧波力勁科技有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
"Other Related Individuals"	Miss Liu, Mr. Liu ZM, Mr. Liu SS and Ms. Chong
"Power Excel"	Power Excel International Limited (力卓國際有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China, excluding for the purpose of this circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Qualified IPO"	an initial public offering of the shares of Shenzhen LK on a stock exchange mutually recognized by the parties (excluding a listing on the National Equities Exchange and Quotations System)
"related party(ies)"	(i) in respect of any entity (including a legal person, unincorporated entity or natural person), that is, any other legal person, unincorporated entity or natural person directly or indirectly controlled by it or any other legal person, unincorporated entity or natural person directly or indirectly controlling such entity or jointly controlled with such entity by another person; and (ii) in respect of a natural person, the spouse, child, brother, sister, parent, spouse's parent, trustee of any trust of which such natural person or a member of his/her immediate family is a beneficiary or discretionary trustee, or any entity or company controlled by the foregoing shall also be deemed to be a related party. The foregoing "control" or "controlled" shall mean the possession, directly or indirectly, of the power to give directions or to oblige others to give directions with respect to the management and decision-making of such entity, whether through the holding of voting rights, by contract or otherwise, or such other relationship which in fact constitutes de facto control
"Reporting Accountant"	PricewaterhouseCoopers, acting as the reporting accountant of the Company
"Repurchase Obligor"	the Target Group or the Company (with the Target Group prioritised for performance of such repurchase obligation)
"Restricted Shareholders"	LK Machinery, Power Excel and Other Related Individuals
"RMB"	renminbi, the lawful currency of the PRC

"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Agreement"	the shareholders agreement dated 5 December 2023 entered into among the Company Side, FIIF and the Investors
"Shenzhen Cornerstone SME"	Shenzhen Cornerstone SME Development Private Equity Fund Partnership (Limited Partnership)* (深圳基石中小企業發展私募股權基金合夥企業(有限合夥)), a limited partnership established in the PRC in 2021
"Shenzhen Leadwell"	Shenzhen Leadwell Technology Co. Ltd.* (深圳領威科技有限公司), a company established in the PRC with limited liability and a indirect non wholly-owned subsidiary of the Company
"Shenzhen LK"	Shenzhen L.K. Technology Co., Ltd.* (深圳力勁科技有限公司), a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company
"Shenzhen Pengyuan"	Shenzhen Pengyuan Cornerstone Private Equity Investment Fund Partnership (Limited Partnership)* (深圳市鵬遠基石私募股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC in 2023
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	Shenzhen LK and its subsidiaries
"Transaction Documents"	the Capital Injection Agreement, the Shareholders Agreement and the other documents or agreements entered into or delivered in connection with the Capital Injection by and among, where applicable, the Company Side (and their subsidiaries and affiliates, if applicable), FIIF and the Investors (and their subsidiaries and affiliates, if applicable)
"Yantai Huijia"	Yantai Huijia Shenghong Private Equity Investment Partnership (Limited Partnership)* (煙台匯嘉盛弘私募股權投資合夥企業(有限合夥)), a limited partnership established in the PRC in 2023
"%"	per cent

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

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)

Executive Directors:
Ms. Chong Siw Yin *(Chairperson)*
Mr. Liu Zhuo Ming *(Chief Executive Officer)*
Mr. Tse Siu Sze

Independent Non-executive Directors:
Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Mr. Look Andrew

Registered Office:
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Hutchins Drive
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Mai Wah Industrial Building
1-7 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

29 February 2024

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS
DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

I. INTRODUCTION

The Board refers to the announcement of the Company dated 5 December 2023 in relation to the entering into the Capital Injection Agreement and the Shareholders Agreement and the announcement of the Company dated 3 January 2024 in relation to the grant of waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

The Company has obtained a written Shareholder's approval from Girgio Industries, a controlling shareholder of the Company, holding in aggregate 849,078,004 Shares, representing approximately 61.69% of the entire issued share capital of the Company as at the Latest Practicable Date, for approving the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the approval of the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder.

The purpose of this circular is to provide the Shareholders with, amongst others, further information regarding the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder.

II. THE CAPITAL INJECTION AGREEMENT

On 5 December 2023 (after trading hours), the Company, Shenzhen Leadwell, Ningbo LK, Shenzhen LK, LK Machinery, Power Excel and Other Related Individuals entered into the Capital Injection Agreement and other Transaction Documents with the Investors, pursuant to which the Investors have conditionally agreed to subscribe for, in aggregate, RMB34,752,600 newly increased registered capital of Shenzhen LK, representing approximately 5.91% of the enlarged registered capital of Shenzhen LK as at the date of Completion, by way of Capital Injection in cash for the sum of, in aggregate, RMB730 million into Shenzhen LK to increase its registered capital and capital reserve.

Principal terms of the Capital Injection Agreement

The principal terms of the Capital Injection Agreement are set out below:

Date

5 December 2023 (after trading hours)

Parties

(1) the Company;

(2) Shenzhen LK;

(3) LK Machinery;

(4) Power Excel;

(5) Shenzhen Leadwell and Ningbo LK;

(6) Other Related Individuals; and

(7) the Investors.

(collectively referred to as the "**Parties**", and each, a "**Party**")

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Investors and their respective ultimate beneficial owner(s) are (i) independent third parties as at the date of the Capital Injection Agreement; and (ii) save for their interests in Shenzhen LK as a result of the Completion, independent third parties as at the Latest Practicable Date.

Capital Injection

As at the date of the Capital Injection Agreement, the registered capital of Shenzhen LK is RMB553,479,949.

Pursuant to the Capital Injection Agreement, the Investors have conditionally agreed to subscribe for, in aggregate, RMB34,752,600 newly increased registered capital of Shenzhen LK, representing approximately 5.91% of the enlarged registered capital of Shenzhen LK as at the date of Completion, by way of capital contribution in cash for the sum of, in aggregate, RMB730 million, of which RMB34,752,600 will be accounted as paid-in registered capital of Shenzhen LK, while the balance will be accounted as its capital reserve.

Set out below is a breakdown of the Capital Injection by each of the Investors:

Investor	Approximate % of the enlarged registered capital of Shenzhen LK as at the date of Completion	Amount of capital contribution in cash	Amount of capital contribution accounted as paid-in registered capital of Shenzhen LK	Amount of capital contribution accounted as capital reserve of Shenzhen LK
		(RMB million)	*(RMB million)*	*(RMB million)*
Industrial Machinery Industry Investment Fund	2.83	350.00	16.66	333.34
CICC SAIC Emerging Industry Fund	1.21	150.00	7.14	142.86
Shenzhen Pengyuan	0.81	100.00	4.76	95.24
Shenzhen Cornerstone SME	0.24	30.00	1.43	28.57
Yantai Huijia	0.81	100.00	4.76	95.24

Set out below is the shareholding structure of Shenzhen LK (i) immediately before the completion of the FIIF Capital Injection; (ii) immediately after the completion of the FIIF Capital Injection, but before the Completion; and (iii) immediately upon the Completion of the Capital Injection as at the date of Completion.

Name of shareholder of Shenzhen LK	Immediately before the completion of the FIIF Capital Injection		Immediately after the completion of the FIIF Capital Injection, but before the Completion		Immediately upon the Completion	
	Capital contribution	Shareholding	Capital contribution	Shareholding	Capital contribution	Shareholding
	(RMB million)	*(approximate %)*	*(RMB million)*	*(approximate %)*	*(RMB million)*	*(approximate %)*
Power Excel	422.53	84.72	422.53	76.34	422.53	71.83
LK Machinery	76.20	15.28	76.20	13.77	76.20	12.95
FIIF	—	—	54.75	9.89	54.75	9.31
The Investors	—	—	—	—	34.75	5.91
– Industrial Machinery Industry Investment Fund	—	—	—	—	16.66	2.83
– CICC SAIC Emerging Industry Fund	—	—	—	—	7.14	1.21
– Shenzhen Pengyuan	—	—	—	—	4.76	0.81
– Shenzhen Cornerstone SME	—	—	—	—	1.43	0.24
– Yantai Huijia	—	—	—	—	4.76	0.81
Total	498.73	100.00	553.48	100.00	588.23	100.00

Subscription price and basis of determination

The consideration of the Capital Injection was determined based on arm's length negotiations between the Parties on normal commercial terms with reference to the value of the assets of Shenzhen LK and the Parties' assessment of the future development prospects of Shenzhen LK.

The Parties adopted a market approach and arrived at the estimated value of Shenzhen LK by reference to the unaudited pro forma profit attributable to owners of the Target Group (after taxation) for the year ended 31 March 2023 (assuming the Internal Group Restructuring involved under the Capital Injection Agreement has been completed as at the end of the period), prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), of approximately HK$563.6 million, which was further multiplied by a price-to-earnings (P/E) ratio determined by benchmarking against a range of P/E ratios for comparable companies in the market. The Parties have adopted a market approach to arrive at an estimated value of Shenzhen LK since this approach enables an assessment that incorporates expectations about the company's future performance and the calibre of its management, supported by the presence of a number of comparable companies of similar industry serving as benchmarks.

The P/E ratio selected by the Parties was arrived at through arm's length negotiations and with reference to the range of P/E ratios of approximately 21x to 46x (with an average of approximately 32x) observed for comparable companies during the year ended 31 December 2022. These comparable companies objectively reflect the impact of the continuous penetration of automotive light-weighting and integrated die-casting technology on the future performance prospects of Shenzhen LK.

Set out below is the details of the comparable companies selected and their respective P/E ratios during the year ended 31 December 2022:

Details of the selected comparable company	**P/E ratios during the year ended 31 December 2022**
Manufacturers of die-casting machines and injection moulding machines	
Company A *(Note 1)*	21.42
Integrated supplier in the die-casting industry	
Company B *(Note 2)*	45.66
Company C *(Note 3)*	23.86
Company D *(Note 4)*	30.57
Company E *(Note 5)*	46.76
Participant in the integrated die-casting supporting industry chain	
Company F *(Note 6)*	28.25
Company G *(Note 7)*	30.48
Average	**32.43**

Notes:

1. Company A is an enterprise listed on the Shenzhen Stock Exchange, which primarily engaged in the production, manufacturing, and sales of injection moulding machines and die casting machines.

2. Company B is an enterprise listed on the Shanghai Stock Exchange, which primarily involved in the research, production, and sales of precision aluminium alloy automotive die-castings.

3. Company C is an enterprise listed on the Shenzhen Stock Exchange, with business operations including die-casting, manufacturing of precision lightweight alloy components, and production of automotive interior and exterior decorative products.

4. Company D is an enterprise listed on the Shanghai Stock Exchange, which is equipped with die-casting, forging, and extrusion processes, covering the core aluminium alloy products for automotive power systems, chassis systems, and battery systems.

5. Company E is an automotive parts enterprise listed on the Shanghai Stock Exchange, primarily engaged in the research and manufacturing of automotive powertrain systems, trim systems, intelligent driving control systems, and other fields.

6. Company F is an enterprise listed on the Shenzhen Stock Exchange, which engaged in aluminium alloy and high-end aluminium alloy applications.

7. Company G is an enterprise listed on the Shanghai Stock Exchange, specialising in the manufacturing of CNC machine tools.

Shenzhen LK's principal businesses comprise the design, manufacture, and sales of die-casting machines, with its primary customers being automobile manufacturers and tier-one suppliers in the casting industry. Benefiting from the ongoing penetration of automotive light-weighting and integrated die-casting technology, the research and production capacity of large-tonnage die-casting machines for producing integrated automotive die-casting parts has become a key focus of the market for die-casting machine enterprises.

Shenzhen LK holds a leading position in the market for large-tonnage die-casting machines, whereas, in addition to Shenzhen LK, among the major players in the die-casting machine market only Company A is listed on the PRC or Hong Kong stock markets, with its main business being the production, manufacturing, and sales of injection moulding machines and die-casting machines. In 2022, Company A's total operating revenue was approximately RMB3,679,894,400, of which the sales revenue from injection moulding machines was approximately RMB2,657,657,400, accounting for 72.22% of the total sales revenue and forming a major part of Company A's income. Meanwhile, Company A's die-casting machine sales revenue was approximately RMB575,983,800, representing 15.65% of the total sales revenue.

Therefore, to more objectively reflect the impact of the continuous penetration of automotive light-weighting and integrated die-casting technology on Shenzhen LK's future performance prospects, the Investors and Shenzhen LK also referred to the valuation of other comparable companies. Apart from Company A, other comparable companies include Company B, Company C, Company D, Company E, Company F and Company G.

The relevance and similarity of the selected comparable companies to Shenzhen LK are as follows:

- **Business Relevance:** Company B, Company C, Company D and Company E are all suppliers in the integrated die-casting industry, with major customers being well-known automobile manufacturers. These enterprises have invested in large-tonnage die-casting equipment due to the increasing demand for integrated die-casting technology, aiming to strengthen their position in the industry. As a result, their stock prices are closely related to the development of the integrated die-casting industry. The market can refer to the valuations of these enterprises to assess the value of the die-casting industry chain. In 2022, the casting business of Company B and Company C accounted for over 90% and 70% of their respective total operating incomes, while the automotive aluminium alloy parts business (mainly castings) of Company D accounted for over 90% of its total operating income. Company E's lightweight chassis components accounted for 27.8% of the total operating income.

- **Similarity in Position within the Industrial Chain:** Company F and Company G are within the integrated die-casting supporting industrial chain. Company F's main businesses include providing core materials for integrated castings. Therefore, the market often considers Company F as a target within the integrated die-casting industrial chain. In 2022, Company F's casting alloy business accounted for 54.3% of its total operating income for the year.

  Company G is a leading domestic mid-to-high-end CNC machine tool enterprise in China, whose products are crucial for the subsequent processing of die-cast parts, providing solutions for the supporting needs of die-casting. In 2022, CNC products of Company G accounted for over 90% of the total operating income.

  From the perspective of their positions in the industrial chain, both Company F and Company G, as supporting enterprises in the integrated die-casting industrial chain, are located upstream in the chain. They are similar to Shenzhen LK in terms of their role and positioning within the chain, as they both provide key equipment, raw materials, and components for the die-casting industry. Hence, both Company F and Company G are included as comparable companies.

- **Similarity in Market Position:** These selected comparable companies all hold high market positions in their respective segments of the integrated die-casting industry, being leading enterprises in these segments. This is similar to Shenzhen LK's market position in the die-casting machine industry. Therefore, the valuations of these comparable companies provide reference value for Shenzhen LK's valuation.

Since there are no listed companies on the PRC or Hong Kong stock markets that are completely identical to Shenzhen LK's business, the Investors and Shenzhen LK have included suppliers of integrated die-casting parts and leading companies in the integrated die-casting supporting industry chain as comparable companies. This approach is to more objectively reflect the market valuation's impact on the prospects of integrated die-casting technology and Shenzhen LK's market position on its future performance.

As mentioned above, integrated die-casting industry chain players were selected as comparable companies for the valuation of Shenzhen LK. However, as an equipment supplier, compared to downstream integrated die-casting part suppliers and other comparable companies, Shenzhen LK is positioned further upstream in the supply chain from automobile manufacturers, offers a relatively singular product type, and operates in a die-casting machine market that is smaller and less integrated than the market for automotive integrated die-casting parts. Furthermore, Company A is the only listed die-casting machine manufacturer in the PRC or Hong Kong market, but its performance is primarily driven by the relatively less robust injection moulding machine business, resulting in a lower valuation of approximately 21x earnings. Considering Shenzhen LK's leading position in the die-casting machine industry and its growth potential, the Investors and Shenzhen LK agreed that a premium should be factored in. Therefore, the Investors and Shenzhen LK have considered the business differences between Shenzhen LK and the selected comparable companies, as well as Shenzhen LK's leading position in the die-casting machine industry compared to Company A. Consequently, a P/E ratio slightly below the average of the comparable companies, at 30x, was selected as the basis for determining the consideration.

Additionally, a discount rate of 30% was applied to account for the lack of marketability of Shenzhen LK's equity interests. The discount rate of 30% was determined after having referred to the "Table of Non-Liquidity Discount Rates Comparing P/E Ratios of Mergers and Acquisitions of Non-Listed Companies to Listed Companies (2022)"* (《非上市公司並購市盈率與上市公司市盈率比較計算非流動性折扣比率表(2022)》) published by Zhongtonghua Asset Valuation Co., Ltd.* (中同華資產評估有限公司), which indicated that the lack-of-marketability discount rate for the automobile manufacturing industry was 29.9%.

The automobile manufacturing industry was selected as the reference industry because more than half of the selected comparable companies belong to such industry category. For those selected comparable companies not belonging to the automotive manufacturing industry, their lack-of-marketability discount rates are essentially consistent with that of the automobile manufacturing industry (metal products industry: 28.1%; special equipment manufacturing: 29.7%; general equipment manufacturing: 27.9%), showing no significant difference.

In light of this, considering (i) the primary application of Shenzhen LK's products is in automobile manufacturing, and Shenzhen LK's valuation level has a strong positive correlation with the prosperity level, competitive situation, policy changes, and market risks of its downstream application fields, (ii) most of the selected comparable companies engaged in the same business as Shenzhen LK are classified as "automobile manufacturing", and (iii) the statistical data of the lack-of-marketability discount rates for the selected comparable companies of industries other than "automobile manufacturing" are essentially consistent with those of the automobile manufacturing industry, therefore, the parties to the Capital Injection, based on the actual business situation of Shenzhen LK and the principle of significance, selected the lack-of-marketability discount rate for the automobile manufacturing industry.

Accordingly, the consideration of the Capital Injection was arrived at based on multiplying the registered capital of Shenzhen LK to be subscribed (i.e., RMB34,752,600) by the adopted P/E ratio of 30x, and having adjusted to account for a 30% discount to reflect the lack of marketability of Shenzhen LK's equity interests.

The Directors are of the view that the basis of determination of the consideration of the Capital Injection is fair and reasonable, and in the interest of the Company and its shareholders as a whole.

Payment of the consideration

The consideration of the Capital Injection amounted to RMB730 million. The Investors shall settle the consideration of the Capital Injection upon Completion in cash, which shall be payable by the Investors within ten (10) days (or any other date agreed by the Covenantors and the Investors) after fulfilment or waiver in writing of all Conditions Precedent to the designated account of Shenzhen LK.

Conditions Precedent

The performance by the Investors of their obligation to pay the capital injection amount into the designated account and Completion is conditional upon fulfilment of, among other things, the following conditions (the "**Conditions Precedent**"), unless otherwise agreed to be waived in writing by the Investors of the respective Conditions Precedent:

(1) there are no judgments, awards, rulings, or injunctions from applicable laws, courts, arbitration bodies, or relevant government authorities that restrict, prohibit, or cancel the Capital Injection and Internal Group Restructuring, and there are no pending or potential litigations, arbitrations, judgments, awards, rulings, or injunctions that could have a material adverse effect on the Capital Injection;

(2) (i) the board of directors and the shareholders at the general meeting of Shenzhen LK have approved the execution of the Transaction Documents and the Capital Injection; and (ii) each of the shareholders of Shenzhen LK have waived their applicable pre-emptive rights in writing accordingly;

(3) the Target Group has obtained all necessary third-party consents, including all applicable approval from the Company and its related parties, if any, to execute and perform the Transaction Documents. In addition, executing and performing the Transaction Documents will not result in a breach of any applicable law or any contract, agreement, or other document applicable to the Target Group;

(4) the Parties and FIIF have successfully completed the execution of the Transaction Documents, including the Capital Injection Agreement, the Shareholders Agreement, the articles of association or amendments to the articles of association of Shenzhen LK, and other ancillary agreements, resolutions, and documents required to complete the Capital Injection, including all business filings related to the Capital Injection. The Investors have received the original signed Shareholders Agreement and Capital Injection Agreement;

(5) the representations and warranties made by the Covenantors and the Other Related Individuals, for the avoidance of doubt, representations and warranties made by the Other Related Individuals are applicable only to the explicit references pertaining to themselves, continue to be true, complete, and accurate, that they have fulfilled the

undertakings specified in the Transaction Documents that are due to be performed on or before the date of Completion, and that there has been no breach of the agreement in the Transaction Documents;

(6) there have been no material adverse changes in the Target Group;

(7) the Investors have completed financial, operational and legal due diligence and are satisfied with the results of the due diligence investigation; and

(8) the Investors have obtained the approval of their investment decision committee for the Capital Injection.

The Investors may waive the Conditions Precedent at any time before the date of Completion by notice in writing.

Completion

Completion shall take place within ten (10) days after the date on which all of the Conditions Precedent have been fulfilled (or waived by the Investors in writing), or any other date as agreed by the Parties.

All Conditions Precedent have been fulfilled, and the Completion in respect of the Capital Injection by all Investors has taken place (with the last one took place on 2 January 2024) pursuant to the terms and conditions of the Capital Injection Agreement.

Termination

The Capital Injection Agreement shall be effective upon the date of execution and may be terminated under the following circumstances:

(1) the Capital Injection Agreement may be terminated by unanimous written consent of the Parties thereto;

(2) prior to the date of registration of changes at the administration of industry and commerce in respect of the Capital Injection upon Completion, the Investors shall have the right to terminate the Capital Injection Agreement by written notice to the Parties, if any of the following circumstances occurs:

  (i) there is any material inaccuracy or material omission in the statements, representations, warranties or undertakings of the other parties;

  (ii) there is a breach by the Covenantors and/or the Other Related Individuals of the covenants, representations, warranties, undertakings, or any other obligations and a failure to take effective remedial action to the satisfaction of the Investors within ten (10) business days after a written notice is sent by the Investors;

(iii) the Parties fail to complete the Capital Injection within sixty (60) business days from the date of the Capital Injection Agreement or any other date as agreed by the Parties; or

(iv) the Parties fail to in relation to the Capital Injection, complete the change of registration and obtain a business license from the market supervision and administration department and complete the reporting procedures from the competent commercial department within sixty (60) business days from the date of Completion or any other date as agreed by the Parties.

