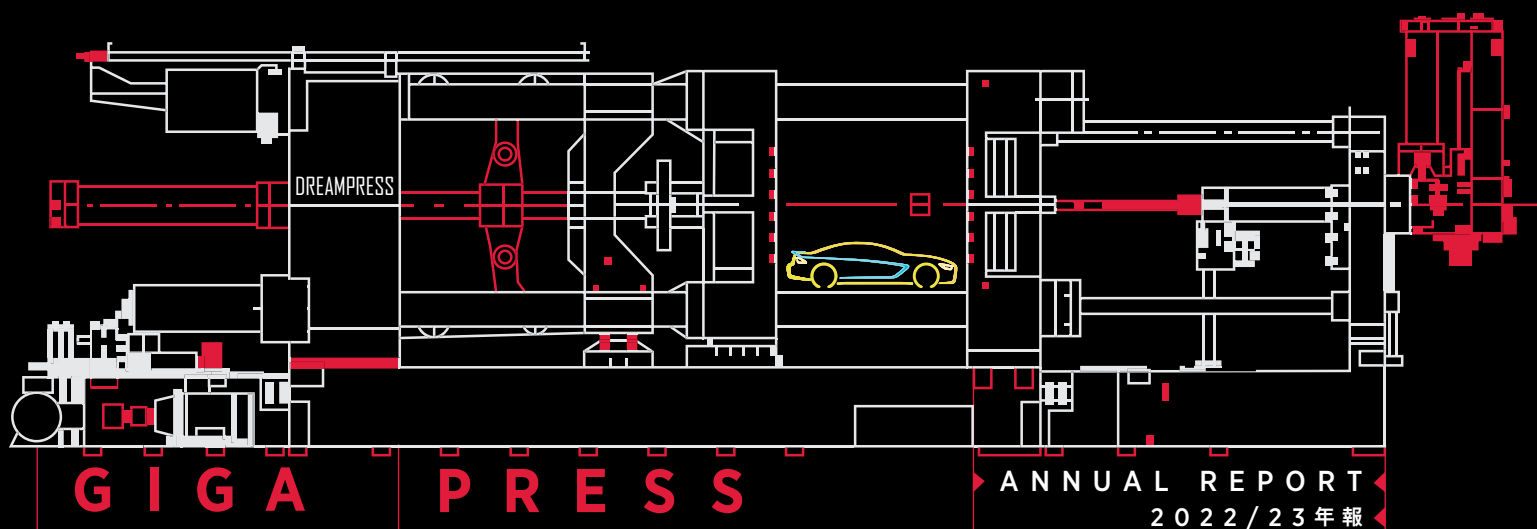




力勁科技集團有限公司
L.K. Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
(Stock Code 股份代號 : 558)



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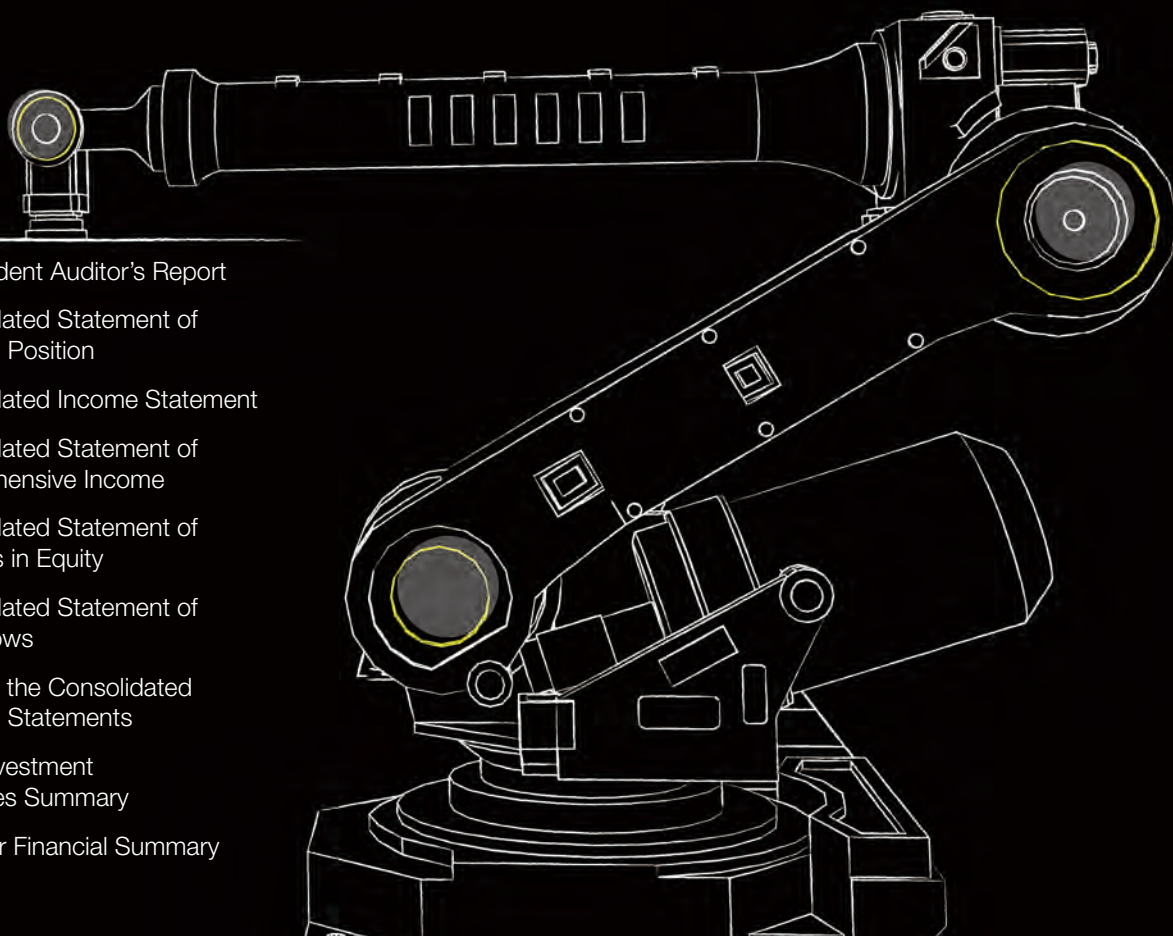
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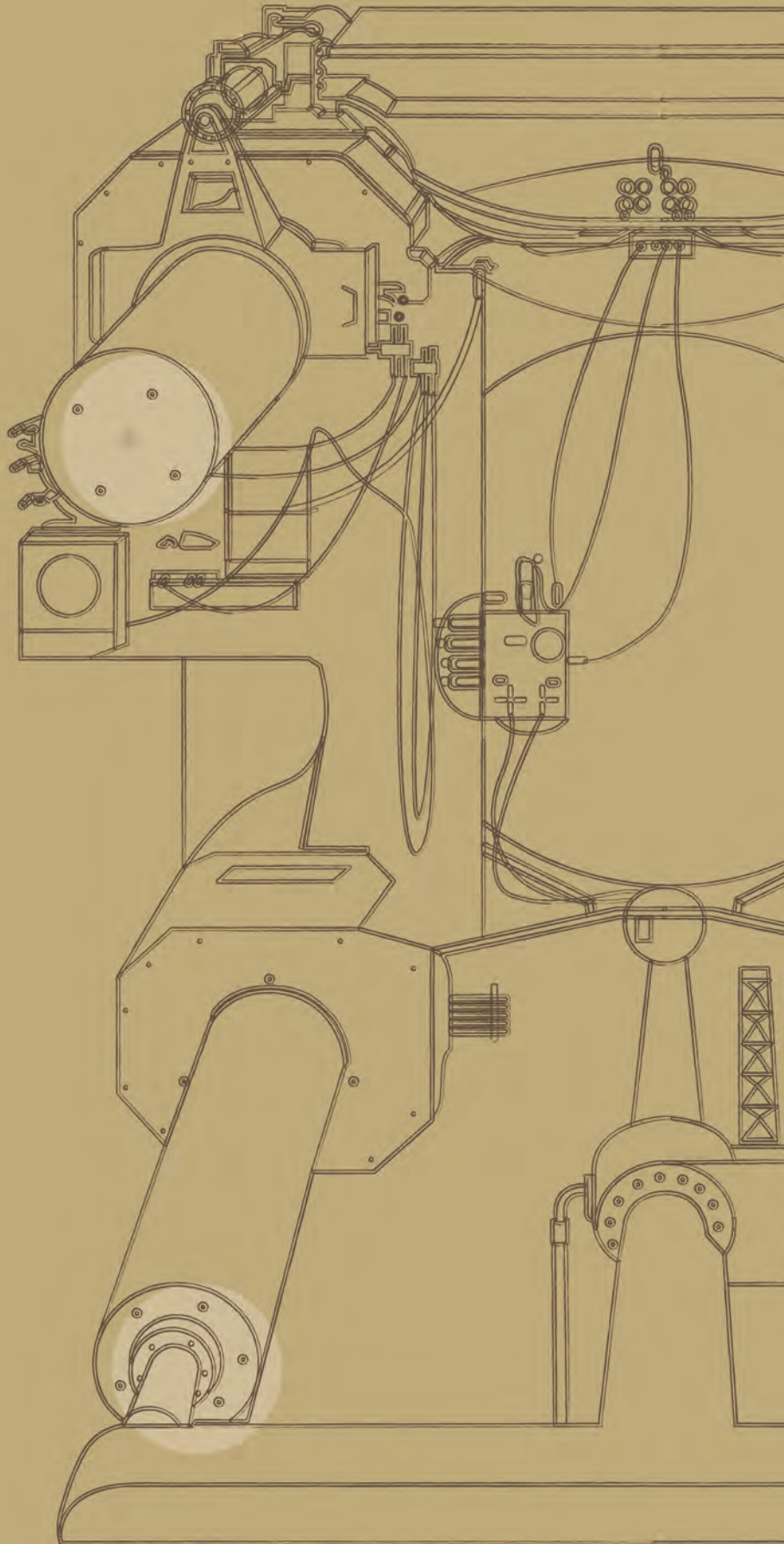
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L K , S T R I V E S

F O R Y O U R S U C C E S S

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M I S S I O N 使 命

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Miss Chung Wing Man

AUTHORISED REPRESENTATIVES

Ms. Chong Siw Yin
Miss Chung Wing Man

AUDIT COMMITTEE

Mr. Tsang Yiu Keung, Paul
Dr. Lui Ming Wah, *SBS, JP*
Dr. Low Seow Chay
Mr. Look Andrew

NOMINATION COMMITTEE

Mr. Look Andrew
Dr. Low Seow Chay
Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul

REMUNERATION COMMITTEE

Dr. Lui Ming Wah, *SBS, JP*
Mr. Tsang Yiu Keung, Paul
Dr. Low Seow Chay
Mr. Look Andrew

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 8th Floor
Mai Wah Industrial Building
1-7 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Bank of China
Intesa Sanpaolo Spa

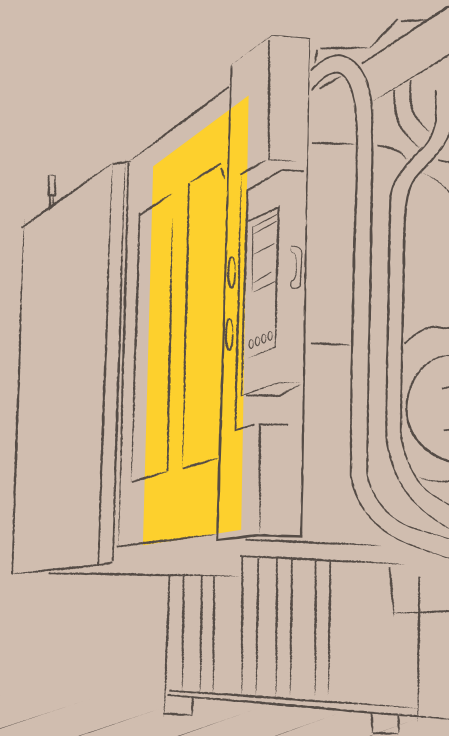
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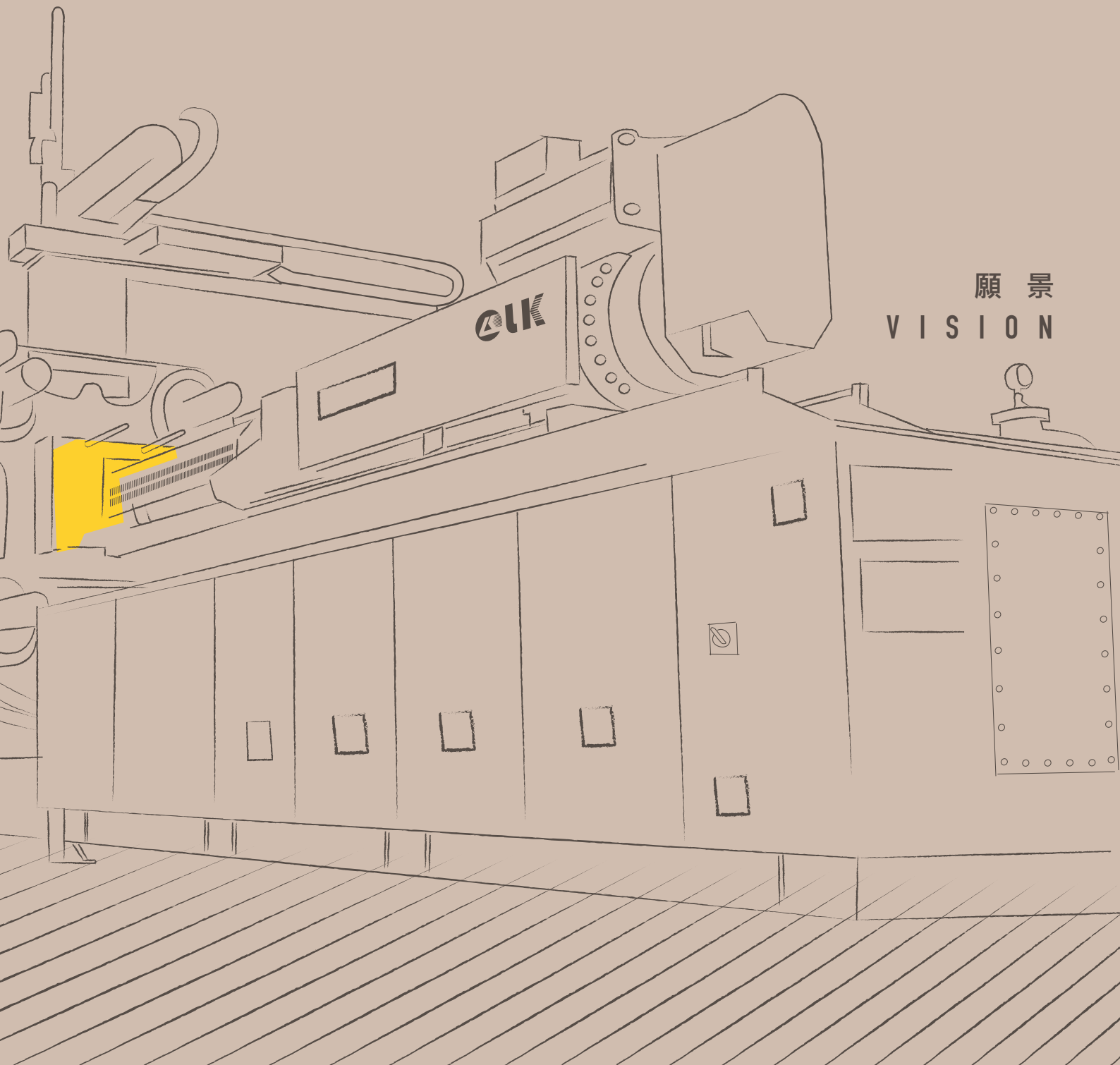
WEBSITE

www.lk.world

S H A P E T H E F U T U R E , S H A P E T H E W O R L D .



L.K. Technology Holdings Limited (the “Company”) is one of the world’s largest die-casting machine manufacturers. The Group engages in the design, manufacture and sale of three product lines, i.e. die-casting machine, plastic injection moulding machine and computerised numerical controlled (CNC) machining centre. The Group has manufacturing bases and R&D centres in Shenzhen, Zhongshan, Ningbo, Shanghai, Fuxin, Kunshan, Taiwan and Italy. To capture overseas markets, the Group has established sales and services companies in the USA and India. The Group also operates a casting factory in Fuxin for the production of cast iron/steel components.



願 景
VISION

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") of L.K. Technology Holdings Limited (the "Company"), I hereby present the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2023 (the "Year").

The Group recorded HK\$5,896,349,000 of revenue for the Year, representing a year-on-year increase of 10%. Profit attributable to equity holders of the Group reached HK\$532,235,000, representing a year-on-year decrease of 14.9%.

In 2022, China's alternative fuel vehicle industry continued to grow vigorously. The production and sales of alternative fuel vehicles for the whole year amounted to 7.058 million and 6.887 million respectively, representing a year-on-year increase of 96.7% and 93.4% respectively and ranking first in the world for eight consecutive years. Since China has promulgated and implemented the "Energy Saving and New Energy Vehicle Industry Development Plan" in 2012, the average annual compound growth rate of alternative fuel vehicle sales reached 87%, and the cumulative promoted alternative fuel vehicles reached nearly 16 million. China has become a crucial guiding force for the electrification transformation of the global automobile industry.

Looking ahead, all companies in the alternative fuel vehicle industry are confident to the development of this industry for this year. Moreover, the long-term promising outlook of China's fundamentals for economic and social development remains unchanged. At present, the Group is filled with enthusiasm and endeavors to explore new technologies and innovations, while the customers' satisfaction on our integrated die-casting technologies for alternative fuel vehicle continues to increase. The Group will continue to make precise investment on R&D for successive rollout of different advanced technologies, so as to ensure rapid launch of various innovative products and continue to deepen the roadmap of die-casting solutions for alternative fuel vehicle.

Finally, on behalf of the Board and our management team, I would like to take this opportunity to express my appreciation to our customers, suppliers, bankers, business partners and shareholders for their great support and encouragement. My heartfelt gratitude also goes to our dedicated Board members and committed staff for their diligence and effort, which have contributed to the business development of the Group in the past year.

Chong Siw Yin

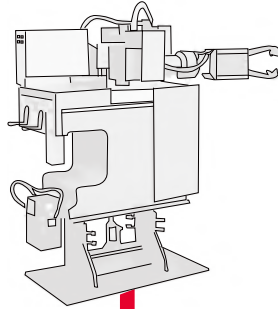
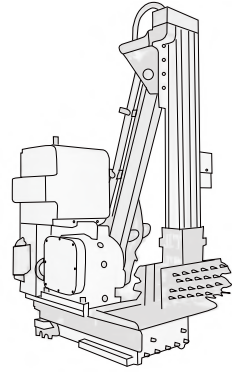
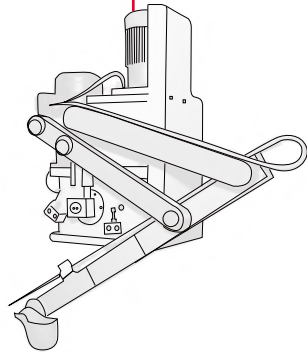
Chairperson

28 June 2023

The logo consists of the letters 'L.K.' in a bold, sans-serif font, with a red circular graphic element to the left of the letters.

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		Change %
	2023 HK\$'000	2022 HK\$'000	
Operating results:			
Revenue	5,896,349	5,362,474	10.0%
Gross profit	1,596,687	1,566,400	1.9%
Gross profit margin	27.1%	29.2%	-2.1%
Operating profit	677,474	792,515	-14.5%
Operating profit margin	11.5%	14.8%	-3.3%
Profit attributable to owners of the Company	532,235	625,509	-14.9%
Net profit margin	9.0%	11.7%	-2.7%
	HK cents	HK cents	
Basic and diluted earnings per share	38.7	45.6	-15.1%
	At 31 March		Change %
	2023 HK\$'000	2022 HK\$'000	
Financial position:			
Total assets	8,539,878	7,599,524	12.4%
Net assets	3,855,716	3,702,999	4.1%
Net current assets	1,275,782	1,343,572	-5.0%
Cash and cash equivalents	605,365	576,790	5.0%
Total borrowings	1,641,046	1,088,637	50.7%



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M A N A G E M E N T
D I S C U S S I O N
A N D A N A L Y S I S

1. CURRENT INDUSTRY DEVELOPMENT

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

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

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

delivered 22 units of super large die-casting machines in total, representing an increase of 57% as compared to 14 units delivered in FY2022.

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

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

2. RESULTS AND FINANCIAL ANALYSIS OF THE COMPANY

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

In particular, sales revenue of die-casting machines amounted to HK\$4,427,861,000, representing a year-on-year increase of 16.0% as benefited by a promising outlook for downstream vehicle industry. Super large die-casting machines segment delivered

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

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

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

3. MAIN BUSINESS OPERATIONS AND MARKET ANALYSIS

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

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

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

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

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

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

4. **DEVELOPMENT TRENDS AND STRATEGIC OUTLOOK OF THE INDUSTRY**

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

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

From the perspective of national strategic development, the adoption of alternative fuel technology to replace traditional fossil fuel energy is one of the crucial means to achieve “peak carbon” and becoming “carbon neutral”, while the promotion of alternative fuel vehicle application, in turn, is an important strategy to achieve this goal. In the Energy-saving and New Energy Vehicle Technology Roadmap (《節能與新能源汽車技術路線圖》), the Ministry of Industry and Information Technology previously proposed the goal of aluminum usage in the country’s lightweight vehicle: 250kg/unit and 350kg/unit by 2025 and 2030 respectively. According to the statistics of CM Group, the amount of aluminum usage in passenger cars in the country was 145kg/unit in 2021, clearly much remains to be done in order to achieve the goal of aluminum usage. Integrated die-casting provides a low-cost method of lightweight integration for fuel-powered vehicles. Spare parts of aluminum alloys which 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 die-casting magnesium alloy formwork to replace traditional wooden and steel formwork, which will create new demand for die-casting machines with a level similar to the automotive industry. At present, according to the public data released by 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.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The working capital of the Group was generally financed by internal cash flows generated from its operation and existing banking facilities. As at 31 March 2023, the Group's cash and cash equivalents amounted to HK\$605,365,000 (31 March 2022: HK\$576,790,000).

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

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

As at 31 March 2023, the capital structure of the Company was constituted exclusively of 1,376,391,500 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$1,641,046,000 (31 March 2022: HK\$1,088,637,000), approximately 84.6% (31 March 2022: 80.7%) of which being short-term loans. Approximately 41.3% (31 March 2022: 27.8%) of the total borrowing was subject to interest payable at fixed rates.

FINANCIAL GUARANTEES

The Group provided guarantees to banks in respect of banking facilities granted to certain customers of the Group to purchase its products. As at 31 March 2023, the amount of the outstanding loans granted by banks to customers for which guarantees have been given by the Group amounted to HK\$21,991,000 (31 March 2022: HK\$35,857,000).

PLEDGE OF ASSETS

As at 31 March 2023, the Group's banking facilities and financial guarantee contracts were secured by the assets of the Group, including restricted bank balances, right-of-use assets, investment properties, property, plant and equipment and bills receivables, with aggregate carrying amounts of HK\$827,339,000 (31 March 2022: HK\$869,950,000).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitments in respect of acquisition of property, plant and equipment contracted but not provided in the consolidated financial information amounting to HK\$178,850,000 (31 March 2022: HK\$136,283,000).

MAJOR EVENTS OF L.K. TECHNOLOGY IN 2022

Pioneering the industry in terms of super large die-casting machine after successful trial production and formal launch of the first batch integrated die-casting vehicle rear body chassis. In April 2022, L.K. Technology successfully completed its trial production of integrated die-casting vehicle rear body chassis using 9000T super smart die-casting unit at the production base of Wencan Co., Ltd. in Tianjin. In addition, Wencan Co., Ltd. also succeeded in the trial production and formal launch of the first batch integrated die-casting vehicle rear body chassis using DREAMPRESS 9000T super smart die-casting unit for the Company, becoming a pioneer in the industry.



Gained national recognition with its 9000T smart die-casting machine being selected as the “Top Ten Leading Projects of Advanced Manufacturing Industry” (先進製造業十大領航項目) In August 2022, the DREAMPRESS 9000T smart die-casting unit of L.K. Technology was selected as the “Top Ten Leading Projects of Advanced Manufacturing Industry” in the International Conference on Advanced Manufacturing 2022 held by the Ministry of Industry and Information Technology and other government bodies, where outstanding projects characterized by digitalization, networking, intelligent and green elements with leadership, driving power and guiding potentials within advanced manufacturing industry were selected. Later in September, 9000T die-casting unit also won the “Automotive Lightweight Casting/Integrated Die-Casting Achievement Award 2022” at the “2022 (4th) China Automotive New Materials Application Summit Forum” hosted by the industry associations such as Die Casting Technology Association.



Industry-leading product re-engineered with the formal launch of the 12000T super large die-casting machine. In September 2022, L.K. Technology jointly announced the official launch of the world’s largest tonnage 12000T super large smart die-casting unit with Guangdong Hongtu. The successful launch of 12000T smart die-casting unit has created more possibilities on the R&D and manufacturing of integrated structure parts, which also marked a new journey to the R&D and manufacturing of core lightweight parts such as integrated front cabin assembly and integrated battery tray for alternative fuel vehicles. This has helped to realise the goals of independence and management of integrated die-casting core technologies in China and also strengthened the Company’s barriers to competitors.



Increasing investment, production volume and capability. At the foundation stone laying ceremony of the large die-casting machine R&D and manufacturing project in Hangzhou Bay New Zone. In September 2022, the foundation stone laying ceremony of the large die-casting machine R&D and manufacturing project of Ningbo L.K. Intelligent Equipment Co. Ltd.* (宁波力劲智能装备有限公司) under L.K. Technology was held in Hangzhou Bay New Zone in Ningbo. This project covers an area of approximately 239 acres, mainly for the processing of super large formworks, frames and other parts, as well as the intelligent production of large die-casting machine, and also the construction of technology R&D center for large, smart die-casting machines and aluminum alloy structural parts, demonstrating the commitment of L.K. Technology to product capability expansion and securing product delivery in order to facilitate global development of the alternative fuel vehicle industry with the construction of an additional manufacturing base.

Promoting continuous R&D collaboration within the industry and the establishment of R&D Institute together with Shanghai Jiao Tong University. In September 2022, Shanghai Jiao Tong University, Ningbo L.K. Intelligent Equipment Co. Ltd.* (宁波力劲智能装备有限公司) and the Technology Joint Research Center* (技术联合研究中心) signed a contract in relation to the project collaboration and mutual benefits between the School of Materials Science and Technology of Shanghai Jiao Tong University and Ningbo L.K. Technology Co. Ltd.* (宁波力劲科技有限公司) on the R&D of light alloy materials, die-casting equipment and process technology development. This project is focused around the super large and smart integrated die-casting equipment, advanced light alloy materials and the production techniques that are urgently needed by the alternative fuel vehicle manufacturing industry. They 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.



* English name is made for identification purpose only

2022 Global Press Conference on LKIMM Brand Strategy Upgrade.

In October 2022, the Global Press Conference on LKIMM Brand Strategy Upgrade was held, where the design concept and product ideas, technical features, user market positioning as well as product layout of LKIMM were officially announced in public for the first time. On the basis of the LK Injection Molding Machine, LKIMM adopts the brand new “LKIMM” logo striving for continuous expansion and excellence with a younger outlook to tap into the international market. With this brand new image, featured by younger outlook, more intelligent and environmental-friendly concepts, LKIMM brings better user experience with quality solutions through internal and core upgrades.



Leading in CNC machining technology. LK TC-1000 high-speed drilling and milling center won the Innovation Award.

In November 2022, the Industrial Information Research Institute and the “Modern Manufacturing” magazine jointly held the 2022 China Metal Processing Innovation Product Award, where LK TC-1000 high-speed drilling and milling center was successfully selected based on its advanced manufacturing technologies, R&D capabilities in response to user requirements, cutting-edge and innovative technologies to lead market consumption.