As at the Latest Practicable Date, the registration of changes at the administration of industry and commerce in respect of the Capital Injection was completed.

If the Conditions Precedent have been confirmed by the Investors to be fully satisfied but Completion does not occur within fifteen (15) business days thereafter due to reasons attributable to Investors, the Covenantors shall have the right to notify the other Parties in writing to terminate the Capital Injection Agreement.

Each Party shall return the consideration received from the other Party based on principles of fairness, reasonableness, honesty, and good faith, and endeavour to restore the *status quo* before the Capital Injection Agreement was signed. If the Investors have already paid the Capital Injection amount, Shenzhen LK shall return it within three (3) business days of termination.

Certain provisions relating to compensation undertakings, transaction expenses, confidentiality, governing law and dispute resolution, and other ancillary provisions in the Capital Injection Agreement shall still be legally binding on Parties to the Capital Injection Agreement after its termination.

III. LISTING RULES IMPLICATIONS OF CAPITAL INJECTION

Shenzhen LK is a non wholly-owned subsidiary of the Company as at the Latest Practicable Date. The percentage of the Group's equity interest in Shenzhen LK reduced from approximately 90.11% immediately before the Completion to approximately 84.78% following the Completion. The Capital Injection constituted a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, given that the Capital Injection Agreement is entered into within a 12-month period of the FIIF Capital Injection Agreement, the Capital Injection and the FIIF Capital Injection shall be aggregated as a series of transactions. Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection, when aggregated with the FIIF Capital Injection, exceeds 25% but all are less than 75%, the transactions contemplated under the Capital Injection Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

IV. THE SHAREHOLDERS AGREEMENT

Date

5 December 2023 (after trading hours)

Parties to the Shareholders Agreement

(1) the Company;

(2) Shenzhen LK;

(3) LK Machinery;

(4) Power Excel;

(5) Shenzhen Leadwell and Ningbo LK;

(6) Other Related Individuals;

(7) FIIF; and

(8) the Investors.

(collectively referred to as the "**Parties**", and each, a "**Party**")

Shareholders' rights and obligations

The Shareholders Agreement sets out the rights and obligations of the Parties thereto in relation to the management and operations of Shenzhen LK and shall take effect upon the Completion. In particular, it contains the following key provisions in relation to FIIF's and the Investors' rights and obligations as shareholders of Shenzhen LK:

Pre-emptive right, right of first refusal and tag-along rights

FIIF and the Investors shall enjoy the pre-emptive right, right of first refusal and tag-along rights that are customary and not subordinated to other shareholders of Shenzhen LK.

Anti-dilution

Save for the capital increase by the two Employee Stock Ownership Platforms for an aggregate registered capital of Shenzhen LK of RMB24,936,635 (for further details, please refer to "Information of the Group and Shenzhen LK — Shenzhen LK — Employee Stock Ownership Platforms" below), Shenzhen LK shall not issue any equity securities that would result in any form of dilution of FIIF's the Investors' shareholding or equity interest unless approved by FIIF and the Investors. Without the prior written consent of FIIF and the Investors, the unit transfer price at which the Restricted

Shareholders transfer their direct or indirect interest in Shenzhen LK shall not be less than the unit subscription price of the FIIF Capital Injection and the Capital Injection (except for the transfer of equity interest, in whole or in part, held directly or indirectly in Shenzhen LK among the Restricted Shareholders with certain restrictions subject to the fulfilment of certain conditions). FIIF and the Investors shall be entitled to demand Shenzhen LK or the Covenantors to adopt anti-dilution measures such as making cash compensation or equity compensation to FIIF and the Investors so far as permitted by applicable laws and regulations.

Repurchase Options

Conditions for the exercise of the Repurchase Options

Each of the Investors and FIIF shall have the right to demand the Repurchase Obligor to repurchase all or part of the equity interest held by the Investors and FIIF in Shenzhen LK upon the occurrence of specified repurchase events (the "**Repurchase Option(s)**"):

Specific repurchase events primarily comprise the following:

(1) Shenzhen LK fails to complete the Qualified IPO by 31 December 2027, or fails to apply for the Qualified IPO, the relevant stock exchange or other overseas securities issuance review and approval authorities mutually recognized by the Parties and accepted by the corresponding listing authorities by 30 June 2027;

(2) there is a material change in the existing principal business of the Target Group or if any member of the Target Group loses or is unable to continue to obtain the necessary qualifications to operate, such that the Target Group is unable to continue to operate the existing principal business; and

(3) there is a change in the *de facto* controller of Shenzhen LK.

As at the Latest Practicable Date, Shenzhen LK was in the early phase of considering a Qualified IPO. The Company will make further announcement(s) as and when necessary in accordance with the Listing Rules.

Repurchase Price

Under the Repurchase Options, the Repurchase Obligor shall pay the Investor(s) and/or FIIF the repurchase price (the "**Repurchase Price**") in cash within three years from the date of receipt the notice of the exercise of the Repurchase Option(s) issued by such Investor(s) and/or FIIF, or (in respect of FIIF only) before the expiration of the fund term of FIIF (whichever is earlier) (the "**Repurchase Notice**"). The Repurchase Price to which such Investor(s) and/or FIIF is entitled consists of the sum of the repurchase base amount and the interest on the repurchase base amount, minus the dividends already paid to such Investor(s) and/or FIIF corresponding to the registered capital of Shenzhen LK that such Investor(s) and/or FIIF requested repurchase, as well as any damages or compensation received by such Investor(s) and/or FIIF under the Transaction Documents and applicable laws and regulations.

The Repurchase Price is to be determined in accordance with the following formulae:

On or before the first anniversary of the Repurchase Notice

First instalment of Repurchase Price = A × 30% × (1 + E × N) – B (the "**First Instalment**")

On or before the second anniversary of the Repurchase Notice

Second instalment of Repurchase Price = (A × 60% – benchmark amount already paid by the Repurchase Obligor for the First Instalment) × (1 + E × N) – C (the "**Second Instalment**")

Among them, the benchmark amount for the First Instalment = A × 30%

On or before the third anniversary of the Repurchase Notice

Third instalment of Repurchase Price = (A – total benchmark amount already paid by the Repurchase Obligor for the First Instalment and the Second Instalment) × (1 + E × N) – D (the "**Third Instalment**")

Among them, total repurchase benchmark amount for the First Instalment and the Second Instalment = A × 60%

Where:

A = consideration paid by such Investor(s) and/or FIIF in the Capital Injection

B = dividends paid to such Investor(s) and/or FIIF attributable to the equity interest acquired or subscribed by such Investor(s) under the Capital Injection and/or by FIIF under its capital increase and any damages or compensation received by such Investor(s) and/or FIIF under the Transaction Documents and applicable laws and regulations before the date on which such Investor(s) and/or FIIF receives the First Instalment (the "**Deductible Amount**")

C = the Deductible Amount during the period from the date on which such Investor(s) and/or FIIF received the First Instalment to the date on which such Investor(s) and/or FIIF receives the Second Instalment

D = the Deductible Amount during the period from the date on which such Investor(s) and/or FIIF received the Second Instalment to the date on which such Investor(s) and/or FIIF receives the Third Instalment

E = the interest rate of 7% per annum on such portion of the Repurchase Price (the "**Return Rate**")

N = the number of years from the date of Completion of the Capital Injection, or (in the case of FIIF) the date of completion of the FIIF Capital Injection, to the date on which such Investor(s) and/or FIIF receives the respective instalments of the Repurchase Price

The Return Rate was determined based on arm's length negotiations of the Parties with reference to: (i) such Investor(s)' and/or FIIF's assessment of the expected return of its investments; and (ii) the recent financing cost level in the market.

The Directors are of the view that the basis of determination of the Repurchase Price (including the Return Rate) is fair and reasonable, and in the interest of the Company and its shareholders as a whole.

Listing Rules Implications of the Repurchase Options

Even if the Repurchase Options may not materialize in the future, they are treated as if they had been exercised upon the execution of the Shareholders Agreement as the exercise of the Repurchase Options is not at the Company's discretion. The materialization of the Repurchase Options is subject to the occurrence of circumstances set out in the paragraph headed "Conditions for the exercise of the Repurchase Options" above. As at the Latest Practicable Date, the Repurchase Options have not been exercised.

Pursuant to Rule 14.22 of the Listing Rules, given that Repurchase Options are granted within a 12-month period of the FIIF Repurchase Option, the Repurchase Options and the FIIF Repurchase Option shall be aggregated as a series of transactions. Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Repurchase Options, when aggregated with the FIIF Repurchase Option, exceeds 25% but all are less than 100%, the Repurchase Options contemplated under the Shareholders Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

Priority liquidation rights

If Shenzhen LK is liquidated for any reason such as bankruptcy, reorganization, dissolution, merger, demerger or acquisition, the remaining property of Shenzhen LK after payment of various expenses and settlement of debts and taxes in accordance with the law shall be distributed to FIIF and the Investors in cash in preference to the other shareholders of Shenzhen LK (the "**Priority Liquidation Rights**").

The occurrence of any of the following events (the "**Deemed Liquidation Events**") shall be deemed to be the occurrence of liquidation of Shenzhen LK:

(i) the occurrence of a merger, demerger, merger and acquisition, reorganization, transfer of equity, exchange of shares, capital injection, or other similar transaction or series of transactions of a group member that results in Other Related Individuals not being able to continue to be recognized as the *de facto* controller of a member of the Target Group;

(ii) the sale, transfer, lease, or disposal of all or a substantial part of the business or assets of the members of the Target Group (or a series of transactions leading to the sale, transfer, lease, or disposal of all or a substantial part of the company's business or assets);

(iii) exclusive and irrevocable licensing of all or a substantial part of the intellectual property rights of a member of the Target Group to a third party; or

(iv) other circumstances provided for by law that would result in a change of control of a member of the Target Group.

In the event of any of the Deemed Liquidation Events, the investing party shall have the right to request Shenzhen LK and/or all its shareholders to realise, in a reasonable manner and in compliance with laws and regulations, the Priority Liquidation Rights.

V. FINANCIAL EFFECTS OF THE CAPITAL INJECTION

Immediately upon the Completion, the registered capital of Shenzhen LK increased from RMB553,479,949 to RMB588,232,549, of which approximately 71.83% of the enlarged equity interest of Shenzhen LK was owned by the Company (through Power Excel), approximately 12.95% of the enlarged equity interest of Shenzhen LK was owned by the Company (through LK Machinery), approximately 9.31% of the enlarged equity interest of Shenzhen LK was owned by FIIF and approximately 5.91% of the enlarged equity interest of Shenzhen LK was owned by the Investors.

Hence, the Group's interest in Shenzhen LK diluted from 90.11% immediately before the Completion to approximately 84.78% following the Completion of the Capital Injection by the Investors.

Upon the Completion, Shenzhen LK remains as a non-wholly-owned subsidiary of the Company and its financial results continue to be consolidated in the Group's consolidated financial statements.

The Capital Injection is expected to be recorded as an equity transaction in accordance with Hong Kong Financial Reporting Standards and the accounting policies of the Group. The Directors do not expect to recognize any material gain/loss from the transactions contemplated under the Capital Injection Agreement. The actual amount of gain/loss from the Capital Injection to be recorded by the Company (if any) will be subject to review by the auditor of the Company.

VI. INFORMATION OF THE GROUP AND SHENZHEN LK

The Group

The Group is principally engaged in the design, manufacture, and sales of die-casting machines, PIMMs, computerised numerical controlled machining centres and related accessories, and is also engaged in steel casting.

Shenzhen LK

Shenzhen LK is a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company as at the Latest Practicable Date, which is principally engaged in the design, manufacture and sales of die-casting machines globally. Set out below is a summary of the unaudited consolidated financial information of the Target Group for the years ended 31 March

2022 and 31 March 2023 (assuming the Internal Group Restructuring involved under the Capital Injection Agreement has been completed as at the end of the periods indicated), respectively, prepared in accordance with Hong Kong HKFRSs:

	For the year ended 31 March	
	2023	**2022**
	(Unaudited) *HKD'000* *(approximately)*	**(Unaudited)** *HKD'000* *(approximately)*
Profit attributable to owners of the Target Group (before taxation)	656,598	618,373
Profit attributable to owners of the Target Group (after taxation)	563,596	528,937

The unaudited pro forma net asset of the Target Group (assuming the Internal Group Restructuring involved under the Capital Injection Agreement has been completed) prepared according to Hong Kong HKFRSs as at 31 March 2023 was HK$2,407,338,000.

Internal Group Restructuring

The Group has three main reportable operating segments, namely, (i) the die-casting machine business (the "**Die-casting Machine Business**"); (ii) the plastic injection moulding machine business; and (iii) the computerised numerical controlled (CNC) machining centre.

For the purpose of clearly delineating its business segments and streamlining its business operations, the Group has resolved to conduct the Internal Group Restructuring, upon the completion of which all assets and related personnel of the Group's Die-casting Machine Business will be transferred to Shenzhen LK and its subsidiaries.

As at the Latest Practicable Date, the Internal Group Restructuring has been completed. The Group is not subject to any disclosure or approval requirements under Chapters 14 and/or 14A of the Listing Rules in conducting the Internal Group Restructuring.

Employee Stock Ownership Platforms

Reference is made to the announcement of the Company dated 9 November 2023, the circular of the Company dated 6 December 2023, and the poll results announcement of the Company dated 22 December 2023, all in relation to the adoption of the share incentive scheme of Shenzhen LK.

As at the date of Completion, the capital increase by the two Employee Stock Ownership Platforms had not been completed. As at the Latest Practicable Date, the capital increase by both Employee Stock Ownership Platforms has been completed, and they held in aggregate as to approximately 4.07% of the equity interest of Shenzhen LK.

Please refer to the circular of the Company dated 6 December 2023 for further details of the terms and structure of the Employee Stock Ownership Platforms and/or the share incentive scheme of Shenzhen LK, including the percentage of interests in Shenzhen LK to be held by the Employee Stock Ownership Platforms.

VII. INFORMATION OF INVESTORS

1. Industrial Machinery Industry Investment Fund

Industrial Machinery Industry Investment Fund was established in the PRC as a limited partnership, the principal business activities of which include equity investment, equity investment management, industrial investment, investment consulting, investment management and asset management with a focus of investment in industrial machinery industry related companies. Its general partner is Guoqi Yuanhe Private Equity Fund Management Co., Ltd.* (國器元禾私募基金管理有限公司), a PRC state-owned enterprise. Amongst the limited partners, State Manufacturing Transformation and Upgrading Fund Co.,* (國家製造業轉型升級基金股份有限公司), which is ultimately controlled by the PRC Governmental Body (as defined in the Listing Rules), owns approximately 49.8% partnership interest in Industrial Machinery Industry Investment Fund. Suzhou Industrial Park Yuanhe Industrial Machinery Equity Investment Partnership (Limited Partnership)* (蘇州工業園區元禾工業母機股權投資合夥企業(有限合夥)) owns approximately 29.2% partnership interest in Industrial Machinery Industry Investment Fund, where it is ultimately controlled by Suzhou Industrial Park Management Committee* (蘇州工業園區管理委員會), a PRC governmental entity. Jiangsu Provincial Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) owns approximately 10.0% partnership interest in Industrial Machinery Industry Investment Fund, with Jiangsu Jincai Investment Co., Ltd.* (江蘇金財投資有限公司) being its general partner, both of which are ultimately owned by the Department of Finance of Jiangsu Province. Suzhou Capital Group Co. Ltd.* (蘇州創新投資集團有限公司) owns approximately 10.0% partnership interest in Industrial Machinery Industry Investment Fund, which is ultimately controlled by the Suzhou Finance Bureau.

2. CICC SAIC Emerging Industry Fund

CICC SAIC Emerging Industry Fund was established in the PRC as a limited partnership, the principal business activities of which include equity investment, equity investment management, industrial investment, investment consulting, investment management and asset management. Its general partner is CICC Capital Management Co., Ltd.* (中金資本運營有限公司) (which is ultimately owned by China International Capital Corporation Limited (中國國際金融股份有限公司), a company listed on the Shanghai Stock Exchange and the Stock Exchange (Stock Code: 601995.SH and 3908.HK)). CICC SAIC Emerging Industry Fund's ultimate beneficial owner is the State Council of the PRC. Amongst the limited partners, Qingdao SAIC Innovation and Upgrading Industry Equity Investment Fund Partnership (Limited Partnership)* (青島上汽創新升級產業股權投資基金合夥企業(有限合夥)) owns approximately 72.0% partnership interest in CICC SAIC Emerging Industry Fund, and its ultimate beneficial owner is the State-owned Assets Management Commission of Shanghai. Each of Changshu Southeast Equity Investment Partnership (Limited Partnership)* (常熟東南股權投資合夥企業(有限合夥)) and Changshu Southeast Industrial Investment Co., Ltd.* (常熟東南產業投資有限公司) owns approximately 14.4% and 5.6% partnership interest in CICC SAIC Emerging

Industry Fund, respectively, where each of them is ultimately owned by Changshu City Finance Bureau (Changshu City Government State-owned Assets Supervision and Administration Office) (常熟市財政局(常熟市政府國有資產監督管理辦公室)). Save for the above, no other limited partner of CICC SAIC Emerging Industry Fund owns 10% or more partnership interest.

3. Shenzhen Pengyuan

Shenzhen Pengyuan is principally engaged in equity investment, investment management, and asset management businesses. Its general partner is Shenzhen Linxin Cornerstone Equity Investment Fund Management Partnership (Limited Partnership)* (深圳市領信基石股權投資基金管理合夥企業(有限合夥)) (which is ultimately controlled by Zhang Wei (張維)). Amongst the limited partners, Shenzhen Guiding Fund Investment Co., Ltd.* (深圳市引導基金投資有限公司) owns approximately 23.0% partnership interest in Shenzhen Pengyuan, and its ultimate beneficial owner is Shenzhen Finance Bureau. Wuhu Xinghui Cornerstone Equity Investment Partnership (Limited Partnership)* (蕪湖星慧基石股權投資合夥企業(有限合夥)) owns approximately 10.8% partnership interest in Shenzhen Pengyuan, which is ultimately controlled by Zhang Wei (張維). Save for the above, no other limited partner of Shenzhen Pengyuan owns 10% or more partnership interest.

4. Shenzhen Cornerstone SME

Shenzhen Cornerstone SME is principally engaged in trust asset management, investment management, equity investment and investment management of private equity funds. Its general partner is Shenzhen Linxin Cornerstone Equity Investment Fund Management Partnership (Limited Partnership)* (深圳市領信基石股權投資基金管理合夥企業(有限合夥)) (which is ultimately controlled by Zhang Wei (張維)). Amongst the limited partners, Shenzhen City Huitong Jinkong Fund Investment Co., Ltd.* (深圳市匯通金控基金投資有限公司) owns 30.0% partnership interest in Shenzhen Cornerstone SME, its ultimate beneficial owner is the Shenzhen Nanshan District State-owned Assets Supervision and Administration Bureau. Guojia Small and Mediumsized Enterprises Development Fund* (國家中小企業發展基金有限公司), which is ultimately controlled by a PRC Governmental Body (as defined in the Listing Rules) owns 30.0% partnership interest in Shenzhen Cornerstone SME. Wuhu Hongsheng Cornerstone Equity Investment Partnership (Limited Partnership)* (蕪湖鴻晟基石股權投資合夥企業(有限合夥)), which is ultimately controlled by Zhang Wei (張維), owns 15.0% partnership interest in Shenzhen Cornerstone SME. Xinjiang Nanjia Equity Investment Co., Ltd.* (西藏眾星百匯企業管理有限公司) owns 15.0% partnership interest in Shenzhen Cornerstone SME, which is held by Wu Jianbin (吳建斌) as to 65.0% and Peng Zhongbing (彭忠兵) as to 35.0%. Save for the above, no other limited partner of Shenzhen Cornerstone SME owns 10% or more partnership interest.

5. Yantai Huijia

Yantai Huijia is principally engaged in equity investment, investment management and asset management. Its general partner is Beijing Dongfang Huijia Fund Management Co., Ltd.* (北京東方匯嘉基金管理有限公司), which is ultimately owned by Wang Weidong (王衛東) as to 90% and Huang Bei (黃蓓) as to 10%. Amongst the limited partners, Yantai Shangaohongjin Equity Investment Partnership (Limited Partnership)* (煙台山高宏進股權投資合夥企業(有限合夥)) owns 89.0% partnership interest in Yantai Huijia and its ultimate beneficial owner is Shandong Hi-Speed

Group Co., Ltd. (山東高速集團有限公司). Anyi Huijia Taikang Venture Capital Fund Partnership (Limited Partnership)* (安義匯嘉泰康創業投資基金合夥企業(有限合夥)), which is owned as to 32.3% partnership interest by each of Wang Weidong (王衛東), He Yurong (何玉榮) and Wang Ziming (王子銘), respectively, owns 10.0% partnership interest in Yantai Huijia.

Save as disclosed above, and to the best knowledge, information and belief of the Directors, having made all reasonable enquires, the Investors and their respective ultimate beneficial owners are (i) independent third parties as at the date of the Capital Injection Agreement; and (ii) save for their interests in Shenzhen LK as a result of the Completion, independent third parties as at the Latest Practicable Date.

VIII. USE OF PROCEEDS

The proceeds from the Capital Injection shall be applied to the working capital of Shenzhen LK for the development of Shenzhen LK's principal business.