Adhering to innovative development strategies, Shenzhen Leadwell Technology Co. Ltd.* (深圳领威科技有限公司) was listed on the “2022 Guangdong-Hong Kong-Macao Greater Bay Area Enterprise Innovation List” at the 3rd Shenzhen Enterprise Innovation Promotion Conference. Shenzhen Leadwell Technology Co. Ltd.* (深圳领威科技有限公司) was selected as “2022 Guangdong-Hong Kong-Macao Greater Bay Area Enterprise Innovation List – Innovation Achievement List”, and also won the honor of “The 21st Shenzhen Enterprise Innovation Record – Independent and Innovative Benchmarking Enterprise”.



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Official launch and mass production of the world's largest integrated die-casting aluminum rear body together with Zeekr Automobile. In November 2022, Zeekr 009, the debut MPV model and the world's first original pure electric luxury MPV, was introduced to the market officially. L.K. Technology started the mass production of 009 integrated die-casting aluminum rear body together with Zeekr Automobile. The utilization of LK 7200T large and smart die-casting unit for commercial and mass production of integrated aluminum rear body for pure electric luxury MPV models signifies a milestone of mass production for the world's largest integrated die-casting aluminum rear body.



Being included in the directory of authoritative laboratories, the LK Laboratory Center has proactively enhanced its position in testing market. In March 2023, LK Science and Technology Laboratory Center* (力劲科技實驗室中心) obtained the official accreditation certificate issued by China National Accreditation Service for Conformity Assessment (CNAS), becoming one of the few enterprises in the industry to obtain CNAS accreditation. CNAS, which refers to China National Accreditation Service for Conformity Assessment, is the most authoritative laboratory certification management organization in China. The test results of the accredited laboratories can be used with the CNAS national laboratory accreditation mark and the ILAC international mutual recognition mark within the scope of CNAS accreditation, and can obtain domestic and international mutual recognition.



* English name is made for identification purpose only

DIRECTORS

Ms. Chong Siw Yin, aged 67, is the Chairperson of the Board and an Executive Director of the Company. Ms. Chong joined the Group in March 1988, and was appointed as an Executive Director in August 2004. She is also a director of certain subsidiaries of the Company. Ms. Chong is responsible for the strategic planning, administration and human resources management of the Group and has over 35 years of management experience. Ms. Chong is the mother of Mr. Liu Zhuo Ming (the Chief Executive Officer and an Executive Director of the Company) and Miss Liu Ying Ying.

Mr. Liu Zhuo Ming, aged 37, is the Chief Executive Officer and an Executive Director of the Company. Mr. Liu joined the Group in October 2008 and has served in a number of positions in the Group. He was appointed as an Executive Director in April 2014 and was appointed as the Chief Executive Officer in April 2017. Mr. Liu is also a director of certain subsidiaries of the Company. He graduated from Oregon State University, USA with a bachelor's degree in Computer Science. Mr. Liu has extensive experience in business operations and management. Mr. Liu is the son of Ms. Chong Siw Yin (the Chairperson of the Board and an Executive Director of the Company) and Mr. Liu Siong Song (the strategic and technical consultant and controlling shareholder of the Company).

Mr. Tse Siu Sze, aged 55, is an Executive Director of the Company. Mr. Tse joined the Group in July 1990 and has served in a number of positions in the Group. Mr. Tse was appointed as an Executive Director in December 2013. He is currently the general manager and a director of LK Injection Molding Machine Co., Ltd. and Ningbo L.K. Plastic Machinery Intelligent Manufacturing Co., Ltd. Mr. Tse has over 33 years of experience in production management, sales and marketing.

Dr. Low Seow Chay, aged 73, was appointed as an Independent Non-executive Director of the Company in September 2004. He was the associate professor of the Nanyang Technological University of Singapore before his retirement in November 2012. Dr. Low has more than 30 years of teaching (and research) experience in mechanical engineering. He is a former member of the Parliament of Singapore serving the term from 1988 to 2006, and is a board member of Hor Kew Corporation Limited, a publicly listed company in Singapore. Dr. Low received a Doctor of Philosophy Degree from The University of Manchester, U.K.

Dr. Lui Ming Wah, SBS, JP, aged 85, was appointed as an Independent Non-executive Director of the Company in September 2004. Dr. Lui is an established industrialist serving as the Honorary Chairman of The Hong Kong Electronic Industries Association and the Honorary President of The Chinese Manufacturers' Association of Hong Kong, the founder chairman of Hong Kong Shandong Business Association, Honorary President of Federation of HK Shandong Community Organisations Limited. Adviser Prof. of Shandong University. He was elected to the First, Second and Third Legislative Council of the HKSAR in 1998, 2000 and 2004 respectively. Dr. Lui was also member of the tenth and eleventh National Committee of the Chinese People's Political Consultative Conference, Member of standing Shandong Provincial Committee of C.P.P.C.C., post President of The Hong Kong Association for the Advancement of Science and Technology and Advisor of Hong Kong Affairs. He is the managing director of Keystone Electronics Co., Limited. Besides, he is currently an independent non-executive director of AV Concept Holdings Limited and Gold Peak Technology Group Limited (both being listed companies on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Dr. Lui obtained a master's degree in Applied Science from the University of New South Wales in Australia and a PhD from the University of Saskatchewan in Canada. He completed the "Hong Kong Senior Staff Course No. 1, 1984". He is a Fellow of The Hong Kong Institute of Directors.

Mr. Tsang Yiu Keung, Paul, aged 69, has been an Independent Non-executive Director of the Company since 2004. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Mr. Tsang joined KPMG in 1975 and retired as a senior banking partner in 2003. Mr. Tsang is an Independent Non-executive Director of Guotai Junan International Holdings Limited, a listed company on the Stock Exchange in Hong Kong.

Mr. Look Andrew, aged 58, has been an Independent Non-executive Director of the Company since April 2022. Mr. Look holds a bachelor of commerce degree from the University of Toronto and has over 30 years' experience in the equity investment analysis of Hong Kong and China stock markets. From 2000 to 2008, Mr. Look served in Union Bank of Switzerland as the head of Hong Kong research, strategy and product. He was rated as the best Hong Kong strategist and best analyst by the Asiamoney magazine, a leading monthly financial and capital markets publication for corporate and finance readers and investors, in 2001, 2002, 2003, 2005, 2006 and 2007. Mr. Look is an independent non-executive director of Hung Fook Tong Group Holdings Limited, Ka Shui International Holdings Limited, EC Healthcare and CITIC Resources Holdings Limited, all being listed on the Stock Exchange in Hong Kong.

SENIOR MANAGEMENT

Mr. Riccardo Ferrario, aged 66, is the general manager of Idra S.r.l and has full responsibility of the Idra S.r.l business worldwide. Mr. Ferrario joined the Group in April 2009. He has over 37 years of experience in the light alloy foundry business and worked for global companies such as Teksid (Fiat Group metallurgical product division), EurAlcom Group and Meridian Technologies. Mr. Ferrario is a metallurgical engineer graduated at Polytechnic of Turin (Italy) in 1982 and possesses strong experience in foundry manufacturing process and business development. He was member of the board of High Pressure Die Casting Technology of AIM (Italian Metallurgical Association). Mr. Ferrario is President of AMAFOND (Italian Foundry Supplier Association) from July 2020 and is well known in the aluminum and magnesium foundry community worldwide.

Ms. Pan Lingling, aged 52, is the general manager and a director of Shenzhen Leadwell Technology Co. Ltd. and a director of Shenzhen L.K. Technology Co. Ltd. Ms. Pan joined the Group in October 2002. She has been the general manager and a director of Shenzhen Leadwell Technology Co. Ltd. since April 2017 and was appointed as the director of Shenzhen L.K. Technology Co. Ltd. in July 2022. Ms. Pan has wealth of experience in research and development management, human resources management and market development. She is currently the Vice President of China Shenzhen Machinery Association, Member of Longhua District of Shenzhen Municipal Committee of the CPPCC and Vice President of Shenzhen Women Entrepreneurs Association. Ms. Pan possesses a postgraduate qualification in Economics and Management and a certification as a Senior Engineer.

Mr. Hu Zaoren, aged 51, joined the Group in April 1995 and has served in a number of positions in the Group. He is currently the general manager of Shanghai Atech Machinery Co. Ltd. (appointed in June 2016) and a director of Shenzhen L.K. Technology Co. Ltd (appointed in August 2022). Mr. Hu has rich experience in production, marketing and after-sale services management. Mr. Hu holds a Bachelor's degree in Business Administration with specialty in Mechatronic and Intermediate Economics Professional Qualification.

Mr. Zhang Jun, aged 43, is the general manager of Ningbo L.K. Technology Co. Ltd. and a director of Shenzhen L.K. Technology Co. Ltd. Mr. Zhang joined the Group in July 2000 and has served in various positions including customer services supervisor, customer services manager, sales manager and marketing director. He was appointed as the general manager of Ningbo L.K. Technology Co. Ltd. in July 2019 and as a director of Shenzhen L.K. Technology Co. Ltd. in August 2022. Mr. Zhang has over 23 years of experience in customer services, sales management and market development.

The Board of Directors (the “Board”) of the Company is committed to maintaining good corporate governance practices and procedures. The Company has applied the principles and complied with code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2023.

BOARD OF DIRECTORS

The Board currently comprises three Executive Directors and four Independent Non-executive Directors. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operation and development of the Group. Each of the Executive Directors has entered into a service contract with the Company for a term of three years. The Independent Non-executive Directors are appointed for a fixed term of three years and are subject to retirement by rotation and re-election in accordance with the Company’s Articles of Association. Each of the Independent Non-executive Directors or the Company may terminate the appointment at any time during the three-year term by giving the other party at least three months’ notice in writing. They bring independent judgment and provide the Company with invaluable guidance and advice on the Group’s development. They also review the financial information and operational performance of the Company on a regular basis. The present structure of the Board ensures the independence and objectivity of the Board and provides a system of checks and balances to safeguard the interests of the shareholders as a whole.

All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has received from each of the Independent Non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them to be independent. There is no relationship (including financial, business, family or other material relationship) among members of the Board save as those disclosed in the section headed “Directors and Senior Management Profiles”.

The Board of Directors meets at least four times a year at approximately quarterly intervals to review financial and operational performance and approves matters specially reserved to the Board of Directors for its decision. The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. Dates of the regular Board meeting are scheduled earlier. Notice of at least 14 days is given for regular Board meetings. For ad hoc Board meetings, reasonable notice will be given. All the Directors actively participated in the Board meetings during the Year.

The Company Secretary is responsible for ensuring compliance of Board procedures and advising the Board on matters concerning corporate governance and regulatory compliance. All Directors have access to the advice and services of the Company Secretary. Directors are consulted as to matters to be included in the agenda for regular Board meetings. Other than exceptional circumstances, related Board meeting materials are sent to all Directors in a timely manner and at least three days before the date of the scheduled Board meeting. Directors are provided with adequate and complete information to enable them to make an informed decision. Draft and final versions of minutes of Board meetings are sent to all Directors for comment and records within a reasonable time after the Board meeting is held. The minutes of the Board meetings record in sufficient details the matters considered (continued) by the Board, including concerns raised by the Directors. All minutes of Board meetings are kept by the Company Secretary and are open for inspection by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board meeting and the interested shareholder or Director shall not vote nor be counted in the quorum present at the relevant meeting. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction shall be present at such a Board meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board also reviewed the corporate governance policies and practices, the training and continuous professional development of Directors, compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the insurance coverage from time to time to ensure adequate coverage. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses in order to assist them to discharge their duties to the Company.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The roles of the Chairperson and Chief Executive Officer of the Company are segregated and are not exercised by the same individual. Ms. Chong Siw Yin is the Chairperson and Mr. Liu

Zhuo Ming is the Chief Executive Officer. The segregation of duties of the Chairperson and the Chief Executive Officer ensures a clear distinction in the Chairperson's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairperson and the Chief Executive Officer are set out in writing.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Relevant materials on legislative and regulatory updates were circulated to all Directors during the Year so as to keep them abreast of any changes to the regulation and disclosure obligations. Individual Directors also participated in other courses and seminars organized by regulatory and professional bodies to update their knowledge in their professional areas and have provided records thereof to the Company.

Records of the Directors' training during the Year are as follows:

Members of the Board

Training received

Executive Directors

Ms. Chong Siw Yin (<i>Chairperson</i>)	(i)
Mr. Liu Zhuo Ming (<i>Chief Executive Officer</i>)	(i)
Mr. Tse Siu Sze	(i)

Independent Non-executive Directors

Dr. Low Seow Chay	(i)
Dr. Lui Ming Wah, <i>SBS, JP</i>	(i)
Mr. Tsang Yiu Keung, Paul	(i) and (ii)
Mr. Look Andrew	(i) and (ii)

(i) Reading materials in relation to latest developments in rules and regulations

(ii) Attending training seminars

ATTENDANCE AT MEETINGS

The record of attendance of the Directors at Board meetings, Board Committee meetings and annual general meeting during the Year is set out below:

	Board meeting	Number of meetings attended/held			Annual general meeting
		Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	
Executive Directors					
Ms. Chong Siw Yin	6/6	N/A	N/A	N/A	1/1
Mr. Liu Zhuo Ming	6/6	N/A	N/A	N/A	1/1
Mr. Tse Siu Sze	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Dr. Low Seow Chay	6/6	3/3	3/3	3/3	1/1
Dr. Lui Ming Wah, <i>SBS, JP</i>	6/6	3/3	3/3	3/3	1/1
Mr. Tsang Yiu Keung, Paul	6/6	3/3	3/3	3/3	1/1
Mr. Look Andrew	6/6	3/3	3/3	3/3	1/1

In addition, the Chairperson of the Board met one time during the Year with all the Independent Non-executive Directors without the presence of the Executive Directors on 29 November 2022.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee currently comprises four Independent Non-executive Directors, namely Dr. Lui Ming Wah, Mr. Tsang Yiu Keung, Paul, Dr. Low Seow Chay and Mr. Look Andrew. Dr. Lui Ming Wah is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages of Directors and senior management, determining the award of bonuses and considering the matters relating to share schemes under the Listing Rules of the Company and making recommendations to the Board (the model described in code provision E.1.2(c)(ii) was adopted).

The Remuneration Committee held three meetings during the Year. The following is a summary of the major work done of the Remuneration Committee during the Year:

- reviewed and made recommendations to the Board on the revisions of salary, discretionary bonus and other remuneration packages of Executive Directors and senior management of the Group;
- reviewed and made recommendations to the Board on the remuneration for Independent Non-executive Directors; and
- reviewed the existing and adopted new terms of reference of Remuneration Committee.

Pursuant to code provision of E.1.5 of the CG Code, details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2023 is as follows:

	Number of employees
Nil – HK\$2,000,000	1
HK\$2,000,001 – HK\$4,000,000	2
HK\$4,000,001 – HK\$5,500,000	1

Details of the remuneration of each Director for the Year are set out in Note 27 to the financial statements.

Nomination Committee

The Nomination Committee currently comprises four Independent Non-executive Directors, namely Mr. Look Andrew, Dr. Low Seow Chay, Dr. Lui Ming Wah and Mr. Tsang Yiu Keung, Paul. Mr. Look Andrew is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the board succession. The Nomination Committee can reasonably ensure that only candidates with capability and relevant experience will be appointed as future directors.

During the Year, the Nomination Committee held three meetings. The members of the Nomination Committee discussed and recommended the renewal of the service contracts of Executive Directors and Independent Non-Executive Directors. They also reviewed the structure, size and composition of the Board and the existing terms of reference of Nomination Committee.

Board Diversity Policy

The Board has adopted a board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieve diversity of the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company’s strategic objectives and sustainable development. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Company take opportunities to promote gender diversity at all levels, including but not limited to our Board and the Senior Management levels. Currently, there is one female each on the Board of Directors and the Senior Management.

As at 31 March 2023, the Company has 5,193 employees (including Senior Management) comprising of 4,431 males and 762 females (85% for male and 15% for female).

The Company is mindful of the objectives as set out in the diversity policy when assessing the candidacy of the employees, and will ensure that the Company shall continue to follow the policy.

The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

Audit Committee

The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. Tsang Yiu Keung, Paul, Dr. Lui Ming Wah, Dr. Low Seow Chay and Mr. Look Andrew. Mr. Tsang Yiu Keung, Paul is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group and provide advice and comments to the Board.

During the Year, the Audit Committee held three meetings with the Executive Directors, representatives of the management, the internal auditors and the external auditor of the Company to discuss the auditing, financial reporting, operational performance and internal control matters. The Audit Committee also met one time during the Year with the external auditor in the absence of the management to discuss and make enquiries on various financial and operational matters.

The following is a summary of work performed by the Audit Committee during the Year:

- (i) review of the Group's interim and annual results before submission to the Board for approval;
- (ii) review of external auditor's audit plan, external auditor's reports and other matters raised by the external auditor;
- (iii) review of the independence of external auditor;
- (iv) making recommendation to the Board on the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- (v) review of the internal audit department reports and make recommendations;
- (vi) review of the effectiveness of the risk management and internal control systems of the Group; and
- (vii) review of the existing terms of reference of Audit Committee.

Auditor's Remuneration

The financial statements of the Group for the year ended 31 March 2023 have been audited by PricewaterhouseCoopers ("PwC"). The remuneration paid/payable to PwC is set out as follows:

	Fee paid/payable HK\$'000
Audit services	3,485
Non-audit services	839
	4,324

The non-audit services are mainly for interim results review, tax compliance and risk management review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiries by the Company that they have complied with the required standards as set out in the Model Code throughout the Year.

The Company has also established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company or the Company's securities.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2023.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 41 to 45.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

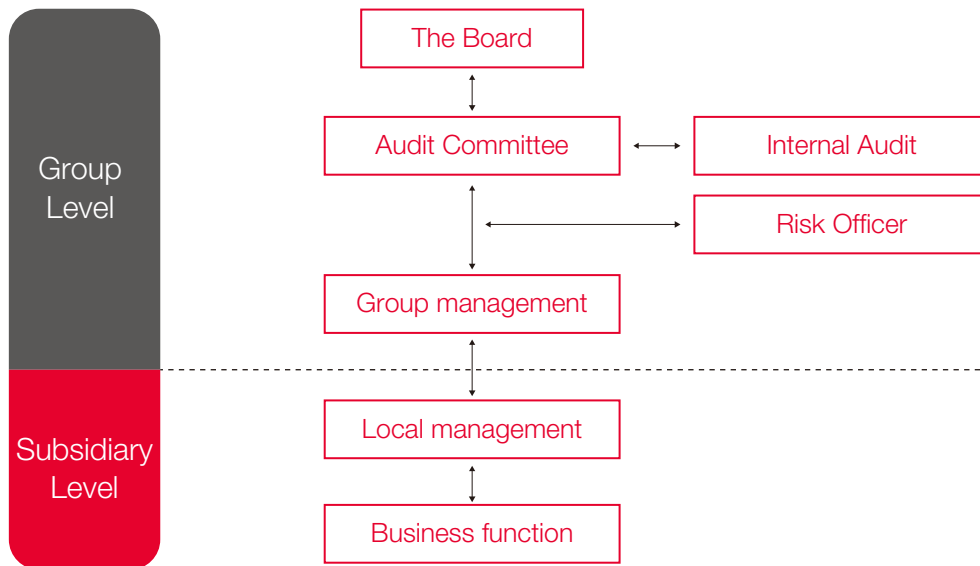
The Board acknowledges its responsibility to ensure the establishment, maintaining and review of the appropriateness and effectiveness of the Group’s risk management and internal control systems, where management is responsible for the design, implementation and monitoring of these systems to manage risks.

Sound and effective risk management and internal control systems are in place to achieve the Group’s strategic objectives as well as to safeguard shareholder investments and the Company assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Risk Management and Internal Control Framework

The Board has the overall responsibility of the risk management and internal control systems of the Group. With the support from the Audit Committee, the Board monitors the Group’s risk exposure, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting an appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Policies and procedures form the basis and set forth the control standards required for functioning of the Group’s business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.

With an aim to improve the Group’s risk management and internal control systems, the Group has engaged a professional consulting firm to enhance its risk management system and assist management to perform an annual assessment of major risks associated with the Group’s businesses and operations. The organizational structure for risk management is set out as follows:



The role of Group Risk officer is to promote the awareness of risk management in daily operations. The Group Risk officer initiates and facilitates the management to perform an annual enterprise-wide risk assessment to evaluate the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified several key risks that may impact the Group’s strategic objectives, as a result of the changes in the business and external environment. These risks have been prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group. A risk assessment report has been submitted to the Board for oversight and monitoring of the risks. Meanwhile, risk management measures and mitigating controls have been developed to manage these risks to an acceptable level.

Internal Audit

The Internal Audit Department (the “IAD”) of the Company plays a major role in monitoring the internal controls of the Group. It reports directly to the Audit Committee. The IAD has carried out independent audits to evaluate the effectiveness of the Group’s internal control systems according to the Internal Audit Plan. The head of the IAD has attended the Audit Committee meetings and reported the work that has been done and audit findings to the Audit Committee. All recommendations from the IAD have been followed up promptly to ensure proper controls have been in place within a reasonable time.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining appropriate and effective risk management and internal control systems to safeguard shareholder investments and the Company assets as well as reviewing the effectiveness of such systems, with the support of the Audit Committee, on an annual basis.

Key or major business units are required to perform annual control self-assessments to assess the effectiveness of internal control systems. The control self-assessments are in the form of questionnaires that set out key risks and corresponding controls for each key business process. The questionnaires are required to be confirmed and signed by the management of corresponding business units upon completion. The IAD reviews the completed control self-assessment questionnaires and provides comments and recommendations for consideration by the management of business units.

During the Year, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered these systems being effective and adequate. In addition, the Board has reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group’s accounting, internal audit and financial reporting functions, as well as their training programs and budget.

Procedures and Controls over Handling and Dissemination of Inside Information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. An Inside Information Disclosure Policy has been established to lay down practical guidelines on definition and the scope of inside information; disclosure and management framework; exemptions for disclosure; receiving, reporting and disclosing of inside information; confidentiality and records of such information. Also, staff who have access to inside information are required to follow the Inside Information Disclosure Policy to keep the unpublished inside information strictly confidential.

DIVIDEND POLICY

The Company has, since listing, adopted a dividend policy. The Company intends to pay dividends by way of interim and final dividends. The Directors generally intend to declare and recommend dividends which would amount in total to not less than 30% of the distributable profits generated during the year. The payment and amount of any dividends will be at the discretion of the Directors and will depend upon the Group’s earnings, financial conditions, cash requirements and availability, and other factors. There is no assurance as to whether the dividend distribution will occur as intended, what the amount of dividend payment or the timing of such payment will be.

The payment of dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the laws of the Cayman Islands and the memorandum and articles of association of the Company.

COMPANY SECRETARY

The Company Secretary of the Company is a full-time employee of the Company. For the year ended 31 March 2023, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board established a shareholders communication policy in 2012 and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.

The Company maintains various communication channels with its shareholders. The Company's annual general meeting provides a good opportunity for shareholders to exchange views with the Board. Members of the Board and the external auditor will attend the annual general meeting to answer shareholders' questions.

In order to promote effective communication, the Company maintains a website (www.lk.world) which includes past and present information relating to the Group and its businesses.

The Company regards communications with its investors as being vital. The Company continues to enhance investor relations. Designated members of the Board and senior management of the Company are given the specific responsibilities to maintain regular contact with institutional investors, potential investors, financial analysts and fund managers. During the Year, plant visits and meetings were held to help them better understand the Group's operations and developments. Press releases were issued as appropriate to provide with the most updated business development of the Group to the public.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting of the Company ("EGM")

Pursuant to Article 58 of the Articles of Association of the Company, shareholders of the Company holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Putting forward proposals at general meetings

There are no provisions allowing shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the Company's Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures as set out in the preceding paragraph.

As regards proposing a person for election as a Director, please refer to the procedures available on the website of the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquires to the Company addressing to the Company Secretary by mail at Unit A, 8th Floor, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong.

Constitutional documents

The Company adopted a new set of Memorandum of Association and Articles of Association on 6 September 2022 to allow the Company to hold hybrid and virtual meetings of Shareholders.

The Directors submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerized numerical controlled machining centres and related accessories. The Group is also engaged in steel casting. The activities of the Company’s principal subsidiaries, an associate and joint ventures are set out in Notes 10, 11 and 12 to the consolidated financial statements respectively.

An analysis of the Group’s performance for the Year by operating segment is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated income statement on page 48.

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

BUSINESS REVIEW

A review of the Group’s business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group’s performance using financial key performance indicators, particulars of important events affecting the Group during the Year and up to the date of this report, and an indication of likely future developments in the Group’s business, are provided in sections headed “Chairman’s Statement” on page 6 and “Management Discussion and Analysis” on pages 8 to 14 of the annual report, and the notes to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with the requirements of relevant laws and regulations. During the Year, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmental-friendly corporation and pays close attention to environmental protection laws and regulations to ensure the environmental policies are in line with domestic and international standards. All the factories are operated in strict compliance with the relevant environmental regulations and rules.

KEY RELATIONSHIPS

The Group recognizes the importance of maintaining a good relationship with its employees, customers and suppliers so as to maintain sustainable development in the long term. During the Year, there were no material and significant disputes between the Group and its employees, customers and suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For details of the environmental related activities performed in 2023, please refer to the Company’s 2022/23 Environmental, Social and Governance Report published on the Company’s website and on the website of the Hong Kong Stock Exchange the same date as the publication of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties are set out in Note 8 to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2023 are set out in Note 20 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable or other donations totaling HK\$726,000.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 37 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2023, the Company's reserves available for distribution to shareholders of the Company were HK\$1,207,391,000, representing share premium of HK\$1,123,842,000 and retained earnings of HK\$83,549,000.

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Company's Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

EQUITY LINKED AGREEMENTS

Other than the share option scheme and share award scheme of the Group as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 136.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the Year and up to the date of this report were:

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

In accordance with Article 87 of the articles of association of the Company, Mr. Liu Zhuo Ming, Mr. Tse Siu Sze and Dr. Lui Ming Wah ("Dr. Lui") shall retire from office by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting ("AGM"). The Remuneration Committee and Nomination Committee of the Company had assessed and reviewed the annual confirmation of independence of Dr. Lui based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed that Dr. Lui remains independent. The Remuneration Committee and Nomination Committee had considered and nominated the above 3 retiring Directors to the Board for it to propose to the Shareholders for re-election at the AGM.

Each of the above retiring Directors had abstained from voting at the relevant Board meeting on the respective propositions of their recommendations for re-election by the Shareholders at the AGM.

Dr. Lui has served as an Independent Non-executive Director of the Company for more than 9 years. Dr. Lui has demonstrated his ability to provide an independent view to the Company's matters. The Board is of the view that Dr. Lui is able to continue to fulfill his role as required and he is therefore considered as independent and is recommended to be re-elected.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 19 to 20 to this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT

Save for the transactions as disclosed in the section headed "Continuing Connected Transaction" below and the related party disclosures as disclosed in Note 36 to the financial statements of the annual report, none of the Directors had any material interests, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year ended 31 March 2023.

CONTRACT OF SIGNIFICANCE

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

On 28 December 2020, L.K. Machinery (Shenzhen) Co., Ltd.* (力勁機械(深圳)有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company (the "Vendor") and Shenzhen Wanjin Investment Co., Ltd.* (深圳市萬勁投資有限公司), a company established in the PRC with limited liability (the "Purchaser") entered into the memorandum of understanding (the "MOU") in relation to the disposal of properties, pursuant to which, amongst others, the Purchaser paid a refundable earnest money of RMB10,000,000 to the Vendor in relation to the urban renewal project titled L.K. High-tech Industrial Park Urban Renewal Project* (力勁高新科技工業園城市更新項目) (the "Urban Renewal Project").