IX. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Investors possess a wealth of investment experience and have extensive involvement in, such as, high-end manufacturing, technology, and automotive industries. Having thoroughly considered their investment experience, strategic deployment, and overall strength, the Group believes the alignment of the Investors with these sectors may provide the Group with various synergistic opportunities, including business collaboration, market expansion, technological partnerships, and talent exchange, all of which could enhance the Group's future business growth.

The Directors also consider that the Capital Injection can enhance the working capital and expand the capital base of the Target Group, as well as provide capital support for the operations and development of the Target Group to satisfy its business needs and growth.

Taking into account the factors mentioned above, the Board considers that the terms and conditions of the Capital Injection Agreement and the Shareholders Agreement, the Capital Injection, the Repurchase Options and the transactions as contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder. Although Mr. Liu ZM and Ms. Chong are parties to the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, they are parties to the transaction documents for the purpose of providing undertakings to the Investors and does not have material interest in the Capital Injection. Therefore, none of the Directors is required to abstain from voting on the relevant resolution approving the Capital Injection at the Board meeting.

X. WRITTEN SHAREHOLDER'S APPROVAL

Despite Miss Liu, Mr. Liu ZM, Mr. Liu SS and Ms. Chong (who either own Girgio Industries or are beneficiaries of the trust of which Girgio Industries form part of the trust assets) are parties to the Capital Increase Agreement, they are parties to the Capital Increase Agreement for the purpose of providing undertakings to the Investors and does not have material interest in the agreement and/or the Capital Injection. Therefore, as at the date of the Capital Injection Agreement and the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder. Therefore, none of the Shareholders and their associates is required to abstain from voting if the Company were to convene a general meeting for the approval of the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder.

On 5 December 2023 (i.e., the date of the Capital Injection Agreement), the Company has obtained a written shareholder's approval from Girgio Industries, a controlling shareholder of the Company, holding in aggregate 849,078,004 Shares, representing approximately 61.69% of the entire issued share capital of the Company as at the Latest Practicable Date, for approving the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the approval of the Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, and the transactions contemplated thereunder.

XI. RECOMMENDATION

The Directors, having considered the terms of, the reasons for and benefits of the Capital Injection Agreement and the Shareholders Agreement, the Capital Injection, the Repurchase Options and the transactions as contemplated thereunder, are of the view that their terms are normal commercial terms and are fair and reasonable. The Directors also consider that the entering into of the Capital Injection Agreement and the Shareholders Agreement, the Capital Injection, the Repurchase Options and the transactions as contemplated thereunder, despite not being entered in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

Accordingly, if a general meeting were to be convened for the approval of the Capital Injection Agreement and the Shareholders Agreement, the Capital Injection, the Repurchase Options and the transactions as contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

XII. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

XIII. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

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

1. FINANCIAL SUMMARY

The audited financial information of the Group for each of the years ended 31 March 2021, 2022 and 2023, and the unaudited financial information of the Group for the six months ended 30 September 2023, together with the relevant notes thereto are disclosed in the relevant annual reports and interim report of the Company, which have been published on both the website of the Stock Exchange (**www.hkex.com.hk**) and the website of the Company (**www.lk.world**):

(i) annual report of the Company for the year ended 31 March 2021 published on 26 July 2021 (pages 34 to 114), which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0726/2021072601050.pdf

(ii) annual report of the Company for the year ended 31 March 2022 published on 25 July 2022 (pages 38 to 126), which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0725/2022072500357.pdf

(iii) annual report of the Company for the year ended 31 March 2023 published on 25 July 2023 (pages 46 to 134), which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0725/2023072500630.pdf

(iv) interim report of the Company for the six months ended 30 September 2023 published on 18 December 2023 (pages 20 to 52), which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1218/2023121800349.pdf

The auditor of the Company have not issued any qualified opinion on the Group's consolidated financial statements for each of the financial years ended 31 March 2021, 2022 and 2023.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular. The Group had outstanding indebtedness as follows:

Borrowings

	As at 31 December 2023
	HK$'000
Bank borrowings – secured	160,137
Bank borrowings – unsecured	1,822,008
Other borrowings – secured	6,548
	1,988,693

As at close of business on 31 December 2023, secured bank borrowings of the Group were secured by certain assets of the Group, including restricted bank balances of HK$1,429,000, right-of-use assets of HK$132,323,000, investment properties of HK$87,046,000, and property, plant and equipment of HK$274,549,000.

Other borrowings represented proceeds received from a sales and leaseback transaction in which the Group transferred certain machineries and leased them back from the buyer. The transfer does not qualify as a transaction under Hong Kong Financial Reporting Standard 15 (Revenue from Contracts with Customers), as such, the Group continued to recognise the leased machinery and recognise the proceeds received as other borrowings under Hong Kong Financial Reporting Standard 9 (Financial Instruments). The other borrowings were secured by deposits of HK$1,524,000.

Lease liabilities

As at close of business on 31 December 2023, lease liabilities of HK$11,468,000 relating to office premises leased by the Group as lessee.

	As at 31 December 2023
	HK$'000
Current	2,621
Non-current	8,847
	11,468

Contingent liabilities

As at close of business on 31 December 2023, a wholly-owned subsidiary of the Group received a product-related claim from a customer. The relevant legal process is in the preliminary stage and management does not presently have sufficient information to assess the validity and the potential exposure of the claim. Accordingly, no further information has been disclosed concerning estimates of financial impact and the contingent liabilities in relation to this legal case. By taking account of all available evidence, management considered there was no present obligation as at 31 December 2023, and disclosed this claim as a contingent liability.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or authorised or otherwise created but unissued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or contingent liabilities at the close of business on 31 December 2023.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 December 2023.

3. WORKING CAPITAL

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities and the financial resources presently available to the Group, including available credit facilities, as well as the proceeds from the Deemed Disposal, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the paragraph headed "VI. Information of the Group and Shenzhen LK" of the "Letter from the Board" contained in this circular, the Group is principally engaged in the design, manufacture and sales of die-casting machines, PIMMs, CNC machining centres and related accessories, and is also engaged in steel casting.

(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 provide 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 diecasting 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 China Construction Materials Rental Contractor Association, the amount of building formworks in China is about 280 million square meters in 2022, 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 market 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 market 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 of the supply chain, in a bid to meet the needs, to gain trust and loyalty of the customers, and also increase the brand power.

(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 lower 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.

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 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 diecasting 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.

(4) Expanding its overseas market footprint and preparing for the coming challenges to global economy

Looking ahead, the global economy will keep struggling in assortments of challenges and uncertainties. The growing geopolitical tension in certain regions is a big test for global economic stability. Meanwhile, the persisting high inflation pressure in Europe and the United States brought about market concerns on inflation. Central banks of major economies worldwide may adjust their policies accordingly, which could have further impact on global financial markets.

Yet, the recovery of overseas economy shows great resilience and potential against such complexities. The accelerating restructuring of global industrial chain has generated development opportunities for certain regions. To attract foreign investment and technological cooperation, some countries and regions have introduced innovation policies and increased investment to promote their industrial upgrading, thereby driving up the demand for machinery and equipment.

The Company has been strategically establishing its presence in the global market and developed a worldwide sales network and service system to provide its customers with high-quality plastic injection moulding machines and casting machines. In addition to the existing more than 60 sales offices and service centres spanning over 20 countries, from this year the Company plans to set up new overseas R& D centres, service centres and production bases in the United States, Germany, Mexico, India, etc., to satisfy the customers' demand for localisation R& D, manufacturing, sales, and after-sales services. In the first half of 2023, the Company secured a succession of orders or agreements of intent for equipment from local automobile manufacturers in Europe, the United States, Japan, and South Korea, contributing to an increasing proportion of revenue from overseas.

(5) Leading integrated die-casting revolution, upgrading product technology and expanding scope of application

During the first half of the Company's financial year ending 31 March 2024, the Company entered into a strategic cooperation agreement in respect of the L.K. 16000T super large smart die-casting unit, which has realised phased achievements. The Dreampress 16000T super smart die-casting unit has brought revolutionary changes in the integrated die-casting automobile chassis, and the application scenarios for integrated diecasting will also be more diversified, covering A0-C class and SUV models. In just over a year, the Company's R& D and production of super large smart die-casting units have achieved a breakthrough from 12,000 tons to 16,000 tons, marking a milestone in the development of high-end and green foundry industry in China. Meanwhile, it provides more possibilities for the integrated manufacturing of more complex and larger automotive parts.

In addition, the Company cooperated with the well-known domestic original equipment manufacturers in respect of joint R& D and innovation with an aim to achieve integrated die-casting moulding for the chassis of A00-class models, which presents a new concept for the industry's integrated die-casting application on the chassis from A00-class to B-class and C-class models.

In the future, with the continuous emergence of new materials, processes and technologies, the integrated die-casting technology will be more optimal and innovative, thereby bringing more possibilities for the manufacturing of automobile chassis. Meanwhile, with the increasing demand for lightweight, efficient and sustainable development in the market, as well as the continuous progress of technology and the promotion of application, the integrated die-casting has great development potential in the manufacturing of automobile chassis.

The Directors believe that the Capital Injection can enhance the working capital and expand the capital base of the Target Group, as well as provide capital support for the operations and development of the Target Group to satisfy its business needs and growth.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Business Review

The Target Company is a company incorporated in the PRC with limited liability on 17 November 2017 and has no actual business operations. Its subsidiaries are mainly engaged in the research and development, production and sales of die-casting machines and their accessories.

Die-casting machine products of the Target Company are mainly divided into two categories namely cold chamber die-casting machine and hot chamber die-casting machines. Of which, cold-chamber die-casting machines mainly include products under IMPRESS series and DREAMPRESS series, and they are mainly applied to the fields including automotive, energy storage and communication, especially in the production of automotive body and structural parts. Hot chamber die-casting machines are mainly products under VISION series, which are mainly applied to the field of daily consumption, such as the production of hardware, doors and windows, zippers, etc.

As at 31 December 2023, the Target Group's order book was around HK$2,243 million.

Financial Review

(a) Financial performance

For the three years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023, the revenue of the Target Group was approximately HK$2,732 million, HK$3,929 million, HK$4,684 million and HK$1,604 million, respectively. The revenue has increased by approximately 43.8% from 2021 to 2022 and approximately 19.2% from 2022 to 2023 as the Target Group has successfully increased its market shares of a growing sector during the Track Record Period by providing satisfactory products to its customers.

For the three years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023, the profit before tax of the Target Company was approximately HK$389 million, HK$621 million, HK$645 million and HK$136 million, respectively. The profit before tax has increased by approximately 59.6% from 2021 to 2022 and 3.7% from 2022 to 2023 as the Target Company was able to maximize the utilization of its existing resources, identify opportunities with better profitability and improve its cost control.

(b) Liquidity and financial resources

As at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, the net assets of the Target Group was approximately HK$1,324 million, HK$1,980 million, HK$2,399 million and HK$2,234 million, respectively.

As at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, the bank borrowings of the Target Group were approximately HK$552 million, HK$756 million, HK$1,014 million and HK$1,021 million, respectively.

There is no seasonality of borrowing requirements.

The maturity profile of borrowings are as follows:

	Repayable within 1 year	**Repayable after 1 year but within 2 years**	**Repayable after 2 year but within 5 years**	**Repayable after 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2021	475,109	39,916	1,145	35,715	551,885
As at 31 March 2022	545,355	31,419	–	179,012	755,786
As at 31 March 2023	760,194	27,804	–	225,710	1,013,708
As at 31 August 2023	698,022	29,164	78,462	215,247	1,020,895

The Target Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its requirements in the short and longer term. If breach of loan covenants is anticipated, the Target Group will communicate with the lenders to obtain waiver and/or rectify the breach in due course. The Target Group also monitors closely the cash flows of its subsidiaries. Generally, the Target Company's subsidiaries are required to obtain the Target Company's approval for activities such as raising of loans and investment of surplus cash.

The currencies in which borrowings are made and in which cash and cash equivalents are held are RMB, USD and HKD.

As at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, the total borrowings that was subject to interest payable at fixed rates was approximately 34.5%, 35.5%, 42.8% and 32.8%, respectively.

(c) Gearing ratio

As at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, the gearing ratio (being net borrowings divided by total equity) of the Target Company was approximately 22.4%, 25.1%, 26.7% and 30.1%, respectively.

(d) Contingent liabilities

The Target Group did not have any contingent liabilities as at 31 March 2021, 31 March 2022 respectively.

During the year ended 31 March 2023, a subsidiary of the Group received a product-related claim from a customer. As at 31 March 2023 and 31 August 2023, the relevant legal process is still in the preliminary stages and management do not presently have sufficient information to assess the validity and the potential exposure of the claim. Accordingly, no further information has been disclosed concerning estimates of financial impact and the contingent liabilities in relation to this legal case. This is so as to not compromise the results of the possible proceedings or the interests of the Company. By taking account of all available evidence, management considered there was no present obligation as at 31 March 2023 and 31 August 2023 respectively.

(e) Financial risk management

For the three years ended 31 March 2021, 31 March 2022 and 31 March 2023 and the five months ended 31 August 2023, the Target Group was mainly exposed to credit, liquidity and interest rate risks arising in the normal course of business.

As the operations of the Target Group were principally based in the PRC for the three years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023, its principal assets (including cash and cash equivalents) and liabilities as well as its business transactions were predominantly conducted in RMB. Therefore, the Target Group considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

(f) Funding and treasury policy

The Target Company has adopted a prudent financial management approach towards it treasury policy. The Target Company closely monitored its liquidity position to ensure that the liquidity structure of its assets, liabilities, and other commitments can meet its funding requirements.

(g) Significant investment

The Target Company did not have any significant investments for the three years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023.

(h) Charge of assets

As at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, the charges of assets of the Target Company was approximately HK$127 million, HK$197 million, HK$280 million and HK$239 million, respectively.

(i) Employees and remuneration policy

The Target Company had 2,571, 3,264, 3,457 and 3,387 employees as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, respectively. The total remuneration paid to the Target Company's employees for the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023 was approximately HK$402 million, HK$596 million, HK$670 million and HK$294 million, respectively. The employees were remunerated based on their working performance and experience, with consideration to the prevailing market conditions.

(j) Details of material acquisitions and disposals of subsidiaries and associated companies

There was no material acquisition and disposals of subsidiaries and associated companies by the Target Group during the three years ended 31 March 2021, 2022 and 2023, and the five months ended 31 August 2023.

(k) Segmental information

The Target Company has only one segment, die-casting machines and its accessories.

(l) Future plans for material investments or capital assets

As at 31 March 2021, 2022, 2023 and 31 August 2023, the Target Company has capital commitments of HKD264 million, HKD136 million, HKD177 million and HKD181 million, respectively. Save for the above, the Target Company did not have future plans for material investments or capital assets as at 31 March 2021, 2022, 2023 and 31 August 2023.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF L.K. TECHNOLOGY HOLDINGS LIMITED

Introduction

We report on the historical financial information of Shenzhen L.K. Technology Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-110, which comprises the combined statements of financial position as at 31 March 2021, 2022 and 2023 and 31 August 2023, the company statements of financial position as at 31 March 2021, 2022 and 2023 and 31 August 2023, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-110 forms an integral part of this report, which has been prepared for inclusion in the circular of L.K. Technology Holdings Limited (the "**Company**") dated 29 February 2024 (the "**Circular**") in connection with the deemed disposal (the "**Deemed Disposal**") of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements in accordance with the basis of presentation and preparation set out therein which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment* Circulars issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company and of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 March 2021, 2022 and 2023 and 31 August 2023 and the combined financial position of the Target Group as at 31 March 2021, 2022 and 2023 and 31 August 2023 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 August 2022 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
29 February 2024

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2021, 2022 and 2023 and 31 August 2023

		As at 31 March			As at 31 August
		2021	2022	2023	2023
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Intangible assets	*6*	14,758	14,759	15,162	15,681
Property, plant and equipment	*7*	549,794	901,225	1,265,425	1,354,110
Investment properties	*8*	122,602	129,064	24,100	23,700
Right-of-use assets	*9*	133,853	279,456	268,219	254,831
Interests in associate	*10*	16,495	17,150	15,725	14,953
Deposits	*14*	27,814	100,189	95,763	103,950
Deferred income tax assets	*12*	62,005	60,114	58,560	59,979
Trade and bills receivables	*13*	4,502	24,165	12,995	2,349
Financial asset at fair value through other comprehensive income	*15*	5,952	6,173	5,682	5,495
Restricted bank balances	*17(b)*	634	677	–	–
Total non-current assets		938,409	1,532,972	1,761,631	1,835,048
Current assets					
Inventories	*16*	733,783	1,053,041	1,174,128	1,259,211
Trade and bills receivables	*13*	912,118	1,454,486	1,904,411	1,739,299
Other receivables, prepayments and deposits	*14*	131,756	196,476	251,776	264,174
Amounts due from related companies	*33*	279,000	257,598	231,541	293,049
Restricted bank balances	*17(b)*	20,786	91,129	182,296	144,070
Cash and cash equivalents	*17(a)*	255,309	257,468	372,333	347,358
Total current assets		2,332,752	3,310,198	4,116,485	4,047,161
Total assets		3,271,161	4,843,170	5,878,116	5,882,209
Equity					
Combined capital	*18*	619,708	788,142	946,738	1,066,888
Reserves	*19*	230,718	287,875	139,579	98,403
Retained earnings	*19*	473,501	904,475	1,312,627	1,069,040
Total equity		1,323,927	1,980,492	2,398,944	2,234,331

COMBINED STATEMENTS OF FINANCIAL POSITION *(Continued)*
As at 31 March 2021, 2022 and 2023 and 31 August 2023

		As at 31 March			As at 31 August
		2021	**2022**	**2023**	**2023**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Deferred income tax liabilities	*12*	1,604	1,671	2,223	2,528
Borrowings	*20*	76,776	210,431	253,514	238,916
Lease liabilities	*9*	15,642	72,460	55,552	51,084
Other payables	*21*	6,218	6,068	5,358	4,986
Total non-current liabilities		100,240	290,630	316,647	297,514
Current liabilities					
Trade and bills payables	*21*	468,395	810,753	1,315,988	1,219,552
Other payables and contract liabilities	*21*	523,969	714,457	710,791	818,218
Amounts due to related companies	*33*	353,899	451,056	333,489	495,769
Borrowings	*20*	475,109	545,355	760,194	781,979
Lease liabilities	*9*	9,142	14,212	12,372	9,636
Current income tax liabilities		16,480	36,215	29,691	25,210
Total current liabilities		1,846,994	2,572,048	3,162,525	3,350,364
Total liabilities		1,947,234	2,862,678	3,479,172	3,647,878
Total equity and liabilities		3,271,161	4,843,170	5,878,116	5,882,209

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

As at 31 March 2021, 2022 and 2023 and 31 August 2023

			As at 31 March		As at 31 August
		2021	**2022**	**2023**	**2023**
	Notes	*HKS'000*	*HKS'000*	*HKS'000*	*HK$'000*
Non-current asset					
Investments in subsidiaries		–	9,259	574,723	1,759,351
Property, plant and equipment		–	33	711	812
Total non-current assets		–	9,292	575,434	1,760,163
Current assets					
Other receivables, prepayments and deposits	*14*	–	–	79	219,874
Cash and cash equivalents	*17(a)*	–	2,497	3,020	729
Total current assets		–	2,497	3,099	220,603
Total assets		–	11,789	578,533	1,980,766
Equity					
Share capital	*18*	–	12,346	171,204	545,531
Reserves	*19*	–	(866)	400,758	1,425,275
Total equity		–	11,480	571,962	1,970,806
Current liabilities					
Other payables	*21*	–	–	984	894
Amounts due to subsidiaries	*33*	–	309	5,587	9,066
Total liabilities		–	309	6,571	9,960
Total equity and liability		–	11,789	578,533	1,980,766

COMBINED INCOME STATEMENTS

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

		Year ended 31 March			Five months ended 31 August	
		2021	2022	2023	2022	2023
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	22	2,732,155	3,928,786	4,683,749	1,749,534	1,603,907
Cost of sales	24	(1,994,853)	(2,819,878)	(3,445,382)	(1,292,826)	(1,198,620)
Gross profit		737,302	1,108,908	1,238,367	456,708	405,287
Other income	22	45,932	72,353	97,315	28,394	32,505
Other gains/(losses) – net	23	44,186	8,219	8,267	(735)	57
Selling and distribution expenses	24	(213,199)	(292,869)	(346,512)	(124,647)	(126,128)
General and administrative expenses	24	(184,949)	(260,274)	(314,507)	(116,398)	(142,834)
(Provision for)/reversal of provision for impairment of trade receivables – net	24	(14,929)	2,375	(9,770)	(4,329)	(9,265)
Operating profit		414,343	638,712	673,160	238,993	159,622
Finance income	26	5,344	2,108	3,619	885	915
Finance costs	26	(22,131)	(20,066)	(32,080)	(10,239)	(24,438)
Finance costs – net	26	(16,787)	(17,958)	(28,461)	(9,354)	(23,523)
Share of (losses)/profit of associates	10	(8,258)	43	(61)	1	(256)
Profit before income tax		389,298	620,797	644,638	229,640	135,843
Income tax expenses	27	(51,322)	(89,878)	(91,901)	(27,021)	(13,664)
Profit attributable to owners of the Target Company		337,976	530,919	552,737	202,619	122,179

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

		Year ended 31 March			Five months ended 31 August	
		2021	**2022**	**2023**	**2022**	**2023**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit attributable to owners of the Target Company		337,976	530,919	552,737	202,619	122,179
Other comprehensive income/(loss) for the year/period						
Item that may be reclassified to profit or loss						
Currency translation difference		88,229	44,033	(148,296)	(121,297)	(67,740)
Total comprehensive income attributable to owners of the Target Company, net of tax		426,205	574,952	404,441	81,322	54,439