On 12 January 2021, the Vendor entered into the cooperation agreement (the "Cooperation Agreement") with the Purchaser, pursuant to which the Vendor had agreed to sell, and the Purchaser had agreed to purchase, the properties located in Shenzhen, Guangdong, the PRC, for a consideration comprising (i) the monetary consideration of RMB350 million (equivalent to approximately HK\$419.1 million); and (ii) the resettlement properties, which are estimated by Vigers Appraisal and Consulting Limited, an independent valuer

appointed by the Company, to have a gross development value of approximately RMB1,249 million (equivalent to approximately HK\$1,495.6 million) as at 5 January 2021. Upon the entering into of the Cooperation Agreement, the refundable earnest money of RMB10,000,000 has been returned to the Purchaser without interest in accordance with the terms of the MOU.

On 18 January 2021 (the "Approval Date"), the Company has obtained a written shareholders' approval from Girgio Industries Limited ("Girgio"), a controlling shareholder of the Company, then holding in aggregate 770,980,000 shares of the Company, representing approximately 64.7% of the entire issued share capital of the Company as at the Approval Date, for the Cooperation Agreement and the transactions contemplated thereunder. Accordingly, the written approval from Girgio has been accepted in lieu of holding a general meeting of the Company for the approval of the Cooperation Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Monetary consideration of RMB70,000,000 was received by the Vendor from the Purchaser in relation to Urban Renewal Project in 2022. Details of the Urban Renewal Project are set out in the announcements dated 28 December 2020, 12 January 2021, 18 January 2021, 27 January 2021, 18 January 2023 and the circular dated 4 March 2021.

As mentioned in the Circular, the terms of the Cooperation Agreement stipulated that the Urban Renewal Approval (立項完成) in relation to the Urban Renewal Project shall be obtained by the Purchaser within two years after the Shareholders' Approval (i.e., on or before 17 January 2023). As at 18 January 2023, such Urban Renewal Approval (立項完成) had not been obtained by the Purchaser.

Pursuant to the terms of the Cooperation Agreement, in case where Urban Renewal Approval (立項完成) is not obtained within the stipulated timeframe, (a) the Vendor may unilaterally terminate the Cooperation Agreement, and upon which the Vendor shall return 50% of the paid Performance Deposit; or (b) if concrete progress of the Urban Renewal Project has been made by the Purchaser, the timeframe for Urban Renewal Approval (立項完成) in relation to the Urban Renewal Project may further extend for a year with the prior written consent of the Vendor. If Urban Renewal Approval (立項完成) in relation to the Urban Renewal Project is still not

* English name is made for identification purpose only

obtained within the extended timeframe, the Vendor may terminate the Cooperation Agreement in the manner stated in (a) above. As at the date of this Report, the Vendor is in the course of discussing with the Purchaser on the subsequent arrangements of the Cooperation Agreement.

Save for the transactions as disclosed in the sections headed "Contract of Significance" and "Continuing Connected Transaction" and the related party disclosures as disclosed in Note 36 to the financial statements of the annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries during the year ended 31 March 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, 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 ⁽¹⁾ Long position	61.69%
	the Company	Beneficial owner	3,105,000 ⁽²⁾ Long position	0.22%
	the Company	Interest of spouse	5,722,750 ⁽³⁾ Long position	0.42%
Mr. Liu Zhuo Ming	the Company	Beneficiary of a trust	849,078,004 ⁽⁴⁾ Long position	61.69%
	the Company	Beneficial owner	1,000,000 ⁽⁵⁾ Long position	0.07%
Mr. Tse Siu Sze ("Mr. Tse")	the Company	Interest of spouse	50,000 ⁽⁶⁾ Long position	0.004%

Notes:

- These 849,078,004 shares are owned by Girgio Industries Limited ("Girgio"). Girgio 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 Zhuo Ming and Miss Liu Ying Ying are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu Siang Song ("Mr. Liu"), the spouse of Ms. Chong.
- 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.
4. Mr. Liu Zhuo Ming is deemed to be interested in the 849,078,004 shares held by Girgio as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.
5. 1,000,000 underlying shares are held by Mr. Liu Zhuo Ming 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.

Long position in shares of associated corporation of the Company

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

Save as disclosed above, as at 31 March 2023, none of the Directors and chief executive of the Company had registered any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND LONG POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2023, according to the relevant disclosure of the interest information as shown on the HKExnews website of HKEx and the register kept by the Company under Section 336 of the SFO, the following companies and persons, other than the Directors and chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares of the Company:

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

Notes:

1. These 849,078,004 shares are owned by Girgio. Girgio 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 Zhuo Ming and Miss Liu Ying Ying are the beneficiaries of The Liu Family Trust) and 5% by Mr. Liu.
2. Mr. Liu is the spouse of Ms. Chong and is deemed to be interested in the shares held by Ms. Chong. Besides, Mr. Liu holds 5% interest in Girgio.
3. HSBC International Trustee Limited is the trustee of The Liu Family Trust. The Liu Family Trust was established by Mr. Liu on 22 February 2002 and amended and restated on 3 December 2021 for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. The Liu Family Unit Trust had terminated since 18 November 2021 and Fullwit Profits Limited had ceased to have an indirect interest in the Company after the transfer of ownership in Girgio to Full Profit Asset Limited since 26 October 2021. 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, the Directors of the Company were not aware of any persons (who were not directors or 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 Divisions 2 and 3 of Part XV of the SFO, or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

SHARE OPTION SCHEME

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

On 24 September 2021, the Company granted an aggregate of 27,540,000 share options to 390 employees of the Group under the Share Option Scheme. Movements in the outstanding share options of the Company granted under the Share Option Scheme during the year ended 31 March 2023 were as follows:

Name	Date of grant	Closing price per share immediately before date of grant HK\$	Exercise price per share HK\$	Number of share options							No. of share options exercisable during the exercisable period		
				Balance outstanding as at 1 April 2022	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance outstanding as at 31 March 2023	No. of share option during the vesting period ⁽³⁾			
Directors													
Ms. Chong Siw Yin	24 September 2021	18.9	19.86	120,000	-	-	-	-	120,000	120,000	120,000	(24 September 2021 to 24 September 2023)	(25 September 2023 to 23 September 2031)
	24 September 2021	18.9	19.86	90,000	-	-	-	-	90,000	90,000	90,000	(24 September 2021 to 24 September 2024)	(25 September 2024 to 23 September 2031)
	24 September 2021	18.9	19.86	90,000	-	-	-	-	90,000	90,000	90,000	(24 September 2021 to 24 September 2025)	(25 September 2025 to 23 September 2031)

Name	Date of grant	Closing price per share immediately before date of grant HK\$	Exercise price per share HK\$	Number of share options									
				Balance outstanding				Balance outstanding				No. of share options exercisable during the exercisable period	
				as at 1 April 2022	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	as at 31 March 2023	No. of share option during the vesting period ⁽³⁾			
Mr. Liu Zhuo Ming	24 September 2021	18.9	19.86	400,000	-	-	-	-	400,000	400,000	400,000	(24 September 2021 to 24 September 2023)	(25 September 2023 to 23 September 2031)
	24 September 2021	18.9	19.86	300,000	-	-	-	-	300,000	300,000	300,000	(24 September 2021 to 24 September 2024)	(25 September 2024 to 23 September 2031)
	24 September 2021	18.9	19.86	300,000	-	-	-	-	300,000	300,000	300,000	(24 September 2021 to 24 September 2025)	(25 September 2025 to 23 September 2031)
Miss Liu Ying Ying ⁽¹⁾	24 September 2021	18.9	19.86	60,000	-	-	-	-	60,000	60,000	60,000	(24 September 2021 to 24 September 2023)	(25 September 2023 to 23 September 2031)
	24 September 2021	18.9	19.86	45,000	-	-	-	-	45,000	45,000	45,000	(24 September 2021 to 24 September 2024)	(25 September 2024 to 23 September 2031)
	24 September 2021	18.9	19.86	45,000	-	-	-	-	45,000	45,000	45,000	(24 September 2021 to 24 September 2025)	(25 September 2025 to 23 September 2031)
Ms. Lau Yau Ting ⁽²⁾	24 September 2021	18.9	19.86	20,000	-	-	-	-	20,000	20,000	20,000	(24 September 2021 to 24 September 2023)	(25 September 2023 to 23 September 2031)
	24 September 2021	18.9	19.86	15,000	-	-	-	-	15,000	15,000	15,000	(24 September 2021 to 24 September 2024)	(25 September 2024 to 23 September 2031)
	24 September 2021	18.9	19.86	15,000	-	-	-	-	15,000	15,000	15,000	(24 September 2021 to 24 September 2025)	(25 September 2025 to 23 September 2031)
				1,500,000	-	-	-	-	1,500,000				

Notes:

- An employee of LK Injection Molding Machine Co., Ltd. (廣東力勁塑機製造股份有限公司) and L.K. Machinery International Limited (subsidiaries of the Company) and a daughter of Ms. Chong Siw Yin and Mr. Liu Siang Song, hence Miss Liu is an associate of a director and a controlling shareholder of the Company pursuant to the definition of the Listing Rules.
- An employee of L.K. Machinery International Limited and the spouse of Mr. Tse, being an associate of a Director of the Company pursuant to the definition of the Listing Rules.

3. The Share Options will be vested in three tranches, subject to the terms of the Share Option Scheme and the fulfilment of the following vesting conditions:

Percentage of exercisable Share Options	Exercise period	Vesting conditions
40% of the Share Options	exercisable during the period commencing from the first trading day after the second anniversary of the date of grant up to and including 23 September 2031	upon satisfaction of the specific performance indicators based on the appraisal mechanism for the relevant grantees for specified financial years
30% of the Share Options	exercisable during the period commencing from the first trading day after the third anniversary of the date of grant up to and including 23 September 2031	
30% of the Share Options	exercisable during the period commencing from the first trading day after the fourth anniversary of the date of grant up to and including 23 September 2031	

The principal terms of the Share Option Scheme are summarised as follows:

(a) Purpose

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

(b) Participants

The Board may, at its absolute discretion, offers to grant options to eligible persons including any full-time or part-time employees and directors (including non-executive directors and independent non-executive directors) of any member of the Group.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 113,326,500 shares, representing 10% of the issued share capital of the Company as at the date of the approval of the Share Option Scheme.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

Subject to the provisions of the Listing Rules, no option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the shares in issue from time to time. Where any further grant of options to such an eligible person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such eligible person and his close associates (or his close associates if such eligible person is a connected person) abstaining from voting.

(e) Offer period and amount payable for options

An offer of the grant of an option shall remain open for acceptance by the eligible person concerned for a period of 14 days from the offer date. The amount payable on acceptance of an option is HK\$10.00.

(f) Minimum holding period, vesting and performance target

The Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the shares to which such option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised.

(g) Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall be at least the higher of: (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date.

(h) Exercise of option

Subject to the terms and conditions upon which the option was granted, an option may be exercised by the grantee at any time during the period commencing

immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by the Directors to each grantee provided that such period shall not exceed the period of ten years from the date of the grant of a particular option but subject to the provisions for early termination thereof contained in the Share Option Scheme.

(i) Life of Share Option Scheme

Subject to earlier termination by the Company by ordinary resolution in general meeting, the Share Option Scheme will remain in force for a period of ten years commencing from 8 September 2016 after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme (the "Scheme") on 28 October 2015 (the "Adoption Date"). The purpose of the Scheme is to recognize the contributions of the employees (including without limitation employees who are also directors) of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the growth and further development of the Group.

Pursuant to the terms of the Scheme, the Board may, from time to time, at their absolute discretion select any employee for participation in the Scheme as a selected employee. The Board may determine the number of shares of the Company to be awarded to each selected employee and may impose any conditions, restrictions or limitations or waive any such conditions, restrictions or limitations from time to time in relation to the award as it may at its absolute discretion think fit.

The Board shall not make any further award which will result in the total number of shares awarded by the Board under the Scheme exceeding 10 per cent. of the issued share capital of the Company as at the Adoption Date. The total number of shares which may be awarded to a selected employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1 per cent. of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

During the year ended 31 March 2023, the Company has not purchased any shares of the Company through the trustee in the open market on the Stock Exchange for the purpose of the Share Award Scheme. There were no shares awarded to employees pursuant to the Share Award Scheme during the Year.

THE TOP-UP PLACING AND SUBSCRIPTION OF SHARES

On 26 April 2021, Girgio Industries Limited, a controlling shareholder of the Company, (the "Vendor") and the Company entered into the placing and subscription agreement with CLSA Limited (as the sole placing agent, the "Placing Agent"), pursuant to which, the Placing Agent had agreed to place a total of 60,000,000 then existing ordinary shares of the Company at a price of HK\$9.50 per share (the "Placing Price") owned by the Vendor to no less than six independent places on a best effort basis (the "Placing"), while the Vendor conditionally agreed to subscribe for new ordinary shares of the Company, the number of which is equal to the number

of the placing shares placed by the Placing Agent at an issue price equal to the Placing Price (the "Subscription"). The Placing Price represented a discount of approximately 9.00% to the closing price of HK\$10.44 per share as quoted on the Stock Exchange on the last trading date prior to the signing of the placing and subscription agreement, i.e., 26 April 2021. Completion of the Placing and the Subscription took place on 29 April 2021 and 3 May 2021, respectively.

The net proceeds from the Subscription were approximately HK\$562,546,000, net of expenses incurred by the Vendor in relation to the Placing and the Subscription. The net proceeds have been and will be utilised for the intended purposes as previously disclosed in the relevant announcements. The net placing price, after deducting all professional fees and other out-of-pocket expenses incurred by the Vendor, which are ultimately borne by the Company, was approximately HK\$9.37 per placing share. The Placing and Subscription were completed on 29 April 2021 and 3 May 2021 respectively. Details of the Placing and the Subscription are set out in the announcements dated 26 April 2021 and 3 May 2021.