COMBINED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

	Attributable to owners of the Target Company						
	Combined capital *HK$'000*	Exchange translation reserve *HK$'000*	Statutory reserve *HK$'000*	Property revaluation reserve *HK$'000*	Financial asset at fair value through other comprehensive income reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1 April 2020	619,708	(83,425)	210,558	7,745	368	615,645	1,370,599
Profit for the year	–	–	–	–	–	337,976	337,976
Other comprehensive income							
Currency translation differences	–	88,229	–	–	–	–	88,229
Total comprehensive income	–	88,229	–	–	–	337,976	426,205
Transfer to statutory reserve	–	–	7,243	–	–	(7,243)	–
Transactions with owners in their capacity as owners:							
Dividends declared *(Note 28)*	–	–	–	–	–	(472,877)	(472,877)
At 31 March 2021	619,708	4,804	217,801	7,745	368	473,501	1,323,927

COMBINED STATEMENTS OF CHANGES IN EQUITY*(CONTINUED)*

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

	Attributable to owners of the Target Company						
	Combined capital *HK$'000*	**Exchange translation reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Property revaluation reserve** *HK$'000*	**Financial asset at fair value through other comprehensive income reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2021	619,708	4,804	217,801	7,745	368	473,501	1,323,927
Profit for the year	–	–	–	–	–	530,919	530,919
Other comprehensive income							
Currency translation differences	–	44,033	–	–	–	–	44,033
Total comprehensive income	–	44,033	–	–	–	530,919	574,952
Transfer to statutory reserve	–	–	13,124	–	–	(13,124)	–
Transactions with owners in their capacity as owners:							
Capital contributions *(note)*	168,434	–	–	–	–	–	168,434
Dividends declared *(Note 28)*	–	–	–	–	–	(86,821)	(86,821)
At 31 March 2022	788,142	48,837	230,925	7,745	368	904,475	1,980,492

COMBINED STATEMENTS OF CHANGES IN EQUITY *(CONTINUED)*

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

	Attributable to owners of the Target Company						
	Combined capital *HK$'000*	**Exchange translation reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Property revaluation reserve** *HK$'000*	**Financial asset at fair value through other comprehensive income reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2022	788,142	48,837	230,925	7,745	368	904,475	1,980,492
Profit for the year	–	–	–	–	–	552,737	552,737
Other comprehensive loss							
Currency translation differences	–	(148,296)	–	–	–	–	(148,296)
Total comprehensive (loss)/ income	–	(148,296)	–	–	–	552,737	404,441
Transactions with owners in their capacity as owners:							
Capital contributions *(note)*	162,263	–	–	–	–	–	162,263
Issuance of shares	132,722	–	–	–	–	–	132,722
Acquisition of entities under common control	(136,389)	–	–	–	–	–	(136,389)
Dividends declared *(Note 28)*	–	–	–	–	–	(144,585)	(144,585)
At 31 March 2023	946,738	(99,459)	230,925	7,745	368	1,312,627	2,398,944

COMBINED STATEMENTS OF CHANGES IN EQUITY *(CONTINUED)*

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

	Attributable to owners of the Target Company (Unaudited)						
	Combined capital *HK$'000*	Exchange translation reserve *HK$'000*	Statutory reserve *HK$'000*	Property revaluation reserve *HK$'000*	Financial asset at fair value through other comprehensive income reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1 April 2022	788,142	48,837	230,925	7,745	368	904,475	1,980,492
Profit for the period	–	–	–	–	–	202,619	202,619
Other comprehensive loss							
Currency translation differences	–	(121,297)	–	–	–	–	(121,297)
Total comprehensive (loss)/ income	–	(121,297)	–	–	–	202,619	81,322
Transactions with owners in their capacity as owners:							
Capital contributions *(note)*	129,991	–	–	–	–	–	129,991
Dividends declared *(Note 28)*	–	–	–	–	–	(144,585)	(144,585)
At 31 August 2022	918,133	(72,460)	230,925	7,745	368	962,509	2,047,220

COMBINED STATEMENTS OF CHANGES IN EQUITY *(CONTINUED)*

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

	Attributable to owners of the Target Company (Unaudited)						
	Combined capital *HK$'000*	Exchange translation reserve *HK$'000*	Statutory reserve *HK$'000*	Property revaluation reserve *HK$'000*	Financial asset at fair value through other comprehensive income reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1 April 2023	946,738	(99,459)	230,925	7,745	368	1,312,627	2,398,944
Profit for the period	–	–	–	–	–	122,179	122,179
Other comprehensive loss							
Currency translation differences	–	(67,740)	–	–	–	–	(67,740)
Total comprehensive (loss)/ income	–	(67,740)	–	–	–	122,179	54,439
Transfer to statutory reserve	–	–	26,564	–	–	(26,564)	–
Transactions with owners in their capacity as owners:							
Capital contributions *(note)*	7,363	–	–	–	–	–	7,363
Issuance of shares	483,944	–	–	–	–	–	483,944
Acquisition of entities under common control	(371,157)	–	–	–	–	–	(371,157)
Dividends declared *(Note 28)*	–	–	–	–	–	(339,202)	(339,202)
At 31 August 2023	1,066,888	(167,199)	257,489	7,745	368	1,069,040	2,234,331

Note: Capital contributions represent increase in paid-up capital of the Target Company and the subsidiaries now comprising the Target Group.

COMBINED STATEMENTS OF CASH FLOWS

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

		Year ended 31 March			Five months ended 31 August	
		2021	**2022**	**2023**	**2022**	**2023**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities						
Cash generated from operations	29	443,157	355,747	448,532	12,411	206,657
Interest paid		(23,557)	(27,401)	(44,913)	(18,429)	(26,990)
Income tax paid		(38,072)	(68,401)	(96,041)	(49,055)	(18,894)
Net cash generated from/(used in) operating activities		381,528	259,945	307,578	(55,073)	160,773
Cash flows from investing activities						
Proceeds from disposals of property, plant and equipment	*29(a)*	1,382	3,246	5,865	4,492	2,939
Payments for intangible assets		(6,530)	(5,865)	(6,304)	(1,914)	(2,882)
Purchases of property, plant and equipment		(191,411)	(365,702)	(349,446)	(95,486)	(136,232)
Purchases of land use rights		–	(85,150)	(28,540)	(29,204)	(2,176)
Deposits for purchases of property, plant and equipment		(18,860)	(98,031)	(66,743)	(50,874)	(46,518)
Dividend received from an associate	*10*	4,545	–	–	–	–
Interest received	*26*	5,344	2,108	3,619	885	915
Net cash used in investing activities		(205,530)	(549,394)	(441,549)	(172,101)	(183,954)

COMBINED STATEMENTS OF CASH FLOWS *(CONTINUED)*

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023

		Year ended 31 March			Five months ended 31 August	
		2021	**2022**	**2023**	**2022**	**2023**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from financing activities						
Capital injections from then shareholders of subsidiaries		–	168,434	162,263	129,991	7,363
Loans from related companies	*33(a)*	–	103,063	–	–	–
Inceptions of new bank borrowings	*29(b)*	481,123	635,890	1,024,268	532,439	151,111
Repayments of bank borrowings	*29(b)*	(466,614)	(431,332)	(712,566)	(199,229)	(125,913)
Inceptions of trust receipt loans	*29(b)*	23,749	6,790	13,977	14,302	–
Repayments of trust receipt loans	*29(b)*	(12,881)	(19,048)	(13,977)	–	–
Principal elements of lease payments	*29(b)*	(9,512)	(9,598)	(14,075)	(6,074)	(5,904)
Dividends paid	*28*	(379,773)	(174,765)	(178,284)	(119,906)	(32,966)
Net cash (used in)/generated from financing activities		(363,908)	279,434	281,606	351,523	(6,309)
Net increase/(decrease) in cash and cash equivalents		(187,910)	(10,015)	147,635	124,349	(29,490)
Cash and cash equivalents at beginning of year/period		395,062	255,309	257,468	257,468	372,333
Exchange difference on cash and cash equivalents		48,157	12,174	(32,770)	(19,480)	4,515
Cash and cash equivalents at end of year/period	*17(a)*	255,309	257,468	372,333	362,337	347,358

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information and reorganisation

1.1 General information of the Target Group

Shenzhen L.K. Technology Company Limited (the "**Target Company**") is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 17 November 2017. The registered office of Shenzhen L.K. Technology Company Limited is Room 201, Building A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen.

The principal activities of the Target Company and its subsidiaries (together the "**Target Group**") are design, manufacture, and sales of hot chamber and cold chamber die-casting machines and related accessories in the PRC (the "**Principal Activities**"). The directors of the Target Company consider that Shenzhen L.K. Technology Company Limited's immediate parent is Power Excel International Limited ("**Power Excel**'), a company incorporated in Hong Kong, and the ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

Before the formation of the Target Group, the Principal Activities were carried out by the subsidiaries now comprising the Target Group as detailed in Note 11, all of which were controlled by L.K. Technology Holdings Limited, the Target Company's intermediate holding company ("**L.K. Holdings**").

1.2 Reorganisation of the Target Group

On 14 September 2023, L.K. Holdings, together with certain of its subsidiaries and the controlling shareholders of L.K. Holdings, entered into the Capital Injection Agreement and the Shareholders Agreement with Future Industry Investment Fund II (先進製造產業投資基金二期（有限合夥）) ("**FIIF**"), a limited partnership established in the PRC, pursuant to which FIIF has conditionally agreed to subscribe for not less than approximately 9.47% and not more than 12% of the enlarged registered capital of the Target Company by way of capital injection in cash for the sum of not less than RMB1,150.0 million and not more than RMB1,500.0 million ("**Capital Injection (I)**").

On 5 December 2023, L.K. Holdings, together with certain subsidiaries and the controlling shareholders of L.K. Holdings, entered into the Capital Injection Agreement and the Shareholders Agreement with certain other investors (the "**Other Investors**"), pursuant to which the Other Investors have conditionally agreed to subscribe for, in aggregate, RMB34,752,600 newly increased registered capital of Shenzhen LK, by way of capital injection in cash for the sum of, in aggregate, RMB730 million ("**Capital Injection (II)**").

To facilitate the proposed Capital Injection (I) and Capital Injection (II) into the Target Company, the Target Group underwent a reorganisation (the "**Reorganisation**").

As at the date of this report, the Target Company became the holding company of the subsidiaries now comprising the Target Group. Details of the entities comprising the Target Group are set out in note 11 of this report.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

1. General information and reorganisation *(Continued)*

1.3 Basis of presentation

The Combined Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA.

Since all entities now comprising the Target Group (as detailed in note 11) were under common control of L.K. Holdings during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023 (or where the companies comprising the Target Group were acquired/established at a date later than 1 April 2020, for the period from the date of acquisition/establishment to 31 August 2023) (the "**Track Record Period**") but do not constitute a separate legal consolidated group, the Combined Financial Information has been prepared using the principle of merger accounting, as if the current group structure had been in existence throughout the Track Record Period.

The principle of merger accounting has been applied from the first day of the Track Record Period on 1 April 2020 or the earliest date at which the entities within the Target Group were acquired/incorporated. The Combined Financial Information of the Target Group has been prepared and measured at the carrying amount of the entities comprising the Target Group reflected in the consolidated financial statements of L.K. Holdings for the Track Record Period. It has been prepared by combining the relevant financial statements, including the income statements, statements of comprehensive income, statements of changes in equity and the statements of cash flows of the entities within the Target Group for the Track Record Period and the statements of financial position of the entities within the Target Group as at 31 March 2021, 2022 and 2023 and 31 August 2023 of the companies comprising the Target Group. All material intragroup transactions and balances have been eliminated when preparing the Combined Financial Information.

2. Summary of material accounting policies

2.1 Basis of preparation

The Combined Financial Information has been prepared under the historical cost basis except for investment properties and financial asset at fair value through other comprehensive income ("**FVOCI**") which are stated at fair values as explained in the accounting policies set out below. The Combined Financial Information is presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

For the purpose of preparation of the Combined Financial Information, all HKFRS effective for the accounting period on or before 1 April 2023, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Combined Financial Information throughout the Track Record Period.

2.2 Changes in accounting policies

(a) New standards and interpretations not yet adopted

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.3 Material accounting policies

2.3.1 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as directors of the Target Group that makes strategic decisions.

The Target Group determines its operating segments based upon the internal reports reviewed by the CODM that are used to make strategic decisions.

During the Track Record Period, the Target Group is principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines and related accessories. CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Target Group regards that there is only one segment which is used to make strategic decisions.

2.3.2 Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined income statements during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Buildings	Over the estimated useful lives of no more than 50 years
Leasehold improvements	5%-20% or over the lease term, whichever is shorter
Plant and machinery	10%-20%
Furniture, fixtures and office equipment	5%-20%
Motor vehicles	20%-25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the combined income statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.3 Material accounting policies *(Continued)*

2.3.2 Property, plant and equipment (Continued)

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.3.3 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields and is not occupied by the Target Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Target Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the combined income statements as part of a valuation gain or loss in "other gains/(losses)–net".

2.3.4 Trade and bills receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Target Group assesses on a forward-looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Target Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("**FIFO**") method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net unrealised value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Write down is made for deteriorated, damaged and obsolete inventories.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.3 Material accounting policies *(Continued)*

2.3.6 Revenue and other income

The Target Group recognises revenue when it satisfies a performance obligation by transferring a promised goods and service to a customer, which is when the customer obtains control of goods and service, has the ability to direct the use of, and obtain substantially all of the remaining benefits from that goods and service. If the control of the goods and services is transferred over a period of time, the Target Group recognises revenue by reference to the extent of progress toward completion in fulfilling its performance obligations during the entire contract period.

For the amounts of revenue recognised for goods transferred and services provided, the Target Group recognises any unconditional rights to consideration separately as a receivable and the rest as a contract asset, and recognises provision for impairment of the receivable and the contract asset based on ECL; if the consideration received or receivable exceeds the obligation performed by the Target Group, a contract liability is recognised. The Target Group presents a net contract asset or a net contract liability under each contract.

Contract costs include costs to full fill a contract and of obtaining a contract. The cost incurred for providing services by the Target Group is recognised as the costs to fullfill a contract, and is amortised based on the progress towards completion of the service provided when recognising revenue. The incremental cost incurred by the Target Group of obtaining a contract is recognised as the costs of obtaining a contract. For costs of obtaining a contract that will be amortised within one year, the Target Group recognises it in profit and loss. For the costs of obtaining a contract that will be amortised for more than one year period, it is amortised in profit and loss based on same progress towards completion as recognising revenue.

The Target Group recognises revenue for each of its activities in the combined income statements in accordance with below policies:

(a) Sales of goods

Sales of goods are recognised when a group entity has transferred control over products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sales contracts. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale. A receivable is recognised when the goods are accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of services

Service income is recognised when the Target Group satisfied the performance obligation in accordance with the substance of the relevant agreements. Service income is recognised over time.

(c) Rental income

Rental income is recognised in the combined income statements on a straight-line basis over the term of the lease.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.3 Material accounting policies *(Continued)*

2.3.7 Financial guarantees

A financial guarantee contract is a contract that requires the Target Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.4 Summary of other potentially material accounting policies

This note provides a list of other potentially material accounting policies adopted in the preparation of these combined financial statements. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.4.1 Subsidiaries

2.4.1.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

The Target Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.1 Subsidiaries (Continued)

2.4.1.1 Consolidation *(Continued)*

(a) Business combinations not under common control (Continued)

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the combined income statements.

Any contingent consideration to be transferred by the Target Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in the combined income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statements.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Target Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.1 Subsidiaries (Continued)

2.4.1.1 Consolidation *(Continued)*

(c) Disposal of subsidiaries

When the Target Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined income statements. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Target Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

2.4.2 Associates

An associate is an entity over which the Target Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Target Group's share of post-acquisition profit or loss is recognised in the combined income statements, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Target Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Target Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Target Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of (losses)/profit of associates" in the combined income statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.2 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Target Group and its associate are recognised in the Target Group's combined financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Gains or losses on dilution of equity interest in associates are recognised in the combined income statements.

2.4.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the combined financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The combined financial statements are presented in HK$, which is the Target Group's presentation currency. The Target Company's functional currency is Renminbi ("**RMB**").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the combined income statements.

All foreign exchange gains and losses are presented in the combined income statements within "other gains/(losses) – net".

Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Target Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each combined statements of financial position presented are translated at the closing rate at the date of that combined statements of financial position;

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.3 Foreign currency translation (Continued)

(c) Group companies *(Continued)*

(ii) income and expenses for each combined income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Target Company are reclassified to the combined income statements.

In the case of a partial disposal that does not result in the Target Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the combined income statements. For all other partial disposals (that is, reductions in the Target Group's ownership interest in associates or joint ventures that do not result in the Target Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the combined income statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.4 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks

Trademarks are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their estimated useful lives of not more than ten years.

(c) Patents

Patents are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their remaining useful lives of sixteen years.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.4 Intangible assets (Continued)

(d) Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life of not more than five years, and carried at cost less subsequent accumulated amortisation and accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the combined income statements in the period in which it is incurred.

2.4.5 Land use rights (included in right-of-use assets)

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 44 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.4.6 Impairment of investments in subsidiaries and non-financial assets

Goodwill is not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.7 Financial assets

(a) Classification

The Target Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Target Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.7 Financial assets (Continued)

(c) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other – gains/(losses) – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the combined income statements.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" and impairment expenses are presented as separate line item in the combined income statements.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises.

Equity instruments

The Target Group subsequently measures all equity investments at fair value. Where the Target Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in combined income statements as "other income" when the Target Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other income", in combined income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from changes in fair value.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.8 Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Company or the counterparty.

2.4.9 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.4.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.12 Financial liabilities

Other financial liabilities of the Target Group are measured at amortised cost, using the effective interest method.

Subsequent to initial recognition, the financial liability is carried at amortised cost using the effective interest method. The accretion of the discount on the financial liability and any adjustments to estimated amounts of the final redemption amount are recognised as a finance charge in the combined income statements.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference is recognised in the combined income statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the combined statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the combined income statements as other income or finance costs.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.4.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.15 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Target Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Target Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Target Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.15 Current and deferred income tax (Continued)

(b) Deferred income tax *(Continued)*

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.4.16 Employee benefits

Pension obligations

The Target Group operates various defined contribution plans for its employees in Hong Kong, the PRC and Italy. A defined contribution plan is a pension plan under which the Target Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employees of the Target Group in Hong Kong

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for certain of its employees. Under the MPF Scheme, each of the Target Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000, and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in trustee-administered funds independently.

The Target Group also operates a defined contribution staff retirement scheme registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) (the "**ORSO Scheme**") for certain of its employees, the assets of which are held separately from those of the Target Group in trustee-administered funds independently. The Target Group contributes 5% on the eligible employees' basic salaries to the ORSO Scheme, and such contributions are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Target Group's employer contributions vesting fully, the ongoing contributions payable by the Target Group may be reduced by the relevant amount of forfeited contributions.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.16 Employee benefits (Continued)

Employees of the Target Group in the PRC

Pursuant to the relevant regulations of the PRC government, the subsidiaries in the PRC participate in local municipal government retirement benefits schemes (the "**Schemes**"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of those employees of the subsidiaries in the PRC. Contributions under the Schemes are charged to the combined income statements as incurred.

Employees of the Target Group in Italy

The employees of the Target Group's subsidiaries which operate in Italy are required to participate in a pension scheme (the "**Italy Pension Scheme**") operated by the state. These subsidiaries are required to contribute a certain percentage of their gross salary to the Italy Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Italy Pension Scheme.

2.4.17 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.4.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the combined financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.19 Government subsidies and value added tax refund

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and all the attaching conditions will be complied with. Subsidies relating to expenses incurred by the Target Group are deferred and recognised in the combined income statements over the period necessary to match them with the expenses they are intended to compensate. Subsidies relating to the purchase of property, plant and equipment are deducted from the carrying amount of the asset so that the subsidies are recognised as income over the lives of the corresponding depreciable assets by way of a reduced depreciation charge.

Value added tax refund is recognised when there is reasonable assurance that it will be received and the Target Group will comply with the conditions attaching to it.

2.4.20 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.4.21 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target Group.

Contracts may contain both lease and non-lease components. The Target Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the Target Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Target Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. Summary of material accounting policies *(Continued)*

2.4 Summary of other potentially material accounting policies *(Continued)*

2.4.21 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement dates less any lease incentives received; and
- any initial direct costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Target Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.4.22 Dividend distribution

Dividend distribution to the Target Company's shareholders is recognised as a liability in the Target Group's and the Target Company's combined financial statements in the period in which the dividends are approved by the Target Company's shareholders or directors where appropriate.

3 Financial risk management

3.1 Financial risk factors

(a) Market risk

The Target Group's activities expose it to the financial risks in relation to changes in interest rates and foreign currency exchange rates as discussed below. There has been no material change in the Target Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) Interest rate risk

The Target Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank balances, cash and cash equivalents and borrowings which are carried at prevailing market interest rates as shown in Notes 17 and 20. Management will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Interest rate risk *(Continued)*

The Target Group did not have any interest rate swap contracts as at 31 March 2021, 2022 and 2023 and 31 August 2023.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits and borrowings at the end of the reporting period. For borrowings and bank deposits, the analysis is prepared assuming the amount of liability/asset outstanding at the end of reporting period was outstanding for the whole year. A 100 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For cash flow interest rate risk, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Target Group's pre-tax profit for the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023 would decrease/increase by HK$1,274,000/HK$3,249,000, HK$2,302,000/HK$4,079,000, HK$3,216,000/HK$3,749,000, and HK$4,158,000/HK$5,021,000, respectively.