USE OF NET PROCEEDS FROM TOP-UP PLACING AND SUBSCRIPTION

Items	Net proceeds	Utilisation as at	Unutilised as at
	HK\$'000	31 March 2023 HK\$'000	31 March 2023 HK\$'000
For increasing production efficiency and capacity	386,150	375,823	10,327
General working capital	176,396	176,396	N/A
	562,546	552,219	10,327

The following table illustrates the net proceeds utilised for increasing production efficiency and capacity as at 31 March 2023:

	HK\$'000
Purchases of property, plant and equipment	
Fuxin Jinda Precision Machinery Co., Ltd.* 阜新勁達精密機械有限公司	31,915
Fu Xin L.K. Northern Machinery Co. Ltd.* 阜新力勁北方機械有限公司	84,411
Fuxin Lida Steel Casting Co. Ltd. 阜新力達鋼鐵鑄造有限公司	64,120
L.K. Technology (Kunshan) Co. Ltd.* 力勁科技(昆山)有限公司	35,234
Shenzhen Shenshan Special Cooperation Zone L.K. Technology Co. Ltd.* 深汕特別合作區力勁科技有限公司	60,240
	275,920
Purchases of land use rights and deposit paid	
Ningbo L.K. Intelligent Machinery Co. Ltd.* 寧波力勁智能裝備有限公司	99,903
	375,823

* English name is made for identification purpose only

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds of HK\$10,327,000, for purchases of property, plant and equipment on Fuxin Jinda Precision Machinery Co. Ltd in accordance with such intended purposes within the upcoming 12 months. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the financial year ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2023, the Company had the following continuing connected transaction that is subject to the Listing Rules' reporting requirement for disclosure in annual report.

Consultancy Agreement

On 1 December 2020, the Company entered into the Consultancy Agreement with Mr. Liu Siang Song to appoint him as the strategic and technical consultant of the Company

for the term from 1 December 2020 to 30 November 2023 for the annual caps for the years ended 31 March 2021, 2022 and 2023, year ending 31 March 2024 not exceeding HK\$2,000,000, HK\$6,000,000, HK\$6,000,000 and HK\$4,000,000 respectively.

Details of the abovementioned continuing connected transaction are set out in the announcement dated 1 December 2020.

The independent non-executive directors have reviewed the transactions and confirmed to the Board of Directors that, in their opinion, the transactions, and the arrangements governing those transactions, are entered into by the Company in the ordinary and usual course of business and on normal commercial terms, and are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transaction for the year ended 31 March 2023 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in

respect of the continuing connected transaction disclosed by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

The Directors confirmed that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of the continuing connected transaction during the year ended 31 March 2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the Year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any part of the business of the Company were entered into or existed during the Year.

COMPETING BUSINESS

Each of Mr. Liu, Girgio, Ms. Chong and Mr. Liu Zhuo Ming (son of Mr. Liu and Ms. Chong) has provided a written confirmation, which has been reviewed and confirmed by the Independent Non-executive Directors of the Company, confirming compliance with the terms the Non-competition Undertaking entered into between them and the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

STAFF AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed approximately 5,193 full-time staff. The staff costs for the Year amounted to HK\$960,485,000 (2022: HK\$873,032,000). The remuneration policies of the Group are determined based on market trends, future plans and the performance of individuals. In addition, the Group also provides other staff benefits such as mandatory provident fund, state-managed social welfare scheme, share option scheme and share award scheme.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provide that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential legal actions that may be incurred in the course of performing their duties.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is sufficient public float as required by the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

Chong Siw Yin
Chairperson

Hong Kong, 28 June 2023

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of L.K. Technology Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of L.K. Technology Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 46 to 134, comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of trade receivables
- Provision for inventories write-down

Key Audit Matter

Recoverability of trade receivables

Refer to Note 3.1(b)(ii) (impairment of financial assets), Note 4(b) (critical accounting estimates and judgements) and Note 14 (trade and bills receivables) to the consolidated financial statements.

As at 31 March 2023, the gross trade receivables recognised by the Group was HK\$2,136,075,000 (2022: HK\$1,672,937,000). The related provision for impairment of trade receivables recognised by the Group amounted to HK\$125,642,000 (2022: HK\$137,005,000).

Management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables.

Management judgements are required in assessing the expected credit losses for trade receivables. The judgements included review of customers settlement history, their current ability to pay and forward-looking information.

We focused on this area because the determination of the recoverable amounts of trade receivables requires the use of significant judgements and estimates.

How our audit addressed the Key Audit Matter

Our procedures in relation to recoverability of trade receivables included:

- Obtaining an understanding of the management's internal control and assessment process of the expected credit loss for trade receivable and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- Assessing the appropriateness of the credit loss provisioning methodology used by the Group;
- Testing the expected credit losses by checking to the customers past repayment pattern and historical credit loss experience, subsequent settlement and forward-looking information used;
- Testing, on a sample basis, the accuracy of the ageing reports for trade receivables prepared by management; and
- Circularising independent confirmations to debtors on a sample basis to confirm the balances as at 31 March 2023 and reconciled the confirmed amounts with those recorded by the Group where applicable.

Based on the results of our procedures, we found the management's judgements and estimates used in the recoverability assessment on trade receivables were supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Provision for inventories write-down

Refer to Note 4(a) (critical accounting estimates and judgements) and Note 18 (inventories) to the consolidated financial statements.

As at 31 March 2023, the Group held inventories of HK\$1,851,882,000 (2022: HK\$1,713,348,000), net of provision for impairment of HK\$123,801,000 (2022: HK\$128,467,000). Inventories are carried at the lower of cost and net realisable value ("NRV"). The cost of inventories may not be recoverable if those inventories' selling prices declined or they have become obsolete or damaged.

Management consistently applies a methodology to make provision for inventories write-down. Management determines the lower of cost and NRV of inventories by considering the estimated selling price of individual inventory items less selling expenses, their ageing profile and any obsolescence identified from periodic inventory counts conducted by the entity.

We focused on this area because the determination of estimated selling price of individual product, including historical sales record of selling products of similar nature and expectation of future sales based on current market conditions and sales backlog requires the use of significant judgements and estimates.

How our audit addressed the Key Audit Matter

Our procedures in relation to provision for inventories write-down included:

- Obtaining an understanding of the management's internal control and assessment process of the determination of the estimated price of individual product and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- Evaluating reasonableness of the methodology which took into account inventory ageing profile, historical and post year-end sales data;
- Testing controls over estimation of NRV of inventories and related provision;
- Testing, on a sample basis, the inventory ageing by comparing the inventory records with the underlying documents;
- Testing, on a sample basis, the NRV of selected inventory items by comparing the estimated selling price less selling expenses with post year-end sales data, sales backlog, or current market analysis; and
- Observing management's inventory counts to identify any obsolete inventories.

Based on the procedures described, we found the management's judgements and estimates in relation to the provision for inventories write-down were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

OTHER INFORMATION *(Continued)*

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong, Wai Bong, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Intangible assets	6	15,191	14,801
Property, plant and equipment	7	1,818,955	1,476,984
Investment properties	8	514,690	651,754
Right-of-use assets	9	387,996	408,912
Interests in joint ventures	10	–	–
Interests in associates	11	15,725	17,150
Other receivables and deposits	15	123,970	149,063
Deferred income tax assets	13	92,511	92,227
Trade and bills receivables	14	19,948	32,564
Financial asset at fair value through other comprehensive income	16	5,682	6,173
Restricted bank balances	19(b)	–	677
Total non-current assets		2,994,668	2,850,305
Current assets			
Inventories	18	1,851,882	1,713,348
Trade and bills receivables	14	2,520,720	2,018,270
Other receivables, prepayments and deposits	15	349,611	282,056
Restricted bank balances	19(b)	217,632	158,755
Cash and cash equivalents	19(a)	605,365	576,790
Total current assets		5,545,210	4,749,219
Total assets		8,539,878	7,599,524
Equity			
Share capital	20	137,640	137,640
Reserves	21	1,513,723	1,771,131
Retained earnings	21	2,204,353	1,794,228
Total equity		3,855,716	3,702,999

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Deferred income tax liabilities	13	86,254	93,933
Borrowings	22	253,514	210,431
Lease liabilities	9	4,462	11,789
Other payables	23	70,504	174,725
Total non-current liabilities		414,734	490,878
Current liabilities			
Trade and bills payables	23	1,810,562	1,507,464
Other payables and contract liabilities	23	1,021,585	959,753
Borrowings	22	1,387,532	878,206
Lease liabilities	9	7,616	9,449
Current income tax liabilities		42,133	50,775
Total current liabilities		4,269,428	3,405,647
Total liabilities		4,684,162	3,896,525
Total equity and liabilities		8,539,878	7,599,524

The consolidated financial statements on pages 46 to 134 were approved by the Board of Directors on 28 June 2023 and were signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

The notes on pages 53 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	24	5,896,349	5,362,474
Cost of sales	26	(4,299,662)	(3,796,074)
Gross profit		1,596,687	1,566,400
Other income	24	140,342	102,752
Other gains – net	25	58	39,279
Selling and distribution expenses	26	(544,592)	(480,605)
General and administrative expenses	26	(519,675)	(430,471)
Reversal of provision for/(provision for) impairment of trade receivables – net	26	4,654	(4,840)
Operating profit		677,474	792,515
Finance income	28	6,760	6,721
Finance costs	28	(53,936)	(33,572)
Finance costs – net	28	(47,176)	(26,851)
Share of (losses)/profit of associates	11	(61)	43
Profit before income tax		630,237	765,707
Income tax expenses	29	(98,002)	(140,198)
Profit attributable to owners of the Company		532,235	625,509
		HK cents per share	HK cents per share
Earnings per share for profit attributable to owners of the Company during the year			
– Basic	30(a)	38.7	45.6
– Diluted	30(b)	38.7	45.6

The notes on pages 53 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Profit attributable to owners of the Company		532,235	625,509
Other comprehensive (loss)/income for the year			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(269,906)	85,343
Change in fair value of insurance policy investments	17	–	(26)
Loss on disposals of insurance policy investments		–	222
<i>Item that will not be reclassified to profit or loss</i>			
Gain on revaluation of property, plant and equipment upon transfer to investment properties	8	–	84,315
Total comprehensive income attributable to owners of the Company, net of tax		262,329	795,363

The notes on pages 53 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Other 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	137,640	1,123,842	13,771	183,969	15,055	304,693	129,433	368	1,794,228	3,702,999
Profit for the year	-	-	-	-	-	-	-	-	532,235	532,235
Other comprehensive loss										
Currency translation differences	-	-	-	(269,906)	-	-	-	-	-	(269,906)
Total comprehensive income	-	-	-	(269,906)	-	-	-	-	532,235	262,329
Employees incentive plans (Note 20)	-	-	-	-	3,782	-	-	-	-	3,782
Transfer to statutory reserve	-	-	-	-	-	8,716	-	-	(8,716)	-
Transactions with owners in their capacity as owners:										
Dividends paid (Note 31)	-	-	-	-	-	-	-	-	(110,112)	(110,112)
Dividends in relation to an employees incentive plan of a subsidiary	-	-	-	-	-	-	-	-	(3,282)	(3,282)
At 31 March 2023	137,640	1,123,842	13,771	(85,937)	18,837	313,409	129,433	368	2,204,353	3,855,716

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Insurance policy investments 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	119,127	579,809	13,771	98,626	11,116	265,860	45,118	(196)	368	1,327,673	2,461,272
Profit for the year	-	-	-	-	-	-	-	-	-	625,509	625,509
Other comprehensive income/(loss)											
Currency translation differences	-	-	-	85,343	-	-	-	-	-	-	85,343
Change in fair value of insurance policy investment	-	-	-	-	-	-	-	(26)	-	-	(26)
Loss on disposal of insurance policy investments	-	-	-	-	-	-	-	222	-	-	222
Gain on revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	-	-	-	84,315	-	-	-	84,315
Total comprehensive income	-	-	-	85,343	-	-	84,315	196	-	625,509	795,363
Employees incentive plans (Note 20)	-	-	-	-	2,157	-	-	-	-	-	2,157
Transfer to statutory reserve	-	-	-	-	-	38,833	-	-	-	(38,833)	-
Transactions with owners in their capacity as owners:											
Placement of shares (Note 20)	6,000	556,546	-	-	-	-	-	-	-	-	562,546
Issue of bonus shares (Note 20)	12,513	(12,513)	-	-	-	-	-	-	-	-	-
Dividends paid (Note 31)	-	-	-	-	-	-	-	-	-	(120,121)	(120,121)
Other	-	-	-	-	1,782	-	-	-	-	-	1,782
At 31 March 2022	137,640	1,123,842	13,771	183,969	15,055	304,693	129,433	-	368	1,794,228	3,702,999

The notes on pages 53 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Cash generated from operations	32	274,443	326,015
Interest paid		(63,737)	(40,430)
Income tax paid		(111,331)	(102,882)
Net cash generated from operating activities		99,375	182,703
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment	32(a)	6,082	6,244
Payments for intangible assets		(6,304)	(5,912)
Purchases of property, plant and equipment		(430,077)	(461,665)
Purchase of land use rights		(28,318)	(85,150)
Deposits for purchases of property, plant and equipment		(88,778)	(117,141)
Deposits received for Urban Renewal Project	23	–	42,169
Proceeds from disposals of insurance policy investments	17	–	12,814
Interest received	28	6,760	6,721
Net cash used in investing activities		(540,635)	(601,920)
Cash flows from financing activities			
Net proceeds from placement of shares	20	–	562,546
Proceeds in connection with an employees' incentive plan	20(b)	–	63,591
Inceptions of new bank borrowings	32(b)	1,577,688	917,607
Repayments of bank borrowings	32(b)	(960,498)	(1,003,379)
Net increase/(decrease) in trust receipt loans	32(b)	6,229	(12,709)
Principal elements of lease payments	32(b)	(10,781)	(11,297)
Dividends paid	31	(110,112)	(120,121)
Net cash generated from financing activities		502,526	396,238
Net increase/(decrease) in cash and cash equivalents		61,266	(22,979)
Cash and cash equivalents at beginning of year		576,790	588,391
Exchange difference on cash and cash equivalents		(32,691)	11,378
Cash and cash equivalents at end of year	19(a)	605,365	576,790

The notes on pages 53 to 134 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

L.K. Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 October 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The immediate and ultimate holding company of the Company is Girgio Industries Limited, a company incorporated in the British Virgin Islands.