(ii) Foreign exchange risk

The functional currencies of the Target Group's respective principal subsidiaries are RMB, Euro ("**EUR**") and HK$. Majority of the purchases and sales of the local operations are transacted in local functional currency and therefore foreign exchange transactional risks are minimal.

For companies with HK$ as their functional currency

As at 31 March 2021, 2022 and 2023 and 31 August 2023, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, pre-tax profit for the year/period then ended would have been approximately HK$4,344,000, HK$5,169,000, HK$8,551,000 and HK$8,580,000 lower/higher, mainly as a result of the foreign exchange losses/gains on translation of RMB denominated current account with group companies.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Foreign exchange risk *(Continued)*

For companies with RMB as their functional currency

As at 31 March 2021, 2022 and 2023 and 31 August 2023, if US$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year/period then ended would have been approximately HK$481,000, HK$436,000, HK$1,054,000 and HK$1,695,000 lower/higher, mainly as a result of the foreign exchange losses/gains on translation of US$ denominated cash and bank deposits.

The Target Group does not have a foreign currency hedging policy. However, management of the Target Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

(i) Risk management

The Target Group's credit risk is primarily attributable to its trade and other receivables, deposits placed with banks and guarantees given by the Target Group for its customers. The Target Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, the Target Group has policies in place to ensure that sales are made and guarantees are granted to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews regularly recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

(ii) Impairment of financial assets

Trade receivables

The trade receivables of the Target Group are subject to the ECL model. The Target Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

Individual basis

The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment losses.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

Collective basis

To measure ECL, the Target Group categorises its trade receivables based on the nature of customer accounts and their shared credit risk characteristics.

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified number of factors including GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances as at 31 March 2021, 2022 and 2023 and 31 August 2023 were determined as follows for trade receivables:

As at 31 March 2021

	Gross carrying amount *HK$'000*	**Loss allowance** *HKS'000*	**Net carrying amount** *HK$'000*
Provision on individual basis	44,018	(42,694)	1,324
Provision on collective basis *(Note)*	685,824	(7,549)	678,275
	729,842	(50,243)	679,599

As at 31 March 2022

	Gross carrying amount *HK$'000*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Provision on individual basis	40,127	(38,998)	1,129
Provision on collective basis *(Note)*	1,117,120	(7,544)	1,109,576
	1,157,247	(46,542)	1,110,705

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

As at 31 March 2023

	Gross carrying amount	**Loss allowance**	**Net carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
Provision on individual basis	32,332	(31,543)	789
Provision on collective basis *(Note)*	1,544,547	(22,083)	1,522,464
	1,576,879	(53,626)	1,523,253

As at 31 August 2023

	Gross carrying amount	**Loss allowance**	**Net carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
Provision on individual basis	37,325	(37,074)	251
Provision on collective basis *(Note)*	1,378,083	(24,794)	1,353,289
	1,415,408	(61,868)	1,353,540

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

Note:

As at 31 March 2021

	Current	Within 90 days past due	91-180 days past due	181-365 days past due	More than 365 days past due	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expected credit losses rate	0.48%	1.24%	1.86%	2.86%	6.60%	
Gross carrying amount – trade receivables	413,391	140,916	76,918	31,780	22,819	685,824
Loss allowances on collective basis	1,966	1,741	1,428	908	1,506	7,549

As at 31 March 2022

	Current	Within 90 days past due	91-180 days past due	181-365 days past due	More than 365 days past due	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expected credit losses rate	0.21%	0.79%	1.11%	2.81%	4.06%	
Gross carrying amount – trade receivables	772,348	148,677	70,010	89,465	36,620	1,117,120
Loss allowances on collective basis	1,598	1,175	774	2,510	1,487	7,544

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

Note: (Continued)

As at 31 March 2023

	Current	Within 90 days past due	91-180 days past due	181-365 days past due	More than 365 days past due	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expected credit losses rate	0.57%	1.20%	1.80%	3.75%	11.96%	
Gross carrying amount – trade receivables	1,004,913	226,093	162,947	89,259	61,335	1,544,547
Loss allowances on collective basis	5,749	2,718	2,939	3,344	7,333	22,083

As at 31 August 2023

	Current	Within 90 days past due	91-180 days past due	181-365 days past due	More than 365 days past due	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expected credit losses rate	0.67%	1.31%	1.88%	3.90%	11.48%	
Gross carrying amount – trade receivables	836,874	200,830	134,658	126,310	79,411	1,378,083
Loss allowances on collective basis	5,598	2,624	2,528	4,925	9,119	24,794

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

Notes: (Continued)

The loss allowances for trade receivables as at 31 March 2021, 2022 and 2023 and 31 August 2023 reconcile to the opening loss allowances as follows:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening loss allowances	36,274	50,243	46,542	53,626
Provision for/(reversal of provision for) impairment of trade receivables – net	14,929	(2,375)	9,770	9,265
Receivables written off as uncollectible	(3,618)	(2,505)	–	(127)
Exchange realignment	2,658	1,179	(2,686)	(896)
Closing loss allowances	50,243	46,542	53,626	61,868

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits, bills receivables and amount due from related companies. Management considered that these have a low credit risk and did not make any provision for these other financial assets at amortised cost based on the historical settlement pattern of these other financial assets and the forward-looking recoverability analysis of the counterparties. The ECL is assessed to be minimal.

Cash and bank balances

Cash and bank balances are also subject to impairment requirement of HKFRS 9. Management is of the view that the Target Group's cash and bank balances are placed in those banks which are independently rated with a high credit rating. Management does not expect any material losses from non-performance by these banks as they have no default history in the past.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its requirements in the short and longer term. If breach of loan covenants is anticipated, the Target Group will communicate with the lenders to obtain waiver and/or rectify the breach in due course. The Target Group also monitors closely the cash flows of its subsidiaries. Generally, the Target Company's subsidiaries are required to obtain the Target Company's approval for activities such as raising of loans and investment of surplus cash.

The following table details the Target Group's contractual maturities of its financial liabilities at the end of reporting period. The table has been drawn up based on the undiscounted cash flows and the earliest date on which the Target Group can be required to pay:

The Target Group

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2021						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause *(Note i)*	454,034	–	–	–	–	454,034
Other bank borrowings	–	21,150	40,054	1,148	52,172	114,524
Trade and bills payables	–	468,395	–	–	–	468,395
Other payables	–	152,166	–	–	–	152,166
Lease liabilities	–	9,736	8,992	7,039	–	25,767
Amounts due to related companies	139,127	–	–	–	–	139,127
Dividends payables to shareholders	214,772	–	–	–	–	214,772
	807,933	651,447	49,046	8,187	52,172	1,568,785
Financial guarantees issued						
Maximum amount guaranteed *(Note 31)*	–	14,238	–	–	–	14,238

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The Target Group

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2022						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause *(Note i)*	517,593	–	–	–	–	517,593
Other bank borrowings	–	27,826	31,591	–	265,373	324,790
Trade and bills payables	–	810,753	–	–	–	810,753
Other payables	–	141,525	–	–	–	141,525
Lease liabilities	–	17,827	15,863	26,861	43,395	103,946
Amounts due to related companies	315,132	–	–	–	–	315,132
Dividends payables to shareholders	135,924	–	–	–	–	135,924
	968,649	997,931	47,454	26,861	308,768	2,349,663
Financial guarantees issued						
Maximum amount guaranteed *(Note 31)*	–	33,361	–	–	–	33,361

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The Target Group

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2023						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause *(Note i)*	655,994	–	–	–	–	655,994
Other bank borrowings	–	104,199	27,804	–	324,555	456,558
Trade and bills payables	–	1,315,988	–	–	–	1,315,988
Other payables	–	169,026	–	–	–	169,026
Lease liabilities	–	14,897	9,108	25,086	31,667	80,758
Amounts due to related companies	242,797	–	–	–	–	242,797
Dividends payables to shareholders	90,692	–	–	–	–	90,692
	989,483	1,604,110	36,912	25,086	356,222	3,011,813
Financial guarantees issued						
Maximum amount guaranteed *(Note 31)*	–	21,991	–	–	–	21,991

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The Target Group

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 August 2023						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause *(Note i)*	649,725	–	–	–	–	649,725
Other bank borrowings	–	132,308	23,680	–	305,495	461,483
Trade and bills payables	–	1,219,552	–	–	–	1,219,552
Other payables	–	181,547	–	–	–	181,547
Lease liabilities	–	12,265	8,268	24,228	27,238	71,999
Amounts due to related companies	221,254	–	–	–	–	221,254
Dividends payables to shareholders	274,515	–	–	–	–	274,515
	1,145,494	1,545,672	31,948	24,228	332,733	3,080,075
Financial guarantees issued						
Maximum amount guaranteed *(Note 31)*	–	7,477	–	–	–	7,477

Note:

(i) The balance includes interest payments which is calculated based on borrowings outstanding and the underlying terms as at 31 March 2021, 2022 and 2023 and 31 August 2023, without taking into account any subsequent changes in the amount of borrowings. Floating rate interest is based on current interest rate as at period end date.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The Target Group

Note: (Continued)

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total outflows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2021	462,084	–	–	–	462,084
At 31 March 2022	527,934	–	–	–	527,934
At 31 March 2023	667,120	–	–	–	667,120
At 31 August 2023	571,228	2,448	90,149	–	663,825

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The Target Company

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2022						
Non-derivative financial liabilities						
Amounts due to subsidiaries	309	–	–	–	–	309
	–	–	–	–	–	–
	309	–	–	–	–	309
As at 31 March 2023						
Non-derivative financial liabilities						
Other payables	–	102	–	–	–	102
Amounts due to subsidiaries	5,587	–	–	–	–	5,587
	5,587	102	–	–	–	5,689
As at 31 August 2023						
Non-derivative financial liabilities						
Amounts due to subsidiaries	9,066	–	–	–	–	9,066
	9,066	–	–	–	–	9,066

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (Note 20) less cash and cash equivalents. Total equity is shown in the combined statements of financial position.

During the year ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023, the Target Group's strategy, which was unchanged from prior years, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowings *(Note 20)*	551,885	755,786	1,013,708	1,020,895
Less: cash and cash equivalents *(Note 17(a))*	(255,309)	(257,468)	(372,333)	(347,358)
Net debt	296,576	498,318	641,375	673,537
Total equity	1,323,927	1,980,492	2,398,944	2,234,331
Gearing ratio *(Note)*	22.4%	25.1%	26.7%	30.1%

Note: The increase in gearing ratio was resulted mainly from the inceptions of new bank borrowings for increasing production efficiency and capacity during the year/period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Target Group's financial assets that are measured at fair value at 31 March 2021, 2022 and 2023 and 31 August 2023.

	Financial asset at fair value through other comprehensive income *(Note 15)*			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HKS'000*	*HK$'000*
As at 31 March 2021	–	–	5,952	5,952
As at 31 March 2022	–	–	6,173	6,173
As at 31 March 2023	–	–	5,682	5,682
As at 31 August 2023	–	–	5,495	5,495

There were no transfers of financial assets and liabilities between all levels of the fair value hierarchy classifications.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.3 Fair value estimation (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial asset at fair value through other comprehensive income
	HK$'000
Financial assets	
Balance at 1 April 2020	5,555
Exchange difference	397
	5,952
Total unrealised losses recognised in the combined statements of comprehensive income relating to those instruments held at the end of year	–

	Financial asset at fair value through other comprehensive income
	HK$'000
Financial assets	
Balance at 1 April 2021	5,952
Exchange difference	221
	6,173
Total unrealised losses recognised in the combined statements of comprehensive income relating to those instruments held at the end of year	–

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets: (Continued)

	Financial asset at fair value through other comprehensive income
	HK$'000
Financial assets	
Balance at 1 April 2022	6,173
Exchange difference	(491)
	5,682
Total unrealised losses recognised in the combined statements of comprehensive income relating to those instruments held at the end of year	–

	Financial asset at fair value through other comprehensive income
	HK$'000
Financial assets	
Balance at 1 April 2022	6,173
Exchange difference	(359)
	5,814
Total unrealised losses recognised in the combined statements of comprehensive income relating to those instruments held at the end of period	–

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.3 Fair value estimation (Continued)

Reconciliation of Level 3 fair value measurements of financial assets: (Continued)

	Financial asset at fair value through other comprehensive income
	HK$'000
Financial assets	
Balance at 1 April 2023	5,682
Exchange difference	(187)
	5,495
Total unrealised losses recognised in the combined statements of comprehensive income relating to those instruments held at the end of period	–

The Target Group's "trade and bills receivables", "other receivables and deposits", "restricted bank balances", "cash and cash equivalents", "trade and bills payables", "other payables", "amounts due from/to related companies" and "lease liabilities" are financial assets and liabilities not carried at fair value. As at 31 March 2021, 2022 and 2023 and 31 August 2023, the carrying values of these financial assets and liabilities approximated their respective fair values. The carrying amounts of the Target Group's borrowings approximate their fair values as the impact of discounting of the loans with fixed interest rates was not significant or the loans carried floating interest rate.

3.4 Offsetting financial assets and financial liabilities

There are no material offsetting, enforceable master netting arrangements and similar agreements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. Financial risk management *(Continued)*

3.5 Financial instruments by category

The Target Group

		As at 31 March		**As at 31 August**
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Financial assets at fair value through other comprehensive income				
– Unlisted equity investment	5,952	6,173	5,682	5,495
Financial assets at amortised cost				
– Other receivables and deposits	107,469	209,492	194,406	218,197
– Trade and bills receivables	916,620	1,478,651	1,917,406	1,741,648
– Amounts due from related companies	279,000	257,598	231,541	293,049
– Restricted bank balances	21,420	91,806	182,296	144,070
– Cash and cash equivalents	255,309	257,468	372,333	347,358
Total	1,579,818	2,295,015	2,897,982	2,744,322
Financial liabilities at amortised cost				
– Trade and bills payables	468,395	810,753	1,315,988	1,219,552
– Other payables	67,524	53,320	92,853	98,258
– Amounts due to related companies	139,127	315,132	242,800	221,254
– Dividends payables to shareholders	214,772	135,924	90,689	274,515
– Borrowings	551,885	755,786	1,013,708	1,020,895
– Lease liabilities	24,784	86,672	67,924	60,720
Total	1,466,487	2,157,587	2,823,962	2,895,194

The Target Company

		As at 31 March		**As at 31 August**
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HKS'000*
Financial liabilities at amortised cost				
– Other payables	–	–	102	–
– Amounts due to subsidiaries	–	309	5,587	9,066
Total	–	309	5,689	9,066

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of inventories

The Target Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are obsolete, and considering their physical conditions, age, market conditions and historical experience in manufacturing and selling items of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventories and the impairment losses on inventories in the period in which such estimate is changed.

(b) Provision for impairment of trade receivables

The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime ECL, i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of provision for ECL, taking into account the credit risk characteristics of customers, the likelihood of recovery assessed on a combination of collective and individual basis as relevant and the forward-looking information on macroeconomic factors. While the provision is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to combined income statements.

(c) Income taxes and deferred income tax

The Target Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred income tax liabilities relating to undistributed profits of subsidiaries incorporated in Mainland China are recognised when management expects to recover investments in those subsidiaries through dividends, unless it is estimated that such dividends will not be distributed in the foreseeable future. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax liabilities and income tax charges in the period in which such estimates are changed.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. Critical accounting estimates and judgements *(Continued)*

(d) Provision for loss on guarantees

The Target Group provides guarantees for loans granted by the PRC banks and leasing financial providers to some of the Target Group's customers in connection with their purchases of the Target Group's products. If a customer defaults on a loan, the Target Group is obliged to settle the payable amounts. The Target Group's management determines the provision for loss on the guarantees based on assessment of the possibility of default payments by individual customers. This assessment is based on the credit history of its customers, the current market condition and the forward-looking information on macroeconomic factors; and requires the use of judgements and estimates. Management reassesses the provisions at each financial position date. Different judgements or estimates could significantly affect the provision amounts and materially impact results of operations.

(e) Impairment of non-financial assets

Property, plant and equipment, right-of-use assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continual use of the asset in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount; (iv) whether any assets have become obsolete or any plan to discontinue or restructure; and (v) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Target Group's financial position and results of operations.

(f) Estimate of useful lives of property, plant and equipment

The Target Group has significant property, plant and equipment. The Target Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives or residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(g) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 8.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

5. Segment information

Other segment information

None of the customers of the Target Group individually accounted for 10% or more of the Target Group's revenue for the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023.

Geographical information

The Target 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				
	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Mainland China	2,067,184	3,283,023	3,949,465	1,551,624	1,301,542
Europe	209,096	290,286	235,356	87,016	82,407
North America	308,580	224,946	342,851	58,790	104,599
Central America and South America	123,387	54,085	47,630	18,388	48,465
Other countries	23,908	76,446	108,447	33,716	66,894
	2,732,155	3,928,786	4,683,749	1,749,534	1,603,907

	Non-current assets *(Note i)*			
	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	777,229	1,220,158	1,485,832	1,568,841
Europe	43,778	35,786	30,440	27,322
	821,007	1,255,944	1,516,272	1,596,163

Note:

(i) Non-current assets exclude interests in associates, financial asset at FVOCI, non-current portion of trade and bills receivables, non-current portion of deposits, non-current portion of restricted bank balances and deferred income tax assets.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. Intangible assets

	Goodwill	Trademarks	Development costs and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020				
Cost	2,800	5,420	56,982	65,202
Accumulated amortisation	–	(5,140)	(47,400)	(52,540)
Net book amount	2,800	280	9,582	12,662
Year ended 31 March 2021				
Opening net book amount	2,800	280	9,582	12,662
Additions	–	28	6,502	6,530
Amortisation	–	(55)	(4,955)	(5,010)
Exchange difference	–	17	559	576
Closing net book amount	2,800	270	11,688	14,758
At 31 March 2021				
Cost	2,800	5,789	67,004	75,593
Accumulated amortisation	–	(5,519)	(55,316)	(60,835)
Net book amount	2,800	270	11,688	14,758
Year ended 31 March 2022				
Opening net book amount	2,800	270	11,688	14,758
Additions	–	11	5,854	5,865
Amortisation	–	(48)	(5,515)	(5,563)
Exchange difference	–	(9)	(292)	(301)
Closing net book amount	2,800	224	11,735	14,759
At 31 March 2022				
Cost	2,800	5,605	70,063	78,468
Accumulated amortisation	–	(5,381)	(58,328)	(63,709)
Net book amount	2,800	224	11,735	14,759
Year ended 31 March 2023				
Opening net book amount	2,800	224	11,735	14,759
Additions	–	3	6,301	6,304
Amortisation	–	(26)	(5,384)	(5,410)
Exchange difference	–	(6)	(485)	(491)
Closing net book amount	2,800	195	12,167	15,162

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. Intangible assets *(Continued)*

	Goodwill	Trademarks	Development costs and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2023				
Cost	2,800	5,461	75,000	83,261
Accumulated amortisation	–	(5,266)	(62,833)	(68,099)
Net book amount	2,800	195	12,167	15,162
Five months ended 31 August 2022 (unaudited)				
Opening net book amount	2,800	224	11,735	14,759
Additions	–	–	1,914	1,914
Amortisation	–	(10)	(2,153)	(2,163)
Exchange difference	–	(18)	(905)	(923)
Closing net book amount	2,800	196	10,591	13,587
At 31 August 2022				
Cost	2,800	5,163	66,278	74,241
Accumulated amortisation	–	(4,967)	(55,687)	(60,654)
Net book amount	2,800	196	10,591	13,587
Five months ended 31 August 2023				
Opening net book amount	2,800	195	12,167	15,162
Additions	–	–	2,882	2,882
Amortisation	–	(11)	(2,398)	(2,409)
Exchange difference	–	1	45	46
Closing net book amount	2,800	185	12,696	15,681
At 31 August 2023				
Cost	2,800	5,466	78,233	86,499
Accumulated amortisation	–	(5,281)	(65,537)	(70,818)
Net book amount	2,800	185	12,696	15,681

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. Intangible assets *(Continued)*

The recoverable amount of a cash-generating unit ("**CGU**") is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5%. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 17% and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

There was no impairment provision for intangible assets for the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023.

7. Property, plant and equipment

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020							
Cost	387,021	20,571	61,776	649,392	61,114	15,578	1,195,452
Accumulated depreciation	(185,220)	–	(46,570)	(557,972)	(51,028)	(12,456)	(853,246)
Net book amount	201,801	20,571	15,206	91,420	10,086	3,122	342,206
Year ended 31 March 2021							
Opening net book amount	201,801	20,571	15,206	91,420	10,086	3,122	342,206
Additions	54	200,816	3,660	23,054	7,568	3,459	238,611
Disposals	(13)	–	(449)	(1,512)	(150)	(292)	(2,416)
Depreciation	(19,306)	–	(1,815)	(25,093)	(3,342)	(1,209)	(50,765)
Reclassification	661	(10,005)	648	8,696	–	–	–
Exchange difference	13,524	1,469	1,000	5,438	560	167	22,158
Closing net book amount	196,721	212,851	18,250	102,003	14,722	5,247	549,794
At 31 March 2021							
Cost	412,701	212,851	69,315	710,339	72,189	17,580	1,494,975
Accumulated depreciation	(215,980)	–	(51,065)	(608,336)	(57,467)	(12,333)	(945,181)
Net book amount	196,721	212,851	18,250	102,003	14,722	5,247	549,794

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. Property, plant and equipment *(Continued)*

	Buildings *HK$'000*	Construction in progress *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 March 2022							
Opening net book amount	196,721	212,851	18,250	102,003	14,722	5,247	549,794
Additions	2,258	304,071	–	82,441	7,655	3,475	399,900
Disposals	(702)	–	(41)	(2,638)	(31)	(102)	(3,514)
Depreciation	(20,464)	–	(2,363)	(33,726)	(4,744)	(2,002)	(63,299)
Reclassification	58,170	(171,825)	–	113,480	175	–	–
Exchange difference	6,577	8,568	(68)	2,936	182	149	18,344
Closing net book amount	242,560	353,665	15,778	264,496	17,959	6,767	901,225
At 31 March 2022							
Cost	486,816	353,665	68,182	912,122	80,923	20,957	1,922,665
Accumulated depreciation	(244,256)	–	(52,404)	(647,626)	(62,964)	(14,190)	(1,021,440)
Net book amount	242,560	353,665	15,778	264,496	17,959	6,767	901,225

	Buildings *HK$'000*	Construction in progress *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 March 2023							
Opening net book amount	242,560	353,665	15,778	264,496	17,959	6,767	901,225
Additions	2,519	309,779	–	98,048	12,233	2,754	425,333
Disposals	(624)	–	(4,563)	(1,354)	(102)	(75)	(6,718)
Depreciation	(23,068)	–	(1,951)	(48,656)	(6,171)	(2,182)	(82,028)
Reclassification	393,859	(484,359)	–	90,500	–	–	–
Transfer of investment properties to property, plant and equipment *(Note 8)*	98,100	–	–	–	–	–	98,100
Exchange difference	(18,925)	(28,132)	(1,232)	(20,486)	(1,205)	(507)	(70,487)
Closing net book amount	694,421	150,953	8,032	382,548	22,714	6,757	1,265,425
At 31 March 2023							
Cost	941,489	150,953	59,351	1,011,773	86,598	21,334	2,271,498
Accumulated depreciation	(247,068)	–	(51,319)	(629,225)	(63,884)	(14,577)	(1,006,073)
Net book amount	694,421	150,953	8,032	382,548	22,714	6,757	1,265,425

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. Property, plant and equipment *(Continued)*

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Five months ended 31 August 2022 (unaudited)							
Opening net book amount	242,560	353,665	15,778	264,496	17,959	6,767	901,225
Additions	776	103,715	–	37,619	5,724	1,234	149,068
Disposals	(421)	–	(380)	(4,448)	(77)	(23)	(5,349)
Depreciation	(9,500)	–	(797)	(17,986)	(2,280)	(930)	(31,493)
Reclassification	34,628	(40,332)	–	5,704	–	–	–
Exchange difference	(13,989)	(20,561)	(2,015)	(13,985)	(1,070)	(379)	(51,999)
Closing net book amount	254,054	396,487	12,586	271,400	20,256	6,669	961,452
At 31 August 2022							
Cost	492,932	396,487	61,967	883,927	81,054	20,712	1,937,079
Accumulated depreciation	(238,878)	–	(49,381)	(612,527)	(60,798)	(14,043)	(975,627)
Net book amount	254,054	396,487	12,586	271,400	20,256	6,669	961,452

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Five months ended 31 August 2023							
Opening net book amount	694,421	150,953	8,032	382,548	22,714	6,757	1,265,425
Additions	11,078	139,796	–	38,119	2,403	2,070	193,466
Disposals	–	–	(1,840)	(839)	(47)	(236)	(2,962)
Depreciation	(31,116)	–	(652)	(25,527)	(2,944)	(882)	(61,121)
Reclassification	14,868	(46,257)	3,719	27,482	188	–	–
Exchange difference	(22,473)	(4,975)	(258)	(12,173)	(611)	(208)	(40,698)
Closing net book amount	666,778	239,517	9,001	409,610	21,703	7,501	1,354,110
At 31 August 2023							
Cost	936,525	239,517	58,361	1,043,132	86,373	21,973	2,385,881
Accumulated depreciation	(269,747)	–	(49,360)	(633,522)	(64,670)	(14,472)	(1,031,771)
Net book amount	666,778	239,517	9,001	409,610	21,703	7,501	1,354,110

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. Property, plant and equipment *(Continued)*

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Depreciation					
Cost of sales	47,238	59,696	65,537	25,830	49,993
Selling and distribution expenses	1,201	1,343	1,470	626	656
General and administrative expenses	2,326	2,260	15,021	5,037	10,472
	50,765	63,299	82,028	31,493	61,121

Certain property, plant and equipment are pledged to secure bank borrowings of the Target Group as detailed in Note 20.

8. Investment properties

	HK$'000
At fair value	
At 1 April 2020	113,045
Increase in fair value during the year *(Note 23)*	1,416
Exchange difference	8,141
At 31 March 2021	122,602
Total unrealised gains for the year included in the combined income statements for investment properties held at the end of the year, under "other gains/(losses) – net"	1,416

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

8. Investment properties *(Continued)*

	HK$'000
At fair value	
At 1 April 2021	122,602
Increase in fair value during the year *(Note 23)*	1,875
Exchange difference	4,587
At 31 March 2022	129,064
Total unrealised gains for the year included in the combined income statements for investment properties held at the end of the year, under "other gains/(losses) – net"	1,875
At 1 April 2022	129,064
Increase in fair value during the year *(Note 23)*	3,441
Transfer of investment properties to property, plant and equipment *(Note 7)*	(98,100)
Exchange difference	(10,305)
At 31 March 2023	24,100
Total unrealised gains for the year included in the combined income statements for investment properties held at the end of the year, under "other gains/(losses) – net"	3,441
At 1 April 2022	129,064
Increase in fair value during the year *(Note 23)*	655
Exchange difference	(7,519)
At 31 August 2022 (unaudited)	122,200
Total unrealised gains for the period included in the combined income statements for investment properties held at the end of the period, under "other gains/(losses) – net"	655
At 1 April 2023	24,100
Increase in fair value during the year *(Note 23)*	399
Exchange difference	(799)
At 31 August 2023	23,700
Total unrealised gains for the period included in the combined income statements for investment properties held at the end of the period, under "other gains/(losses) – net"	399

Note:

(i) During the year ended 31 March 2023, investment properties of HK$98,100,000 were reclassified to property, plant and equipment as a result of change in usage. The fair value of the investment properties at the date of transfer was HK$98,100,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

8. Investment properties *(Continued)*

The following amounts have been recognised in the combined income statements for investment properties:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income	6,521	5,904	6,301	2,349	2,935
Direct operating expenses from properties that generated rental income	(668)	(730)	(704)	(341)	(336)
	5,853	5,174	5,597	2,008	2,599

As at 31 March 2021, 2022 and 2023 and 31 August 2023, the Target Group had no unprovided contractual obligations for future repairs and maintenance.

The revaluation gain is included in "other gains/(losses) – net" in the combined income statements (Note 23). The following table analyses the investment properties carried at fair value, by level.

Fair value hierarchy

	Fair value measurements at 31 March 2021 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	HK$'000	*HK$'000*	*HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	122,602

	Fair value measurements at 31 March 2022 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	HK$'000	*HK$'000*	*HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	129,064

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

8. Investment properties *(Continued)*

Fair value hierarchy *(Continued)*

Description	Fair value measurements at 31 March 2023 using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	HK$'000	*HK$'000*	*HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	24,100

Description	Fair value measurements at 31 August 2023 using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	HK$'000	*HK$'000*	*HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	23,700

There were no transfers between Levels 1, 2 and 3 during the Track Record Period.

Valuation processes of the Target Group

The fair values of the investment properties have been arrived at on the basis of valuations carried out by LCH (Asia-Pacific) Surveyors Limited ("**LCH**") and Valor Appraisal & Advisory Limited ("**Valor**"), independent professional surveyor and valuer. LCH and Valor are members of the Hong Kong Institute of Surveyors ("**HKIS**"), and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The Target Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and valuers at least once every six months, in line with the Target Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the valuation reports;
- Assesses property valuation movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

Valuation technique

The valuations, which conform to the HKIS valuation standards, were based on the income approach and market approach which largely used unobservable inputs (e.g. unit rate, discount rate, etc.) and taking into account the significant adjustment on discount rate to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

There were no changes to the valuation technique during the Track Record Period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

8. Investment properties *(Continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 March 2021 *HK$'000*	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
PRC properties	122,602	Income approach	Unit rate	HK$3,218/sq.m. to HK$19,318/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.5% to 9.8%	The higher the discount rate, the lower the fair value

Description	Fair value at 31 March 2022 *HK$'000*	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
PRC properties	129,064	Income approach	Unit rate	HK$4,260/sq.m. to HK$17,400/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.5% to 9.0%	The higher the discount rate, the lower the fair value

Description	Fair value at 31 March 2023 *HK$'000*	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
PRC properties	24,100	Income approach	Unit rate	HK$1,368/sq.m. to HK$19,540/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	3.0% to 16.0%	The higher the discount rate, the lower the fair value

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

8. Investment properties *(Continued)*

Information about fair value measurements using significant unobservable inputs (Level 3) *(Continued)*

Description	Fair value at 31 August 2023	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	HK$'000				
PRC properties	23,700	Income approach	Unit rate	HK$1,285/sq.m. to HK$19,231/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.0% to 16.0%	The higher the discount rate, the lower the fair value

9. Leases

This note provides information for leases where the Target Group is a lessee.

(i) Amounts recognised in the combined statements of financial position

The combined statements of financial position show the following amounts relating to leases:

	As at 31 March			As at 31 August
	2021	2022	2023	2023
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Right-of-use assets				
Land use rights	109,625	195,602	203,825	197,897
Premises	20,129	81,934	62,743	55,758
Motor vehicles	4,099	1,920	1,651	1,176
	133,853	279,456	268,219	254,831
Lease liabilities				
Current	9,142	14,212	12,372	9,636
Non-current	15,642	72,460	55,552	51,084
	24,784	86,672	67,924	60,720

Additions to the right-of-use assets during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2023 were HK$1,643,000, HK$157,312,000, HK$30,841,000 and HK$4,150,000.

Certain land use rights are pledged to secure bank borrowings of the Target Group as detailed in Note 20.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

9. Leases *(Continued)*

(ii) Amounts recognised in the combined income statements

The combined income statements show the following amounts relating to leases:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Depreciation charge of right-of-use assets					
Land use rights	2,714	3,155	4,812	2,021	1,400
Premises	7,337	9,142	13,441	5,670	5,641
Motor vehicles	2,321	2,081	1,948	805	658
	12,372	14,378	20,201	8,496	7,699
Interest expense (included in finance cost)	826	1,104	3,410	1,794	1,127
Expenses relating to short-term leases	1,744	3,091	2,895	986	3,346

The total cash outflow for leases (including short-term leases) during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023 were HK$12,082,000, HK$13,793,000, HK$20,380,000, HK$8,854,000 and HK$10,377,000.

(iii) The Target Group's leasing activities and how these are accounted for

The Target Group leases various properties, lands and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 50 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets, except land use rights, may not be used as security for borrowing purposes.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

10. Interests in associate

	HK$'000
At 1 April 2020	27,915
Share of losses	(8,258)
Dividend received	(4,545)
Exchange difference	1,383
At 31 March 2021	16,495
Share of profits	43
Exchange difference	612
At 31 March 2022	17,150
Share of losses	(61)
Exchange difference	(1,364)
At 31 March 2023	15,725
At 1 April 2022	17,150
Share of profits	1
Exchange difference	(997)
At 31 August 2022	16,154
At 1 April 2023	15,725
Share of losses	(256)
Exchange difference	(516)
At 31 August 2023	14,953

Particulars of the associate, which is unlisted and in the opinion of the directors is not significant to the Target Group, as at 31 March 2021, 2022 and 2023 and 31 August 2023, are as follows:

Name	**Place of issued shares held**	**Principal activities and place of operations**	**Particulars of registered share capital**	**Interest held**
深圳市精工小額貸款有限公司 Shenzhen Jinggong Microcredit Limited[1]	PRC	Microcredit business in the PRC	RMB101,000,000	20%

[1] The English name is made for identification purpose only.

Shenzhen Jinggong Microcredit Limited is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Target Group's interest in the associate.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. List of subsidiaries

As of the date of this report, the Target Company had direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation	*Note*
Subsidiaries directly held by the Target Company						
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd.[1]	WFOE	PRC, limited liability company	RMB152,400,000	100%	Manufacture and sale of die-casting machines in PRC	*(iii)*
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd.[1]	WFOE	PRC, limited liability company	RMB257,732,700	100%	Manufacture and sale of die-casting machines in PRC	*(v)*
安徽力勁科技有限公司 Anhui L.K. Technology Co. Ltd. [1]	WFOE	PRC, limited liability company	RMB100,000,000	100%	Manufacture and sale of die-casting machines in PRC	
Idra S.r.l	Limited liability	Italy, limited liability company	EUR5,032,661	100%	Design, manufacture and sale of die-casting machines and equipment in Italy	*(viii)*
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd.[1]	WFOE	PRC, limited liability company	RMB34,106,940	100%	Manufacture and sale of die-casting machines in PRC	*(vi)*
意德拉(深圳)科技有限公司 Idra (Shenzhen) Technology Co. Ltd.[1]	WFOE	PRC, limited liability company	RMB100,000,000	100%	Manufacture and sale of die-casting machines in PRC	*(ix)*
Perfect Sky Investments Limited	Limited liability	HK, private company limited shares	HK$1	100%	Investment holding in Hong Kong	*(ix)*
L.K. International Die-Casting Limited (Formerly known as Regal King Limited)	Limited liability	HK, limited liability company	HK$1	100%	Manufacture and sale of die-casting machines in HK	*(ix)*
Subsidiaries indirectly held by the Target Company						
意鑄(上海)貿易有限公司 Yizhu (Shanghai) Trading Co., Ltd.[1]	WFOE	PRC, limited liability company	US$100,000	100%	Manufacture and sale of die-casting machines in PRC	*(vii)*

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. List of subsidiaries *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation and kind of legal entity	Particulars of issued/registered share capital	Attributable equity interest held by the Group	Principal activities and place of operation	*Note*
Subsidiaries indirectly held by the Target Company						
深圳勁達投資有限公司 Shenzhen JINDA Investment Co., Ltd.[1]	WFOE	PRC, limited liability company	RMB1,000,000	100%	Investment consulting, business management consulting	*(ix)*
深圳市深汕特別合作區力勁科技有限公司 Shenshan Special Cooperation Zone L.K Technology Ltd.[1]	WFOE	PRC, limited liability company	RMB100,000,000	100%	Manufacture and sale of die-casting machines in PRC	*(iii)*
寧波力勁智能鑄造研究院有限公司 Ningbo Lijin Intelligent Casting Research Institute Co., Ltd.[1]	WFOE	PRC, limited liability company	RMB100,000,000	100%	Engineering and technology, mechanical equipment research and experimental development, technology service in PRC	*(ix)*
LK Ningbo Machinery (Malaysia) Sdn. Bhd.	Limited liability	Malaysia, private company limited shares	US$23,000	100%	Import, sales, installation, commissioning and service of die casting machines and peripheral equipment; Agent focus on machine and machining centre sales, installation and commissioning and service in Malaysia.	*(ix)*
阜新力勁北方機械有限公司 Fu Xin L.K. Northern Machinery Co. Ltd.[1]	WFOE	PRC, limited liability company	RMB160,000,000	100%	Manufacture and sale of steel casting in PRC	*(iv)*
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd.[1]	WFOE	PRC, limited liability company	RMB240,000,000	100%	Steel casting in PRC	*(iv)*
寧波力勁智能裝備有限公司 Ningbo L.K. Intelligent Equipment Co., Ltd [1]	WFOE	PRC, limited liability company	HK$779,000,000	100%	Manufacture and sale of die-casting machines in PRC	*(ix)*
IDRA North America, Inc	Corporation	Limited Liability Company – Gmbh	1,000 Shares – 100 USD value	100%	Kokomo, USA – DCM sales and service	*(ix)*
IDRA Pressen GmbH	Limited Liability Company – Gmbh	Remshalden – Germany	1,000 Shares – 100 USD value	100%	Remshalden, Germany – Inactive	*(ix)*

[1] The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. List of subsidiaries *(Continued)*

Notes:

(i) The financial statements of the subsidiaries of the Target Group for which there are statutory requirements were prepared in accordance with the relevant rules and regulations applicable to entities in the relevant jurisdictions. The statutory auditor of the Target Company is ShenZhen ZhongWei Certified Public Accountants.

(ii) Except for the Hong Kong incorporated subsidiaries of the Target Group, all other subsidiaries comprising the Target Group have adopted 31st December as their financial year end date. The Hong Kong incorporated subsidiaries of the Target Group have adopted 31st March as their financial year end date.

(iii) The PRC statutory financial statements of these companies for the years ended 31 December 2020, 2021 and 2022 were audited by Wongga Partners Certified Public Accountants (SZ).

(iv) The PRC statutory financial statements of these companies for the years ended 31 December 2020, 2021 and 2022 were audited by Fuxin Ruidong Union C.P.A. Partnership.

(v) The PRC statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by GuoXin ZhenBang Certified Public Accountants.

(vi) The PRC statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by Shanghai ShenZhou DaTong Certified Public Accountants Co., Ltd.

(vii) The PRC statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by Shanghai Mind Trust Certified Public Accountants.

(viii) The local statutory financial statements of this company for the years ended 31 December 2020, 2021 and 2022 were audited by PricewaterhouseCoopers.

(ix) No audited financial statements have been prepared for these companies as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

12. Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Deferred income tax assets	62,005	60,114	58,560	59,979
Deferred income tax liabilities	(1,604)	(1,671)	(2,223)	(2,528)
Deferred income tax assets, net	60,401	58,443	56,337	57,451

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. Deferred income tax *(Continued)*

The gross movement on the deferred income tax account is as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
At the beginning of the year/ period	62,058	60,401	58,443	58,443	56,337
(Charged)/credited to the combined income statements *(Note 27)*	(5,610)	(2,222)	365	7,491	1,676
Exchange difference	3,953	264	(2,471)	(3,618)	(562)
At the end of the year/period	60,401	58,443	56,337	62,316	57,451

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. Deferred income tax *(Continued)*

The movement in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred income tax assets			
	Impairment allowances and others	**Lease liabilities**	**Decelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	49,965	–	23,107	73,072
(Charged)/credited to the combined income statements	(7,317)	–	1,919	(5,398)
Exchange difference	3,214	–	1,512	4,726
At 31 March 2021	45,862	–	26,538	72,400
Set-off of deferred tax liabilities				(10,395)
				62,005
At 1 April 2021	45,862	–	26,538	72,400
(Charged)/credited to the combined income statements	(2,802)	7,882	608	5,688
Exchange difference	(181)	195	879	893
At 31 March 2022	42,879	8,077	28,025	78,981
Set-off of deferred tax liabilities				(18,867)
				60,114
At 1 April 2022	42,879	8,077	28,025	78,981
Credited/(charged) to the combined income statements	13,742	(609)	(12,998)	135
Exchange difference	(1,615)	(636)	(1,826)	(4,077)
At 31 March 2023	55,006	6,832	13,201	75,039
Set-off of deferred tax liabilities				(16,479)
				58,560
At 1 April 2022	42,879	8,077	28,025	78,981
Credited/(charged) to the combined income statements	7,047	(259)	478	7,266
Exchange difference	(2,870)	(464)	(1,454)	(4,788)
At 31 August 2022	47,056	7,354	27,049	81,459
Set-off of deferred tax liabilities				(17,309)
				64,150

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. Deferred income tax *(Continued)*

	Deferred income tax assets			
	Impairment allowances and others	**Lease liabilities**	**Decelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2023	55,006	6,832	13,201	75,039
Credited/(Charged) to the combined income statements	1,489	(253)	199	1,435
Exchange difference	(613)	(222)	(331)	(1,166)
At 31 August 2023	55,882	6,357	13,069	75,308
Set-off of deferred tax liabilities				(15,329)
				59,979

	Deferred income tax liabilities		
	Right-of-use assets	**Revaluation of investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2020	–	(11,014)	(11,014)
Charged to the combined income statements	–	(212)	(212)
Exchange difference	–	(773)	(773)
At 31 March 2021	–	(11,999)	(11,999)
Set-off of deferred tax assets			10,395
			(1,604)
At 1 April 2021	–	(11,999)	(11,999)
Charged to the combined income statements	(7,629)	(281)	(7,910)
Exchange difference	(188)	(441)	(629)
At 31 March 2022	(7,817)	(12,721)	(20,538)
Set-off of deferred tax assets			18,867
			(1,671)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. Deferred income tax *(Continued)*

	Deferred income tax liabilities		
	Right-of-use assets	**Revaluation of investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2022	(7,817)	(12,721)	(20,538)
Credited/(charged) to the combined income statements	746	(516)	230
Exchange difference	614	992	1,606
At 31 March 2023	(6,457)	(12,245)	(18,702)
Set-off of deferred tax assets			16,479
			(2,223)
At 1 April 2022	(7,817)	(12,721)	(20,538)
Credited/(charged) to the combined income statements	322	(97)	225
Exchange difference	447	723	1,170
At 31 August 2022	(7,048)	(12,095)	(19,143)
Set-off of deferred tax assets			17,309
			(1,834)
At 1 April 2023	(6,457)	(12,245)	(18,702)
Credited/(charged) to the combined income statements	301	(60)	241
Exchange difference	209	395	604
At 31 August 2023	(5,947)	(11,910)	(17,857)
Set-off of deferred tax assets			15,329
			(2,528)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. Deferred income tax *(Continued)*

At the end of the reporting period, the Target Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax asset is recognised:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
Tax losses expiring:				
Within 5 years	10,167	38,553	52,843	80,178
	10,167	38,553	52,843	80,178

13. Trade and bills receivables

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
Trade receivables	729,842	1,157,247	1,576,879	1,415,408
Less: Provision for impairment	(50,243)	(46,542)	(53,626)	(61,868)
	679,599	1,110,705	1,523,253	1,353,540
Bills receivables	237,021	367,946	394,153	388,108
	916,620	1,478,651	1,917,406	1,741,648
Less: Balance due after one year shown as non-current assets	(4,502)	(24,165)	(12,995)	(2,349)
Trade and bills receivables, net	912,118	1,454,486	1,904,411	1,739,299

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

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
Within 90 days	422,914	683,711	923,356	593,753
91-180 days	132,488	198,324	253,313	302,357
181-365 days	73,688	149,922	228,038	331,637
Over one year	100,752	125,290	172,172	187,661
	729,842	1,157,247	1,576,879	1,415,408

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

13. Trade and bills receivables *(Continued)*

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 Target Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six to twelve months.