The Company and its subsidiaries (the “Group”) are principally engaged in the design, manufacture, and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled (“CNC”) machining centre and related accessories.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of insurance policy investments, financial asset at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting policies and disclosures

2.2.1 Amendments to existing standards adopted by the Group

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

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies and disclosures *(Continued)*

2.2.2 New standards, amendments to existing standards and interpretations not yet adopted

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

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the 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 Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. 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 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.

The 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 consolidated income statement.

Any contingent consideration to be transferred by the 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 consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(a) Business combinations (Continued)

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 consolidated income statement.

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 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.

(c) Disposal of subsidiaries

When the 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 consolidated income statement. 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 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.

2.3.2 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 Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates

An associate is an entity over which the 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 Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, 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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The 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 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 consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's 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 Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.5 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Segment reporting

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

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(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 consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within "other gains – 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 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 consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (ii) income and expenses for each consolidated income statement 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the 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 Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the 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 consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

2.8 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 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 consolidated income statement 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 consolidated income statement.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields and is not occupied by the 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 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 consolidated income statement as part of a valuation gain or loss in “other gains – net”.

2.10 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 cash-generating units (“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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 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 consolidated income statement in the period in which it is incurred.

2.11 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.

2.12 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 consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets

(a) Classification

The 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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The 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 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 Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(c) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the 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 – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **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 – 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 – net" and impairment expenses are presented as separate line item in the consolidated income statement.
- **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 – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the 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 consolidated income statement as "other income" when the Group's right to receive payments is established.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(d) Impairment

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

2.14 Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the consolidated statement 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 Company or the counterparty.

2.15 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 realisable 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.

2.16 Trade 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 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.

2.17 Cash and cash equivalents

In the consolidated statement 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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 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.

2.20 Financial liabilities

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the 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 initially recognised at fair value on the date the guarantee is given. Subsequently, the liabilities under such guarantees are measured at the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date, less amortisation calculated to recognise in the consolidated income statement and the fee, if any, income earned on a straight-line basis over the life of the guarantee. These estimates are determined based on experience of similar transactions and debtors' payment history, supplemented by the judgement of management of the Group.

(ii) Other financial liabilities

Other financial liabilities of the 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 consolidated income statement.

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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 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 consolidated income statement 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 consolidated statement 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 consolidated income statement as other income or finance costs.

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

2.22 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 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 Company, its subsidiaries, associates and joint ventures 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 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 consolidated 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 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Employee benefits

Pension obligations

The Group operates various defined contribution plans for its employees in Hong Kong, The People's Republic of China (the "PRC") and Italy. A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The 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 Group in Hong Kong

The 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 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 Group in trustee-administered funds independently.

The 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 Group in trustee-administered funds independently. The 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 Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Employees of the 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 consolidated income statement as incurred.

Employees of the Group in Italy

The employees of the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments

The Group operates equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for share options of the Company and one of its subsidiary. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.26 Provisions

Provisions are recognised when the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 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 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 consolidated 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.

2.28 Revenue recognition

The 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 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 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 Group, a contract liability is recognised. The Group presents a net contract asset or a net contract liability under each contract.

Contract costs include costs to fulfill a contract and of obtaining a contract. The cost incurred for providing services by the Group is recognised as the costs to fulfill a contract, and is amortised based on the progress towards completion of the service provided when recognising revenue. The incremental cost incurred by the 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 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 Group recognises revenue for each of its activities in the consolidated income statement 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Revenue recognition *(Continued)*

(b) Provision of services

Service income is recognised when the Group satisfied the performance obligation in accordance with the substance of the relevant agreements. Service income is recognised at that point in time.

(c) Rental income

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

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.29 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 Group are deferred and recognised in the consolidated income statement 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 Group will comply with the conditions attaching to it.

2.30 Dividend income

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

2.31 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 Group.

Contracts may contain both lease and non-lease components. The 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 Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Leases *(Continued)*

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 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.

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 date 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 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.32 Dividend distribution

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

2.33 Insurance policy investments

Insurance policy investments are non-derivative which measured at FVOCI. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the consolidated statement of financial position date. When the investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) **Market risk**

The 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 Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) **Interest rate risk**

The 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 19 and 22. Management will consider hedging significant interest rate exposure should the need arise.

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

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 variable rate 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.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year ended 31 March 2023 would decrease/increase by HK\$13,214,000/HK\$16,410,000 (2022: pre-tax profit decrease/increase by HK\$8,139,000/HK\$10,886,000).

(ii) **Foreign exchange risk**

The functional currencies of the Group's respective principal subsidiaries are Renminbi ("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 2023, if RMB had weakened/strengthened by 5% against HK\$ with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK\$8,892,000 lower/higher (2022: HK\$4,741,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of RMB denominated current account with group companies.

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 2023, if US\$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year then ended would have been approximately HK\$518,000 lower/higher (2022: HK\$982,000 lower/higher), mainly as a result of the foreign exchange losses/gains on translation of US\$ denominated cash and bank deposits.

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

(b) **Credit risk**

(i) **Risk management**

The Group's credit risk is primarily attributable to its trade and other receivables, deposits placed with banks and guarantees given by the Group for its customers. The 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 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 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 Group are subject to the ECL model. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure ECL, the Group categorises its trade receivables based on the nature of customer accounts and 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

Trade receivables *(Continued)*

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

As at 31 March 2023

	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Provision on individual basis	102,583	(98,693)	3,890
Provision on collective basis <i>(Note)</i>	2,033,492	(26,949)	2,006,543
	2,136,075	(125,642)	2,010,433

As at 31 March 2022

	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Provision on individual basis	124,506	(120,673)	3,833
Provision on collective basis <i>(Note)</i>	1,548,431	(16,332)	1,532,099
	1,672,937	(137,005)	1,535,932

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 2023

	Current HK\$'000	Within 90 days past due HK\$'000	91–180 days past due HK\$'000	181–365 days past due HK\$'000	More than 365 days past due HK\$'000	Total HK\$'000
Expected credit losses rate Gross carrying amount – trade receivables	0.42%	0.98%	1.55%	3.26%	11.63%	
	1,319,146	294,554	192,208	131,250	96,334	2,033,492
Loss allowances on collective basis	5,591	2,895	2,985	4,277	11,201	26,949

As at 31 March 2022

	Current HK\$'000	Within 90 days past due HK\$'000	91–180 days past due HK\$'000	181–365 days past due HK\$'000	More than 365 days past due HK\$'000	Total HK\$'000
Expected credit losses rate Gross carrying amount – trade receivables	0.29%	0.94%	1.35%	3.28%	8.60%	
	972,737	275,401	113,584	125,675	61,034	1,548,431
Loss allowances on collective basis	2,831	2,585	1,538	4,127	5,251	16,332

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

Trade receivables *(Continued)*

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

	2023 HK\$'000	2022 HK\$'000
Opening loss allowances	137,005	135,297
(Reversal of provision for)/provision for impairment of trade receivables – net	(4,654)	4,840
Receivables written off during the year as uncollectible	(370)	(5,982)
Exchange realignment	(6,339)	2,850
Closing loss allowances	125,642	137,005

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits and bills receivables. 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 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.

(c) Liquidity risk

The 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 Group will communicate with the lenders to obtain waiver and/or rectify the breach in due course. The Group also monitors closely the cash flows of its subsidiaries. Generally, the Company's subsidiaries are required to obtain the Company's approval for activities such as raising of loans and investment of surplus cash.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The following table details the 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 Group can be required to pay:

	On demand HK\$'000	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
As at 31 March 2023						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause <i>(Note i)</i>	1,364,900	-	-	-	-	1,364,900
Other bank borrowings	-	104,720	27,954	-	334,599	467,273
Trade and bills payables	-	1,810,562	-	-	-	1,810,562
Other payables	-	741,891	-	-	65,146	807,037
Lease liabilities	-	7,799	1,579	1,968	1,493	12,839
	1,364,900	2,664,972	29,533	1,968	401,238	4,462,611
Financial guarantees issued						
Maximum amount guaranteed <i>(Note 34)</i>	-	21,991	-	-	-	21,991
As at 31 March 2022						
Non-derivative financial liabilities						
Bank borrowings subject to repayment on demand clause <i>(Note i)</i>	879,266	-	-	-	-	879,266
Other bank borrowings	-	27,826	31,591	-	265,373	324,790
Trade and bills payables	-	1,507,464	-	-	-	1,507,464
Other payables	-	708,773	10,225	4,717	67,295	791,010
Lease liabilities	-	10,250	8,041	1,920	2,209	22,420
	879,266	2,254,313	49,857	6,637	334,877	3,524,950
Financial guarantees issued						
Maximum amount guaranteed <i>(Note 34)</i>	-	35,857	-	-	-	35,857

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Note:

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

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments (including interest payable)				
	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total outflows HK\$'000
At 31 March 2023	1,286,283	31,083	17,404	30,130	1,364,900
At 31 March 2022	809,368	8,144	29,019	32,735	879,266

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the 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 Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The 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 less cash and cash equivalents. Total equity is shown in the consolidated statement of financial position.

During the year ended 31 March 2023, the Group's strategy, which was unchanged from 2022, was to maintain the gearing ratio below 75%. The gearing ratio was as follows:

	2023 HK\$'000	2022 HK\$'000
Total borrowings <i>(Note 22)</i>	1,641,046	1,088,637
Less: cash and cash equivalents <i>(Note 19(a))</i>	(605,365)	(576,790)
Net debt	1,035,681	511,847
Total equity	3,855,716	3,702,999
Gearing ratio <i>(Note)</i>	26.9%	13.8%

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.

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 Group's financial assets that are measured at fair value at 31 March 2023 and 2022.

As at 31 March 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial asset at fair value through other comprehensive income <i>(Note 16)</i>	–	–	5,682	5,682

As at 31 March 2022

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial asset at fair value through other comprehensive income <i>(Note 16)</i>	–	–	6,173	6,173

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

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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 2022	6,173
Exchange difference	(491)
Balance at 31 March 2023	5,682
Total unrealised losses recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	–

	Financial asset at fair value through other comprehensive income HK\$'000	Insurance policy investments HK\$'000	Total HK\$'000
Financial assets			
Balance at 1 April 2021	5,952	12,840	18,792
Net loss recognised in the consolidated statement of comprehensive income (Note 21)	–	(26)	(26)
Disposal	–	(12,814)	(12,814)
Exchange difference	221	–	221
Balance at 31 March 2022	6,173	–	6,173
Total unrealised losses recognised in the consolidated statement of comprehensive income relating to those instruments held at the end of year	–	–	–

The Group's "trade, bills and other receivables", "deposits", "restricted bank balances", "cash and cash equivalents" and "trade, bills and other payables" are financial assets and liabilities not carried at fair value. As at 31 March 2023 and 2022, the carrying values of these financial assets and liabilities approximated their respective fair values.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Offsetting financial assets and financial liabilities

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

3.5 Financial instruments by category

	2023 HK\$'000	2022 HK\$'000
Financial assets at fair value through other comprehensive income		
– Unlisted equity investment	5,682	6,173
Financial assets at amortised cost		
– Other receivables and deposits	271,975	278,712
– Trade and bills receivables	2,540,668	2,050,834
– Restricted bank balances	217,632	159,432
– Cash and cash equivalents	605,365	576,790
Total	3,641,322	3,071,941
Financial liabilities at amortised cost		
– Trade and bills payables	1,810,562	1,507,464
– Other payables	807,037	791,010
– Borrowings	1,641,046	1,088,637
Lease liabilities	12,078	21,238
Total	4,270,723	3,408,349

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 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 Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 consolidated income statement.

(c) Income taxes and deferred income tax

The 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.

(d) Provision for loss on guarantees

The Group provides guarantees for loans granted by the PRC banks and leasing financial providers to some of the Group's customers in connection with their purchases of the Group's products. If a customer defaults on a loan, the Group is obliged to settle the payable amounts. The 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 the 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Impairment of non-financial assets *(Continued)*

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 Group's financial position and results of operations.

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

The Group has significant property, plant and equipment. The 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 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.

5 SEGMENT INFORMATION

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

The measurement used for reporting segment results is "profit from operations", i.e. profit before finance income, finance costs, share of (losses)/profit of associates and income tax expense. To arrive at results from operations, the Group's results are further adjusted for items not specifically attributed to individual segments.

The Group is organised into three main reportable segments.

- (i) Die-casting machine
- (ii) Plastic injection moulding machine
- (iii) CNC machining centre

NOTES TO THE CONSOLIDATED
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5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 March 2023 are as follows:

	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Total segments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
External sales	4,427,861	1,191,013	277,475	5,896,349	-	5,896,349
Inter-segments sales	95,419	-	27,700	123,119	(123,119)	-
	4,523,280	1,191,013	305,175	6,019,468	(123,119)	5,896,349
Results						
Segment results	685,671	1,737	25,030	712,438	-	712,438
Administrative expenses						(34,964)
Finance income						6,760
Finance costs						(53,936)
Share of losses of associates						(61)
Profit before income tax						630,237

The segment results for the year ended 31 March 2022 are as follows:

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

5 SEGMENT INFORMATION *(Continued)*

Sales between segments are carried out at arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

As at 31 March 2023

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

As at 31 March 2022

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

5 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than corporate assets and financial asset at FVOCI.
- all liabilities are allocated to reportable segments other than corporate liabilities.
- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

The following amounts are included in the measure of segment results or assets:

For the year ended 31 March 2023

	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets <i>(Note)</i>	407,616	77,721	75,198	172	560,707
Depreciation and amortisation	118,784	51,418	14,627	653	185,482
Provision for/(reversal of provision for) inventories write-down	8,772	(2,727)	(2,606)	–	3,439
(Reversal of provision for)/ provision for impairment of trade receivables – net	(3,252)	1,069	(2,471)	–	(4,654)

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5 SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 March 2022

	Die-casting machine HK\$'000	Plastic injection moulding machine HK\$'000	CNC machining centre HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets (Note i)	499,179	54,791	60,230	110	614,310
Depreciation and amortisation	88,492	42,950	13,463	968	145,873
Reversal of provision for inventories write-down	(10,315)	(8,510)	(2,966)	–	(21,791)
Provision for/(reversal of provision for) impairment of trade receivables – net	6,034	(952)	(242)	–	4,840

Note:

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

None of the customers of the Group individually accounted for 10% or more of the Group's revenue for both of the years ended 31 March 2023 and 2022.