The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
RMB	639,417	1,211,255	1,649,422	1,483,751
US$	23,420	9,743	32,779	42,311
EUR	253,783	257,301	234,808	215,586
Other currencies	–	352	397	–
Trade and bills receivables, net	916,620	1,478,651	1,917,406	1,741,648

Certain bills receivables are pledged to secure bank borrowings of the Target Group as detailed in Note 20.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

14. Other receivables, prepayments and deposits

The Target Group

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Non-current				
Deposits for purchases of property, plant and equipment	27,814	100,189	95,763	103,950
	27,814	100,189	95,763	103,950
Current				
Value added tax refund receivable from government	9,823	5,381	9,386	13,633
Value added tax receivable	12,352	41,669	104,131	110,482
Trade deposits	48,326	90,242	82,569	87,580
Prepayments	25,647	33,919	31,678	21,287
Advances to staff for business purpose	4,279	6,204	7,938	9,378
Sundry, rental and utility deposits	248	363	339	877
Others deposits and receivables	31,081	18,698	15,735	20,937
	131,756	196,476	251,776	264,174
Total	159,570	296,665	347,539	368,124

The Target Company

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HKS'000*
Current				
Dividend receivables	–	–	–	219,780
Others receivables	–	–	79	94
Total	–	–	79	219,874

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

15. Financial asset at fair value through other comprehensive income

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Unlisted equity investment	5,952	6,173	5,682	5,495

Financial asset at FVOCI is unlisted equity investment which is denominated in RMB.

Movement of the financial asset at FVOCI is as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
				(unaudited)	
At beginning of the year/period	5,555	5,952	6,173	6,173	5,682
Exchange difference	397	221	(491)	(359)	(187)
End of the year/period	5,952	6,173	5,682	5,814	5,495

The fair value of the unlisted equity investment has been arrived at on the basis of valuation carried out by Valor, an independent valuer, using market approach.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

16. Inventories

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Raw materials	402,882	562,177	558,572	542,170
Work in progress	279,932	371,517	426,515	450,919
Finished goods	107,556	161,764	236,760	316,101
	790,370	1,095,458	1,221,847	1,309,190
Less: Provision for impairment of inventories	(56,587)	(42,417)	(47,719)	(49,979)
	733,783	1,053,041	1,174,128	1,259,211

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023, the cost of inventories recognised as an expense and included in cost of sales amounted to HK$1,581,555,000, HK$2,276,917,000, HK$2,737,092,000, HK$1,016,099,000 and HK$894,737,000, respectively.

For the years ended 31 March 2021 and 2023 and the five months ended 31 August 2022 and 2023, the Target Group recognised write-downs of inventories to net realisable value of HK$1,375,000, HK$8,113,000, HK$6,500,000 and HK$3,461,000, respectively. For the year ended 31 March 2022, the Target Group recognsied a reversal of write-downs of inventories to net realisable value of HK$15,145,000.

The amount recognised/reversed has been included in "cost of sales" in the combined income statements.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

17. Cash and cash equivalents and restricted bank balances

(a) Cash and cash equivalents

The Target Group

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
Cash at banks and on hand	255,309	257,468	372,333	347,358

The Target Group’s cash and cash equivalents are denominated in the following currencies:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
US$	10,316	9,689	20,131	31,318
HK$	13	5,331	829	801
RMB	148,659	160,468	283,463	278,777
EUR	95,790	81,613	67,778	35,704
Other currencies	531	367	132	758
	255,309	257,468	372,333	347,358

As at 31 March 2021, 2022, 2023 and 31 August 2023, the Target Group’s cash and bank balances of approximately HK$142,678,000, HK$150,682,000, HK$276,661,000 and HK$272,452,000 were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

17. Cash and cash equivalents and restricted bank balances *(Continued)*

(a) Cash and cash equivalents *(Continued)*

The Target Company

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HKS'000*
Cash at banks and on hand	–	2,497	3,020	729

As at 31 March 2022, 2023 and 31 August 2023, the Target Company's cash and bank balances were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

(b) Restricted bank balances

Restricted bank balances of the Target Group mainly represent deposits placed in banks to secure banking facilities granted by banks to certain customers, and the finance facilities for issuing letters of credit and acceptance bills by banks.

As at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023, the restricted bank balances carried interest at market rates which ranged from 0.00% to 3.00%, 0.00% to 3.00%, 0.00% to 2.00% and 0.20% to 1.55 % respectively per annum.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

18. Combined capital and share capital

The Group

The Reorganisation has not been completed as at 31 August 2023. For the purpose of this Historical Financial Information, the combined capital in the combined statements of financial position for the Track Record Period represents the combined paid-in capital and share capital of the companies comprising the Group after elimination of inter-company investments.

The Target Company

	Amount
	HK$'000
Issued and fully paid:	
At 1 April 2020	–
At 31 March 2021	–
Issued and fully paid:	
At 1 April 2021	–
Capital contributions	12,346
At 31 March 2022	12,346
Issued and fully paid:	
At 1 April 2022	12,346
Capital contributions	26,136
Issuance of shares	132,722
At 31 March 2023	171,204
Issued and fully paid:	
At 1 April 2022	12,346
Capital contributions	22,727
At 31 August 2022	35,073
Issued and fully paid:	
At 1 April 2023	171,204
Capital contributions	7,363
Issuance of shares	366,964
At 31 August 2023	545,531

The Company was incorporated with limited liability in Shenzhen on 17 November 2017.

Capital contributions represent capital injection into the Target Company by its parent company.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. Reserves

The Target Group

	Exchange translation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note i)*	Property revaluation reserve *HK$'000*	Financial asset at fair value through other comprehensive income reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2020	(83,425)	210,558	7,745	368	615,645	750,891
Profit for the year	–	–	–	–	337,976	337,976
Currency translation difference	88,229	–	–	–	–	88,229
Transfer to statutory reserve	–	7,243	–	–	(7,243)	–
Dividends declared	–	–	–	–	(472,877)	(472,877)
At 31 March 2021	4,804	217,801	7,745	368	473,501	704,219
At 1 April 2021	4,804	217,801	7,745	368	473,501	704,219
Profit for the year	–	–	–	–	530,919	530,919
Currency translation difference	44,033	–	–	–	–	44,033
Transfer to statutory reserve	–	13,124	–	–	(13,124)	–
Dividends declared	–	–	–	–	(86,821)	(86,821)
At 31 March 2022	48,837	230,925	7,745	368	904,475	1,192,350

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. Reserves *(Continued)*

The Target Group

	Exchange translation reserve	Statutory reserve	Property revaluation reserve	Financial asset at fair value through other comprehensive income reserve	Retained earnings	Total
	HK$'000	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2022	48,837	230,925	7,745	368	904,475	1,192,350
Profit for the year	–	–	–	–	552,737	552,737
Currency translation difference	(148,296)	–	–	–	–	(148,296)
Dividends declared	–	–	–	–	(144,585)	(144,585)
At 31 March 2023	(99,459)	230,925	7,745	368	1,312,627	1,452,206
At 1 April 2022	48,837	230,925	7,745	368	904,475	1,192,350
Profit for the year	–	–	–	–	202,619	202,619
Currency translation difference	(121,297)	–	–	–	–	(121,297)
Dividends declared	–	–	–	–	(144,585)	(144,585)
At 31 August 2022	(72,460)	230,925	7,745	368	962,509	1,129,087

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. Reserves *(Continued)*

The Target Group

	Exchange translation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note i)*	Property revaluation reserve *HK$'000*	Financial asset at fair value through other comprehensive income reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2023	(99,459)	230,925	7,745	368	1,312,627	1,452,206
Profit for the year	–	–	–	–	122,179	122,179
Currency translation difference	(67,740)	–	–	–	–	(67,740)
Transfer to statutory reserve	–	26,564	–	–	(26,564)	–
Dividends declared	–	–	–	–	(339,202)	(339,202)
At 31 August 2023	(167,199)	257,489	7,745	368	1,069,040	1,167,443

Note:

(i) The statutory reserve is the reserve of the Target Company and its subsidiaries operating as foreign investment enterprises in the PRC. The use of this reserve is governed by relevant regulations of the PRC and the articles of association of these Group entities.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. Reserves *(Continued)*

The Target Company

	Capital surplus	Exchange translation reserve	(Accumulated losses)/ Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	–	–	–	–
At 31 March 2021				
Loss for the year	–	–	(845)	(845)
Currency translation differences	–	(21)	–	(21)
At 31 March 2022	–	(21)	(845)	(866)
Loss for the year	–	–	(8,309)	(8,309)
Acquisition of entities under common control *(note)*	410,751	–	–	410,751
Currency translation differences	–	(818)	–	(818)
At 31 March 2023	410,751	(839)	(9,154)	400,758
At 1 April 2022	–	(21)	(845)	(866)
Loss for the period	–	–	(722)	(722)
Currency translation differences	–	(676)	–	(676)
At 31 August 2022	–	(697)	(1,567)	(2,264)
At 1 April 2023	410,751	(839)	(9,154)	400,758
Profit for the period	–	–	215,478	215,478
Acquisition of entities under common control *(note)*	830,263	–	–	830,263
Currency translation differences	–	(21,224)	–	(21,224)
At 31 August 2023	1,241,014	(22,063)	206,324	1,425,275

Note: The amounts represent capital surplus in excess of paid-in capital for acquisition of entities now comprising the Target Group by the Target Company.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

20. Borrowings

The borrowings of the Target Group comprise:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Non-current				
Bank borrowings	76,776	210,431	253,514	238,916
Current				
Bank borrowings	463,289	545,355	760,194	781,979
Trust receipt loans	11,820	–	–	–
	475,109	545,355	760,194	781,979
	551,885	755,786	1,013,708	1,020,895
Secured:				
Bank borrowings	23,810	21,482	–	10,989
Unsecured:				
Bank borrowings	516,255	734,304	1,013,708	1,009,906
Trust receipt loans	11,820	–	–	–
	528,075	734,304	1,013,708	1,009,906
	551,885	755,786	1,013,708	1,020,895

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

20. Borrowings *(Continued)*

At 31 March 2021, 2022 and 2023 and 31 August 2023, the Target Group's borrowings were repayable as follows:

	Trust receipt loans				Bank borrowings				Total			
	As at 31 March			As at 31 August	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	2021	2022	2023	2023	2021	2022	2023	2023	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	11,820	–	–	–	463,289	545,355	760,194	698,022	475,109	545,355	760,194	698,022
Bank borrowings due for repayment after one year *(Note):*												
After 1 year but within 2 years	–	–	–	–	39,916	31,419	27,804	29,164	39,916	31,419	27,804	29,164
After 2 years but within 5 years	–	–	–	–	1,145	–	–	78,462	1,145	–	–	78,462
After 5 years	–	–	–	–	35,715	179,012	225,710	215,247	35,715	179,012	225,710	215,247
	–	–	–	–	76,776	210,431	253,514	322,873	76,776	210,431	253,514	322,873
	11,820	–	–	–	540,065	755,786	1,013,708	1,020,895	551,885	755,786	1,013,708	1,020,895

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	404,559	661,606	846,705	864,972
EUR	112,241	59,180	132,003	155,923
HK$	35,085	35,000	35,000	–
	551,885	755,786	1,013,708	1,020,895

As at 31 March 2021, 2022 and 2023 and 31 August 2023, the borrowings of approximately HK$439,644,000, HK$696,606,000, HK$881,705,000 and HK$864,972,000 were borrowed from banks in the PRC by subsidiaries of the Target Group in the PRC.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

20. Borrowings *(Continued)*

		As at 31 March 2021	
	HK$	*RMB*	*EUR*
Bank borrowings	3.79%	4.49%	0.56%
Trust receipt bank loans	N/A	5.22%	N/A

		As at 31 March 2022	
	HK$	*RMB*	*EUR*
Bank borrowings	3.71%	4.21%	0.55%

		As at 31 March 2023	
	HK$	*RMB*	*EUR*
Bank borrowings	6.65%	3.92%	0.51%

		As at 31 August 2023	
	HK$	*RMB*	*EUR*
Bank borrowings	6.65%	3.74%	0.51%

The carrying amount of the assets of the Target Group pledged to secure its borrowings, bills payable and financial guarantees are as follows:

		As at 31 March		As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
Restricted bank balances	21,420	91,806	182,296	144,070
Right-of-use assets	43,037	38,781	34,739	37,145
Property, plant and equipment	40,038	31,158	24,915	26,145
Bills receivables	22,800	35,114	38,245	31,197
	127,295	196,859	280,195	238,557

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

21. Trade and bills payables, other payables and contract liabilities

The Target Group

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Current portion				
Trade payables	387,375	523,623	856,843	768,924
Bills payables	81,020	287,130	459,145	450,628
Trade and bills payables	468,395	810,753	1,315,988	1,219,552
Contract liabilities *(Note i)*	264,566	393,372	348,714	456,203
Accrued salaries, bonuses and staff benefits	62,084	88,770	80,247	72,706
Accrued sales commission	33,335	60,448	92,922	93,747
Value added tax payable	11,818	30,342	19,882	14,015
Others	152,166	141,525	169,026	181,547
Other payables and contract liabilities	523,969	714,457	710,791	818,218
Non-current portion				
Other payables	6,218	6,068	5,358	4,986
Revenue recognised in the current reporting period related to carried forward contract liabilities	156,379	212,109	355,129	321,360

Note:

(i) The Target 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.

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

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Within 90 days	329,805	445,141	698,365	594,465
91-180 days	42,522	43,830	121,292	90,113
181-365 days	4,249	6,702	12,923	37,768
Over one year	10,799	27,950	24,263	46,578
	387,375	523,623	856,843	768,924

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

21. Trade and bills payables, other payables and contract liabilities *(Continued)*

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

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

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HK$’000*
RMB	362,022	657,315	1,191,979	1,129,580
EUR	106,373	152,471	124,009	89,972
US$	–	967	–	–
	468,395	810,753	1,315,988	1,219,552

The Target Company

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS’000	*HKS’000*	*HKS’000*	*HKS’000*
Current portion				
Accrued salaries, bonuses and staff benefits	–	–	838	799
Others	–	–	146	96
Other payables	–	–	984	895

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

22. Revenue and other income

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue for sales of goods recognised under HKFRS 15					
Sales of die-casting machine	2,732,155	3,928,786	4,683,749	1,749,534	1,603,907

The Target Group derived revenue from the sales of goods at a point in time.

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income					
Value added tax refund	21,446	31,924	33,918	11,528	14,880
Other subsidies from government *(Note)*	13,874	29,139	46,392	12,884	11,821
Rental income	6,521	5,904	6,301	2,349	2,935
Sundry income	4,091	5,386	10,704	1,633	2,869
	45,932	72,353	97,315	28,394	32,505

Note: Other subsidies from government recognised was related to grants from government in relation to sales and research and development of self-developed products in the PRC and employment support scheme in the PRC and Hong Kong. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

23. Other gains/(losses) – net

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Gain on disposal of other receivables previously impaired *(Note)*	39,773	–	–	–	–
Increase in fair value of investment properties *(Note 8)*	1,416	1,875	3,441	655	399
Net foreign exchange gain/(loss)	4,031	6,612	5,679	(533)	(319)
Net loss on disposals of property, plant and equipment	(1,034)	(268)	(853)	(857)	(23)
	44,186	8,219	8,267	(735)	57

Note: During the year ended 31 March 2021, Fuxin Lida Steel Casting Co. Ltd. ("**Fuxin Lida**"), a PRC subsidiary of the Target 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, in connection with its acquisition of 35% equity interest in 阜新力昌鋼鐵鑄造有限公司 ("**阜新力昌**") by Fuxin Lida completed during the year ended 31 March 2012. 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 2021, outstanding consideration receivable of RMB15,908,000 remain unsettled by 阜新金達 and was fully impaired in prior years.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

24. Expenses by nature

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Raw materials and consumables used	1,551,643	2,422,710	2,867,086	1,204,708	998,482
Changes in inventories of finished goods and work in progress	29,912	(145,793)	(129,994)	(188,609)	(103,745)
Staff costs *(Note 25) (Note)*	402,087	596,255	670,160	260,361	294,126
Research costs	16,358	18,998	27,958	8,421	14,901
Amortisation of intangible assets *(Note 6)*	5,010	5,563	5,410	2,163	2,409
Depreciation of property, plant and equipment *(Note 7)*	50,765	63,299	82,028	31,493	61,121
Depreciation of right-of-use assets *(Note 9)*	12,372	14,378	20,201	8,496	7,699
Utilities	33,130	54,370	64,037	26,931	25,771
Provision for/(reversal of provision for) impairment of trade receivables – net *(Note 3.1(b)(ii))*	14,929	(2,375)	9,770	4,329	9,265
Provision for/(reversal of provision for) inventories write-down *(Note 16)*	1,375	(15,145)	8,113	6,500	3,461
(Reversal of provision for)/ provision for loss on financial guarantee contracts *(Note 31)*	(4,516)	1,304	(1,717)	–	–
Other expenses	294,865	357,082	493,119	173,407	163,357
	2,407,930	3,370,646	4,116,171	1,538,200	1,476,847
Represented by:					
Cost of sales	1,994,853	2,819,878	3,445,382	1,292,826	1,198,620
Selling and distribution expenses	213,199	292,869	346,512	124,647	126,128
General and administrative expenses	184,949	260,274	314,507	116,398	142,834
Provision for/(reversal of provision for) impairment of trade receivables – net	14,929	(2,375)	9,770	4,329	9,265
	2,407,930	3,370,646	4,116,171	1,538,200	1,476,847

Note: For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023, the staff costs related to research and development activities were HK$36,486,000, HK$65,579,000, HK$71,051,000, HK$31,480,000, HK$37,693,000, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

25. Employees benefit expenses (including directors' emoluments)

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Wages and salaries	360,622	530,712	595,020	233,514	260,202
Retirement scheme contributions *(Note i)*	29,429	48,875	47,712	19,437	21,533
Other allowances and benefits	12,036	16,668	27,428	7,410	12,391
	402,087	596,255	670,160	260,361	294,126

Note:

(i) There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

26. Finance costs – net

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Finance income:					
Interest income on short-term bank deposits	5,344	2,108	3,619	885	915
Finance costs:					
Interest on bank borrowings	(20,755)	(24,496)	(38,637)	(15,933)	(22,552)
Charges on bills receivables discounted without recourse	(1,976)	(1,801)	(2,866)	(702)	(3,311)
Interest on lease liabilities	(826)	(1,104)	(3,410)	(1,794)	(1,127)
Less: Capitalised in property, plant and equipment *(Note i)*	1,426	7,335	12,833	8,190	2,552
	(22,131)	(20,066)	(32,080)	(10,239)	(24,438)
	(16,787)	(17,958)	(28,461)	(9,354)	(23,523)

Note:

(i) For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023, borrowing costs capitalized arose from general borrowing pool and were calculated by applying a capitalization rate of 3.9%, 3.7%, 3.7%, 3.7% and 3.7% to expenditure on qualifying assets.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

27. Income tax expenses

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The tax charge for the year/period comprises:					
Current income tax					
– PRC income tax	39,770	80,373	80,877	34,527	15,335
– Overseas tax	5,942	7,284	11,390	(16)	6
	45,712	87,657	92,267	34,511	15,341
Deferred income tax *(Note 12)*	5,610	2,221	(366)	(7,490)	(1,677)
Tax charge	51,322	89,878	91,901	27,021	13,664

In accordance with the applicable Corporate Income Tax Law of the PRC, the Target Company's subsidiaries are taxed at the statutory rate of 25%.

Certain subsidiaries in Shenzhen, Ningbo, Shanghai 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.

For the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023, taxation on overseas profits had been calculated on the estimated assessable profits for the year/period at the rate of taxation prevailing in the jurisdiction in which the Target Group operates.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

27. Income tax expenses *(Continued)*

A reconciliation of the tax charge applicable to profit before income taxes using the applicable tax rates for relevant tax jurisdictions to the tax expense is as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	389,298	620,797	644,638	229,640	135,843
Tax calculated at applicable tax rates in the respective jurisdictions	96,704	155,117	163,862	57,468	34,388
Effect of preferential tax rates applicable to relevant jurisdictions	(33,669)	(60,874)	(56,913)	(23,064)	(18,377)
Tax effects of:					
– Super-deduction of research and development costs	(8,636)	(14,673)	(19,448)	(9,659)	(8,892)
– Income not subject to tax	(5,966)	–	(1,247)	(177)	(326)
– Expenses not deductible for tax purposes	347	3,211	2,074	2,253	1
Tax effect of unrecognised tax losses	2,542	7,097	3,573	200	6,870
Tax charge	51,322	89,878	91,901	27,021	13,664

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. Dividends

The dividends declared and paid during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023 to the then shareholders of the entities now comprising the Target Group:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividend declared during the year/ period:					
Shenzhen Leadwell Technology Co. Ltd.	240,762	–	–	–	222,222
Shanghai Atech Machinery Co. Ltd.	23,122	16,105	29,737	29,737	–
Ningbo L.K. Technology Co. Ltd.	208,993	70,716	114,848	114,848	116,980
	472,877	86,821	144,585	144,585	339,202
Dividend paid during the year/ period:					
Shenzhen Leadwell Technology Co. Ltd.	136,605	85,802	35,341	6,364	32,966
Shanghai Atech Machinery Co. Ltd.	24,223	16,502	29,399	–	–
Ningbo L.K. Technology Co. Ltd.	218,945	72,461	113,544	113,542	–
	379,773	174,765	178,284	119,906	32,966

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

29. Cash generated from operations

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	389,298	620,797	644,638	229,640	135,843
Adjustments for:	–	–	–	–	–
Depreciation and amortisation	68,147	83,240	107,639	42,152	71,229
Gain on disposal of other receivables previously impaired	(39,773)	–	–	–	–
Increase in fair value of investment properties	(1,416)	(1,875)	(3,441)	(655)	(399)
Finance income	(5,344)	(2,108)	(3,619)	(885)	(915)
Finance costs	22,131	20,066	32,080	10,239	24,438
Provision for/(reversal of provision for) impairment of trade receivables – net	14,929	(2,375)	9,770	4,329	9,265
Provision for/(reversal of provision for) inventories write-down	1,375	(15,145)	8,113	6,500	3,461
(Reversal of provision for)/ provision for loss on financial guarantee contracts	(4,516)	1,304	(1,717)	–	–
Loss on disposals of property, plant and equipment	1,034	268	853	857	23
Share of losses/(profit) of associates	8,258	(43)	61	(1)	256
Operating profit before changes in working capital	454,123	704,129	794,377	292,176	243,201
Changes in working capital:					
Inventories	48,063	(287,105)	(195,913)	(311,835)	(116,956)
Trade and bills receivables	(146,835)	(533,777)	(733,398)	(120,911)	102,537
Other receivables, prepayments and deposits	(25,684)	(60,786)	(67,528)	(10,057)	(18,058)
Restricted bank balances	34,456	(70,719)	(96,932)	(11,565)	31,923
Trade and bills payables, other payables and contract liabilities	208,066	502,258	790,736	182,470	47,230
Amount due from/to related companies	(129,032)	101,747	(42,810)	(7,867)	(83,220)
Cash generated from operations	443,157	355,747	448,532	12,411	206,657

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

29. Cash generated from operations *(Continued)*

(a) In the combined statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net book amount *(Note 7)*	2,416	3,514	6,718	5,349	2,962
Loss on disposals of property, plant and equipment *(Note 23)*	(1,034)	(268)	(853)	(857)	(23)
Proceeds from disposals of property, plant and equipment	1,382	3,246	5,865	4,492	2,939

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

29. Cash generated from operations *(Continued)*

(b) Liabilities from financing activities

	Related party loans	Dividends payables	Borrowings	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*		
As at 1 April 2020	81,111	92,540	492,615	27,279	693,545
Additions	–	472,877	–	5,574	478,451
Cash flows	–	(379,773)	25,377	(9,512)	(363,908)
Exchange difference	5,794	29,128	33,893	1,443	70,258
As at 31 March 2021	86,905	214,772	551,885	24,784	878,346
Additions	–	86,821	–	71,521	158,342
Cash flows	103,063	(174,765)	192,300	(9,598)	111,000
Exchange difference	2,625	10,096	11,601	(35)	24,287
As at 31 March 2022	192,593	136,924	755,786	86,672	1,171,975
Additions	–	144,585	–	2,523	147,108
Cash flows	–	(178,284)	311,702	(14,075)	119,343
Exchange difference	(15,320)	(12,536)	(53,780)	(7,196)	(88,832)
As at 31 March 2023	177,273	90,689	1,013,708	67,924	1,349,594
As at 1 April 2022	192,593	136,924	755,786	86,672	1,171,975
Additions	–	144,585	–	990	145,575
Cash flows	–	(119,906)	347,512	(6,074)	221,532
Exchange difference	(11,198)	(9,068)	(45,313)	(903)	(66,482)
As at 31 August 2022	181,395	152,535	1,057,985	80,685	1,472,600
As at 1 April 2023	177,273	90,689	1,013,708	67,924	1,349,594
Additions	–	222,222	–	–	222,222
Cash flows	–	(32,966)	25,198	(5,904)	(13,672)
Exchange difference	(5,844)	(5,430)	(18,011)	(1,300)	(30,585)
As at 31 August 2023	171,429	274,515	1,020,895	60,720	1,527,559

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

30. Commitments

(a) Capital commitments

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HKS'000	*HKS'000*	*HKS'000*	*HK$'000*
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:				
Property, plant and equipment	264,050	135,696	176,844	180,549

(b) Operating lease commitments

The Target Group as lessor

The Target Group leases out the investment properties and certain machineries under operating leases. The leases generally run for an initial period of one to five years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

As at 31 March 2021, 2022 and 2023 and 31 August 2023, the Target Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	As at 31 March			As at 31 August
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leases receivable:				
Within one year	1,034	1,042	754	636
In the second to fifth year inclusive	121	687	332	289
	1,155	1,729	1,086	925

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

31. Financial guarantees

	As at 31 March			As at 31 August
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The amount of the outstanding loans granted by banks to customers to purchase the Target Group's products for which guarantees have been given by the Target Group to the banks	14,238	33,361	21,991	7,477

The Target Group provided guarantees to banks in respect of credit facilities up to the maximum amount of HK$14,238,000, HK$33,361,000, HK$21,991,000 and HK$7,477,000 as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023 which were granted to certain customers of the Target Group to purchase its products. Pursuant to the terms of the guarantees, the Target Group is required to deposit a portion of the sales proceeds received from these customers with the banks. Upon default in repayments by these customers, the Target Group is responsible to repay the outstanding loan principals together with accrued interest and related costs owed by the defaulted customers to the banks, and the Target Group is entitled to take over the legal title and possession of the related products. The Target Group's guarantee period starts from the dates of grant of the relevant bank loans and ends when these customers have fully repaid their bank loans.

During the years ended 31 March 2021 and 2023, the Target Group reversed a provision of HK$4,516,000 and HK$1,717,000 respectively as a result of repayment by customers of certain loans that defaulted in repayments in the prior years. During the year ended 31 March 2022, the Target Group recognised a provision of HK$1,304,000 as a result of default in payment by customers of certain loans.

The Target Company has provided guarantees in respect of banking facilities of its subsidiaries of approximately HK$46,905,000, HK$96,728,000, HK$91,818,000 and HK$87,912,000 as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023. The facilities utilised by the subsidiaries as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 August 2023 was HK$46,905,000, HK$35,000,000, HK$35,000,000 and HK$10,989,000.

32. Contingent liabilities

During the year ended 31 March 2023, a wholly-owned subsidiary of the Target Group received a product-related claim from a customer. The relevant legal process is in the preliminary stage and management does not presently have sufficient information to assess the validity and the potential exposure of the claim. Accordingly, no further information has been disclosed concerning estimates of financial impact and the contingent liabilities in relation to this legal case. By taking account of all available evidence, management considered there was no present obligation as at 31 March 2023 and 31 August 2023, and disclosed this claim as a contingent liability.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

33. Related party transactions

The Target Group

(a) Transactions and balances with related parties

Except for those disclosed below and other than those disclosed elsewhere in the combined financial statements, the Target Group has no other significant transactions with related parties during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023.

	Year ended 31 March			Five months ended 31 August	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Transactions with companies controlled by L.K. Technology Holdings Limited					
Sales of die-casting machine	274,729	407,174	478,113	237,311	236,871
Purchases of raw materials	(125,774)	(214,058)	(279,098)	(139,491)	(39,717)
Rent paid in respect of premises *(note)*	–	–	(8,166)	(3,524)	(3,289)

Note: The Target Group recognised right-of-use assets and lease liabilities in relation to the leased premises from a company controlled by L.K. Holding. The carrying amounts of the right-of-use assets and lease liabilities as at 31 March 2022, 2023 and 31 August 2023 were HK$68,560,000 and HK$70,840,000, HK$56,634,000 and HK$59,926,000, HK$52,159,000 and HK$55,756,000, respectively.

	As at 31 March			As at 31 August
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from fellow subsidiaries	279,000	257,598	231,541	293,049
Amounts due to fellow subsidiaries	52,222	121,539	65,527	49,825
Loans due to a fellow subsidiary	86,905	192,593	177,273	171,429
Dividend payables to the then shareholders	214,772	136,924	90,689	274,515

These balances due from/to fellow subsidiaries were interest free, unsecured and repayable on demand.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

33. Related party transactions *(Continued)*

(b) Key management compensation

The remunerations of directors and other members of key management personnel during the Track Record Period were as follows:

	Year ended 31 March			Five months ended 31 August	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Wages and salaries, other allowances and benefits	8,988	12,219	13,012	6,730	5,991
Retirement scheme contributions	1,164	1,430	1,493	801	783
	10,152	13,649	14,505	7,531	6,774

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023, the Target Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Saved as disclosed above, during the years ended 31 March 2021, 2022 and 2023 and the five months ended 31 August 2022 and 2023, there were was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Track Record Period.

The Target Company

As at 31 March 2021, 2022, 2023 and 31 August 2023, the amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Target Company, as set out in Appendix I to this Circular, and is included herein for illustrative purposes only.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the Unaudited Pro Forma Financial Information") which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the deemed disposal of equity interests in the Target Company following the completion of the Capital Injection (the "Deemed Disposal") and the exercise of the Repurchase Options on the assets and liabilities of the Group (the "Repurchases") as if the Deemed Disposal and the Repurchases had taken place on 30 September 2023.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the consolidated statement of financial position of the Group as at 30 September 2023 as set out in its published report on interim financial information for the six months ended 30 September 2023; and (ii) the pro forma adjustments prepared to reflect the effects of the Deemed Disposal and the Repurchases as explained in the notes set out below that are directly attributable to the Deemed Disposal and the Repurchases and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Deemed Disposal and the Repurchases been completed as at 30 September 2023, where applicable, or any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	The Deemed Disposal and the granting of the Repurchase Options				Exercise of the Repurchase Options	
		Pro forma adjustments			Pro forma adjustment	
	The Group as at 30 September 2023	Deemed Disposal and granting of Repurchase Options	Transaction costs	The Group upon completion of the Deemed Disposals and the granting of the Repurchase Options as at 30 September 2023	Exercise of Repurchase Options	The Group upon exercise of the Repurchase Options as at 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		*Note 4*	
ASSETS						
Non-current assets						
Intangible assets	15,067			15,067		15,067
Property, plant and equipment	1,959,754			1,959,754		1,959,754
Investment properties	409,200			409,200		409,200
Right-of-use assets	373,250			373,250		373,250
Interests in associates	14,767			14,767		14,767
Other receivables and deposits	126,255			126,255		126,255
Deferred income tax assets	87,840			87,840		87,840
Trade and bills receivables	18,898			18,898		18,898
Financial asset at fair value through other comprehensive income	5,435			5,435		5,435
Total non-current assets	3,010,466			3,010,466		3,010,466
Current assets						
Inventories	1,848,633			1,848,633		1,848,633
Trade and bills receivables	2,522,257			2,522,257		2,522,257
Other receivables, prepayments and deposits	419,804			419,804		419,804
Restricted bank balances	194,487			194,487		194,487
Cash and cash equivalents	666,635	793,479	(3,085)	1,457,029	(793,479)	663,550
Total current assets	5,651,816			6,442,210		5,648,731
Total assets	8,662,282			9,452,676		8,659,197

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP *(Continued)*

	The Deemed Disposal and the granting of the Repurchase Options				Exercise of the Repurchase Options	
	Pro forma adjustments				Pro forma adjustment	
	The Group as at 30 September 2023	Deemed Disposal and granting of Repurchase Options	Transaction costs	The Group upon completion of the Deemed Disposals and the granting of the Repurchase Options as at 30 September 2023	Exercise of Repurchase Options	The Group upon exercise of the Repurchase Options as at 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*		*Note 4*	
LIABILITIES						
Non-current liabilities						
Deferred income tax liabilities	79,673			79,673		79,673
Put option liabilities	–	793,479		793,479	(793,479)	–
Borrowings	235,172			235,172		235,172
Lease liabilities	8,573			8,573		8,573
Other payables	68,508			68,508		68,508
Total non-current liabilities	391,926			1,185,405		391,926
Current liabilities						
Trade and bills payables	1,794,289			1,794,289		1,794,289
Other payables and contract liabilities	1,049,961			1,049,961		1,049,961
Borrowings	1,536,467			1,536,467		1,536,467
Lease liabilities	4,836			4,836		4,836
Current income tax liabilities	53,629			53,629		53,629
Total current liabilities	4,439,182			4,439,182		4,439,182
Total liabilities	4,831,108			5,624,587		4,831,108
Net assets	3,831,174			3,828,089		3,828,089

Notes to the Unaudited Pro Forma Financial Information of the Group:

1. The amounts have been extracted from the unaudited interim condensed consolidated statement of financial position of the Group as at 30 September 2023 included in the interim report of the Company for the six months ended 30 September 2023, which was published on the websites of the Stock Exchange on 18 December 2023.

2. The adjustment represents the subscription for RMB34,752,600 of the newly increased registered capital of the Target Company by the Investors by way of capital injection in cash pursuant to the Capital Injection Agreement for a consideration of RMB730,000,000 (equivalent to approximately HK$793,479,000) and the granting of the Repurchase Options to the Investors pursuant to the Shareholders Agreement (the "Put Option Liabilities") as if the Deemed Disposal had been completed on 30 September 2023. The Target Company will become a non-wholly owned subsidiary of the Company after the completion of the Deemed Disposal. For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the consideration is received by cash upon on 30 September 2023.

   Pursuant to the Shareholders Agreement, the Investors can request the Target Company to repurchase all or part of the equity interests held by Investors in the Target Company at its discretion upon the occurrence of specific repurchase events at the Repurchase Price determined in accordance with the formulae as stated in the Shareholders Agreement.

3. The adjustment represents the estimated transaction costs of approximately HK$3,085,000 in connection with the Deemed Disposal. For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the transaction costs have been paid by cash on 30 September 2023.

4. For the purpose of the Unaudited Pro Forma Financial Information, the adjustment for demonstrating the effect of the exercise of the Repurchase Options is made on the assumptions that (i) the Repurchases are assumed to take place immediately after the Deemed Disposal on 30 September 2023; (ii) the exercise price would be RMB730,000,000 (equivalent to approximately HK$793,479,000) which is determined by the Directors to be equal to the consideration received by the Target Company (without interest) from the Deemed Disposal on 30 September 2023; and (iii) no transaction costs or tax impact have been considered.

5. RMB is converted into HK$ at an exchange rate of RMB1 = HK$0.92 for illustrative purpose.

6. Apart from notes above, no other adjustment has been made to reflect any result or other transactions of the Group entered into subsequent to 30 September 2023. In particular, the above Unaudited Pro Forma Financial Information had not been taken into account the deemed disposal of the Target Company to FIIF by way of capital injection in cash pursuant to the FIIF Capital Injection Agreement for a consideration of RMB1,150,000,000 (equivalent to approximately HK$1,250,000,000) (the "FIIF Deemed Disposal") and the granting of the FIIF Repurchase Option to FIIF pursuant to the FIIF Shareholders Agreement (the "FIIF Put Option Liability").

   Had the FIIF Deemed Disposal and the granting of the FIIF Repurchase Option been completed on 30 September 2023, the unaudited pro forma consolidated total assets of the Group as at 30 September 2023 would be approximately HK$10,702,676,000 while the unaudited pro forma consolidated total liabilities of the Group as at 30 September 2023 would be HK$6,874,587,000 respectively. Had the FIIF Repurchase Option been assumed to be exercised immediately after the FIIF Deemed Disposal on 30 September 2023; the exercise price would be RMB1,150,000,000 (equivalent to approximately HK$1,250,000,000) which represents the present value of the Put Option Liabilities on 30 September 2023; and no transaction costs or tax impact have been considered, the unaudited pro forma consolidated total assets of the Group as at 30 September 2023 would be approximately HK$8,659,197,000 while the unaudited pro forma consolidated total liabilities of the Group as at 30 September 2023 would be HK$4,831,108,000, respectively.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma financial information of the Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of L.K. Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of L.K. Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2023 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-5 of the Company's circular dated 29 February 2024 (the "**Circular**"), in connection with the deemed disposal of equity interests in the Shenzhen L.K. Technology Co. Ltd. (the "**Target Company**") following the completion of the capital injection in the Target Company by certain investors and the granting of the repurchase options to those investors (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 September 2023 as if the Transaction had taken place at 30 September 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 September 2023, on which a review report has been published.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 September 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 February 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name of director/chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("**Ms. Chong**")	the Company	Beneficiary of a trust	849,078,004 Long position *(Note 1)*	61.69%
	the Company	Beneficial owner	3,105,000 Long position *(Note 2)*	0.22%
	the Company	Interest of spouse	5,722,750 Long position *(Note 3)*	0.42%
Mr. Liu ZM	the Company	Beneficiary of a trust	849,078,004 Long position *(Note 4)*	61.69%
	the Company	Beneficial owner	1,000,000 Long position *(Note 5)*	0.07%
Mr. Tse Siu Sze ("**Mr. Tse**")	the Company	Interest of spouse	50,000 Long position *(Note 6)*	0.004%

Notes:

1. These 849,078,004 shares are owned by Girgio Industries. Girgio Industries is owned as to 95% by Full Profit Asset Limited which is wholly-owned by HSBC International Trustee Limited (as trustee of The Liu Family Trust, in which Ms. Chong, Mr. Liu ZM and Miss Liu are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu SS, the spouse of Ms. Chong.

2. 3,105,000 underlying shares held by Ms. Chong, 300,000 of which are held by virtue of the interests in the share options of the Company granted to her on 24 September 2021.

3. These 5,722,750 shares are beneficially owned by Mr. Liu SS.

4. Mr. Liu ZM is deemed to be interested in the 849,078,004 shares held by Girgio Industries as a beneficiary of The Liu Family Trust. Mr. Liu ZM is the son of Mr. Liu SS and Ms. Chong.

5. 1,000,000 underlying shares are held by Mr. Liu ZM by virtue of the interests in the share options of the Company granted to him on 24 September 2021.

6. 50,000 underlying shares are held by Mr. Tse by virtue of the interests in the share options of the Company granted to his spouse on 24 September 2021.

Name of director	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Tse	LK Injection Molding Machine Co., Ltd. (廣東力勁塑機智造股份有限公司)	Beneficial owner	6,011,031 Long position	2.62%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had long positions of 5% or more in the shares or underlying shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio Industries	Beneficial owner	849,078,004 Long position *(Note 1)*	61.69%
Mr. Liu SS	*See Note 2*	849,078,004 Long position *(Note 2)*	61.69%
	See Note 2	3,105,000 Long position *(Note 2)*	0.22%
	Beneficial owner	5,722,750 Long position	0.42%
HSBC International Trustee Limited	*See Note 3*	848,078,004 Long position *(Note 3)*	61.62%

Notes:

1. These 849,078,004 shares are owned by Girgio Industries. Girgio Industries is owned as to 95% by Full Profit Asset Limited which is wholly-owned by HSBC International Trustee Limited (as trustee of The Liu Family Trust, in which Ms. Chong, Mr. Liu ZM and Miss Liu are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu SS.

2. Mr. Liu SS is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu SS holds 5% interest in Girgio Industries.

3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu SS on 22 February 2002 for the benefit of Ms. Chong and the children of Mr. Liu SS and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 95% interest in the Company by the virtue of its shareholding in Full Profit Asset Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business apart from the business of the Group, which competed or was likely to compete either directly or indirectly with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular, as at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2023, being the date of the latest published audited accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

7. LITIGATION

As far as the Directors are aware, none of the members of the Group was at present engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the Capital Injection Agreement;

(b) the Shareholders Agreement;

(c) FIIF Capital Injection Agreement;

(d) FIIF Shareholders Agreement; and

(e) the termination agreement dated 26 July 2023 entered into between LK Machinery and Shenzhen Wanjin Investment Co., Ltd.* (深圳市萬勁投資有限公司) ("**Shenzhen Wanjin**") in relation to, among other things, the termination of the cooperation agreement dated 12 January 2021 relating to the urban renewal project titled "力勁高新科技工業園城市更新項目" (L.K. High-tech Industrial Park Urban Renewal Project*) and the transactions contemplated thereunder.

9. QUALIFICATIONS AND CONSENT OF EXPERTS

(a) The following are the qualifications of the experts who have given their opinion or advice which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong)

(b) As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, none of the experts have any direct or indirect interest in any asset which has been, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

(d) The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the reference to their names included herein in the form and context in which they appear.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Chung Wing Man, who is an associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit A, 8th Floor, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

11. DOCUMENTS ON DISPLAY

Electronic copies of the following documents will be available on the Company's website (**www.lk.world**) and the website of the Stock Exchange (**www.hkexnews.hk**) for a period of 14 days from the date of this circular:

(1) the material contracts referred to in paragraphs (a) and (b) of the section headed "8. Material Contracts" in this appendix;

(2) the accountant's report of the Target Company issued by the Reporting Accountant, the text of which is set out in Appendix II to this circular;

(3) the assurance report on the compilation of the pro forma financial information of the Group issued by the Reporting Accountant, the text of which is set out in Appendix III to this circular; and

(4) the letter of consent referred to under the section headed "9. Qualifications and Consent of Experts" in this appendix.