Geographical information

The Group's revenue by geographical location is determined by the final destination of delivery of the products and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

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

Note:

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

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6 INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademarks HK\$'000	Patents HK\$'000	Development costs and others HK\$'000	Total HK\$'000
At 1 April 2021					
Cost	2,800	5,789	3,590	67,004	79,183
Accumulated amortisation	–	(5,518)	(3,409)	(55,315)	(64,242)
Net book amount	2,800	271	181	11,689	14,941
Year ended 31 March 2022					
Opening net book amount	2,800	271	181	11,689	14,941
Additions	–	11	47	5,854	5,912
Amortisation	–	(48)	(188)	(5,515)	(5,751)
Exchange difference	–	(9)	–	(292)	(301)
Closing net book amount	2,800	225	40	11,736	14,801
At 31 March 2022					
Cost	2,800	5,605	3,637	70,063	82,105
Accumulated amortisation	–	(5,380)	(3,597)	(58,327)	(67,304)
Net book amount	2,800	225	40	11,736	14,801
Year ended 31 March 2023					
Opening net book amount	2,800	225	40	11,736	14,801
Additions	–	3	–	6,301	6,304
Amortisation	–	(26)	(10)	(5,383)	(5,419)
Exchange difference	–	(8)	(1)	(486)	(495)
Closing net book amount	2,800	194	29	12,168	15,191
At 31 March 2023					
Cost	2,800	5,461	3,634	75,000	86,895
Accumulated amortisation	–	(5,267)	(3,605)	(62,832)	(71,704)
Net book amount	2,800	194	29	12,168	15,191

Note: Goodwill is allocated to the Group's CGU identified according to operating segments.

6 INTANGIBLE ASSETS *(Continued)*

An operating segment level summary of the goodwill allocation is presented below:

	2023 HK\$'000	2022 HK\$'000
Die-casting machine	2,800	2,800

The recoverable amount of a 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% (2022: 5%). Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% (2022: 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% (2022: 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 (2022: same).

There was no impairment provision for intangible assets for the year ended 31 March 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT

	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
At 1 April 2021							
Cost	967,388	332,682	86,377	1,032,486	133,096	30,601	2,582,630
Accumulated depreciation	(422,176)	–	(61,906)	(789,703)	(111,987)	(23,328)	(1,409,100)
Net book amount	545,212	332,682	24,471	242,783	21,109	7,273	1,173,530
Year ended 31 March 2022							
Opening net book amount	545,212	332,682	24,471	242,783	21,109	7,273	1,173,530
Additions	5,517	388,545	19	107,848	13,338	6,137	521,404
Disposals	(702)	–	(31)	(5,963)	(104)	(258)	(7,058)
Depreciation	(47,202)	–	(3,663)	(59,150)	(7,615)	(2,943)	(120,573)
Reclassification	242,208	(365,271)	–	122,841	222	–	–
Transfer of property, plant and equipment to investment properties (Note 8)	(128,094)	–	–	–	–	–	(128,094)
Exchange difference	16,929	13,007	119	7,273	253	194	37,775
Closing net book amount	633,868	368,963	20,915	415,632	27,203	10,403	1,476,984
At 31 March 2022							
Cost	1,118,251	368,963	85,748	1,273,477	148,076	35,675	3,030,190
Accumulated depreciation	(484,383)	–	(64,833)	(857,845)	(120,873)	(25,272)	(1,553,206)
Net book amount	633,868	368,963	20,915	415,632	27,203	10,403	1,476,984
Year ended 31 March 2023							
Opening net book amount	633,868	368,963	20,915	415,632	27,203	10,403	1,476,984
Additions	7,830	340,835	5,104	141,743	23,677	4,373	523,562
Disposals	(625)	–	(61)	(4,923)	(193)	(117)	(5,919)
Depreciation	(51,040)	–	(3,793)	(92,325)	(10,120)	(3,409)	(160,687)
Reclassification	398,848	(511,663)	(3,420)	116,090	145	–	–
Transfer of investment properties to property, plant and equipment (Note 8)	98,100	–	–	–	–	–	98,100
Exchange difference	(47,932)	(29,349)	(1,599)	(31,664)	(1,811)	(730)	(113,085)
Closing net book amount	1,039,049	168,786	17,146	544,553	38,901	10,520	1,818,955
At 31 March 2023							
Cost	1,536,155	168,786	80,917	1,408,546	153,757	36,442	3,384,603
Accumulated depreciation	(497,106)	–	(63,771)	(863,993)	(114,856)	(25,922)	(1,565,648)
Net book amount	1,039,049	168,786	17,146	544,553	38,901	10,520	1,818,955

NOTES TO THE CONSOLIDATED
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7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation of HK\$115,543,000 (2022: HK\$104,179,000) has been charged in “cost of sales”, HK\$2,095,000 (2022: HK\$2,076,000) in “selling and distribution expenses” and HK\$43,049,000 (2022: HK\$14,318,000) in “general and administrative expenses”.

Certain property, plant and equipment are pledged to secure bank borrowings of the Group as detailed in Note 22.

Urban Renewal Project

On 12 January 2021, L.K. Machinery (Shenzhen) Co., Ltd. (“L.K. (Shenzhen)”), a wholly-owned subsidiary of the Group, entered into a cooperation agreement (“Cooperation Agreement”) with Shenzhen Wanjin Investment Co., Ltd. (“Shenzhen Wanjin”/the “Purchaser”), pursuant to which L.K. (Shenzhen) agreed to sell, and Shenzhen Wanjin agreed to purchase, primarily the land use rights of certain industrial lands and properties (the “disposal properties”) located in Shenzhen Longhua, the PRC, for a total consideration comprising monetary consideration of RMB350 million and certain resettlement properties. The Purchaser will be responsible for obtaining approval from relevant government authorities for the redevelopment and reconstruction works contemplated under the Urban Renewal Project (“Urban Renewal Approval”). As stipulated by the terms of the Cooperation Agreement, the Urban Renewal Approval shall be obtained by the Purchaser within two years after the Company’s shareholders’ approval (i.e., on or before 17 January 2023). As at 18 January 2023, such Urban Renewal Approval had not been obtained by the Purchaser. As at the date of the report, management is in discussion with the Purchaser on the subsequent arrangements of the Cooperation Agreement.

8 INVESTMENT PROPERTIES

	HK\$'000
At fair value	
At 1 April 2021	342,822
Increase in fair value during the year <i>(Note 25)</i>	28,546
Transfer of property, plant and equipment to investment properties <i>(Note 7)</i>	128,094
Transfer of right-of-use assets to investment properties	27,188
Increase in fair value on date of change in usage <i>(Note i)</i>	112,420
Exchange difference	12,684
At 31 March 2022 and 1 April 2022	651,754
Increase in fair value during the year <i>(Note 25)</i>	11,667
Transfer of investment properties to property, plant and equipment <i>(Note 7)</i>	(98,100)
Exchange difference	(50,631)
At 31 March 2023	514,690

Note:

- (i) During the year ended 31 March 2022, property, plant and equipment of HK\$128,094,000 and right-of-use assets of HK\$27,188,000 were reclassified to investment properties as a result of change in usage. The fair value of the property, plant and equipment and right-of-use assets at the date of transfer was HK\$267,702,000, resulting in recognition of revaluation surplus of HK\$84,315,000 in other comprehensive income and accumulated in revaluation reserve and deferred tax liabilities of HK\$28,105,000.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

8 INVESTMENT PROPERTIES (Continued)

The following amounts have been recognised in the consolidated income statement for investment properties:

	2023 HK\$'000	2022 HK\$'000
Rental income	33,279	17,048
Direct operating expenses from properties that generated rental income	(4,695)	(2,770)
	28,584	14,278

Certain investment properties are pledged to secure bank borrowings of the Group as detailed in Note 22.

As at 31 March 2023, the Group had no unprovided contractual obligations for future repairs and maintenance (2022: Nil).

The revaluation gain is included in "other gains – net" in the consolidated income statement (Note 25). The following table analyses the investment properties carried at fair value, by level.

Fair value hierarchy

Description	Fair value measurements at 31 March 2023 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties	–	–	514,690

Description	Fair value measurements at 31 March 2022 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements: Investment properties	–	–	651,754

There were no transfers between Levels 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK\$'000	Properties PRC HK\$'000	Total HK\$'000
At 1 April 2021	18,320	324,502	342,822
(Decrease)/increase in fair value during the year	(1,530)	30,076	28,546
Transfer of property, plant and equipment to investment properties	–	128,094	128,094
Transfer of right-of-use assets to investment properties	–	27,188	27,188
Increase in fair value on date of change in usage	–	112,420	112,420
Exchange difference	–	12,684	12,684
At 31 March 2022	16,790	634,964	651,754
Total unrealised (losses)/gains for the year included in the consolidated income statement for investment properties held at the end of the year, under “other gains – net”	(1,530)	30,076	28,546
At 1 April 2022	16,790	634,964	651,754
Increase in fair value during the year	900	10,767	11,667
Transfer of investment properties to property, plant and equipment	–	(98,100)	(98,100)
Exchange difference	–	(50,631)	(50,631)
At 31 March 2023	17,690	497,000	514,690
Total unrealised gains for the year included in the consolidated income statement for investment properties held at the end of the year, under “other gains – net”	900	10,767	11,667

8 INVESTMENT PROPERTIES *(Continued)*

Valuation processes of the 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 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 Group’s interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations 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 year.

8 INVESTMENT PROPERTIES (Continued)

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

Description	Fair value at 31 March 2023 HK\$'000	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Hong Kong properties	17,690	Income approach	Unit rate	HK\$4,460/sq.ft.	The higher the unit rate, the higher the fair value
			Discount rate	3.0% to 4.0%	The higher the discount rate, the lower the fair value
PRC properties	452,500	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
PRC property under development	44,500	Market approach	Unit rate	HK\$15,000/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.9%	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
Hong Kong properties	16,790	Income approach	Unit rate	HK\$4,264/sq.ft.	The higher the unit rate, the higher the fair value
			Discount rate	3.0% to 4.0%	The higher the discount rate, the lower the fair value
PRC properties	580,364	Income approach	Unit rate	HK\$5,259/sq.m. to HK\$21,481/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
PRC property under development	54,600	Market approach	Unit rate	HK\$9,383/sq.m. to HK\$16,296/sq.m.	The higher the unit rate, the higher the fair value
			Discount rate	4.8%	The higher the discount rate, the lower the fair value

9 LEASES

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

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
Right-of-use assets		
Land use rights	376,321	388,270
Premises	10,024	18,722
Motor vehicles	1,651	1,920
	387,996	408,912
Lease liabilities		
Current	7,616	9,449
Non-current	4,462	11,789
	12,078	21,238

Additions to the right-of-use assets during the year were HK\$30,841,000 (2022: HK\$86,994,000).

Certain land use rights are pledged to secure bank borrowings of the Group as detailed in Note 22.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets		
Land use rights	9,489	8,764
Premises	7,939	8,704
Motor vehicles	1,948	2,081
	19,376	19,549
Interest expense (included in finance cost)	748	799
Expenses relating to leases of short-term leases	5,967	5,633

The total cash outflow for leases (including short-term leases) during the year ended 31 March 2023 was HK\$17,496,000 (2022: HK\$17,729,000).

9 LEASES *(Continued)*

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

The 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.

10 INTERESTS IN JOINT VENTURES

HK\$'000

At 1 April 2021, 31 March 2022 and 31 March 2023

–

As at 31 March 2023 and 2022, the Group has interests in three joint ventures, namely Charm Energy Limited, L.K. Japan Co. Ltd. and Thai Prex Engineering Co., Ltd.. These companies did not have significant operations during the year ended 31 March 2023 and the carrying amounts of the interests in joint ventures were reduced to zero due to accumulated losses shared by the Group up to its cost of investment. The Group consider that these joint ventures are not significant.

Particulars of joint ventures, which are unlisted and not significant to the Group, are as follows:

Name	Place of issued shares held	Principal activities and place of operations	Issued and fully paid up share capital	Interest held	Measurement method
Charm Energy Limited	Hong Kong	Research and development in Hong Kong	HK\$1,000,000	50%	Equity
L.K. Japan Co. Ltd.	Japan	Manufacture and sales of peripheral equipment in Japan	JPY40,000,000	70%	Equity
Thai Prex Engineering Co., Ltd.	Thailand	Manufacture and sales of peripheral equipment in Thailand	THB6,000,000	70%	Equity

Charm Energy Limited, L.K. Japan Co. Ltd. and Thai Prex Engineering Co., Ltd. are private companies and there is no quoted market price available for their shares. There are no contingent liabilities and commitments to provide funding relating to the Group's interest in the joint ventures.

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11 INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
At 1 April	17,150	16,495
Share of (losses)/profits	(61)	43
Exchange difference	(1,364)	612
At 31 March	15,725	17,150

Particulars of the associate, which is unlisted and in the opinion of the directors is not significant to the Group, as at 31 March 2023 and 2022, 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 Group's interest in the associates.

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12 PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 March 2023 and 2022:

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
Subsidiaries directly held by the Company					
Best Truth Enterprises Limited	Limited liability	British Virgin Islands, limited liability company	US\$2	100%	Investment holding in Hong Kong
Subsidiaries indirectly held by the Company					
重慶力勁機械有限公司 Chongqing L.K. Machinery Co. Ltd. ¹	Wholly Foreign-owned Enterprise ("WFOE")	PRC, limited liability company	US\$8,800,000	100%	Sale of die-casting machines in PRC
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	HK\$78,158,400	100%	Manufacture and sale of steel casting in PRC
Gold Millennium Ltd.	Limited liability	British Virgin Islands, limited liability company	US\$1	100%	Investment holding in Hong Kong
Gold Progress Limited	Limited liability	Hong Kong, limited liability company	HK\$1	100%	Investment holding in Hong Kong
L.K. Machinery Company Limited	Limited liability	Hong Kong, limited liability company	HK\$60,835,418	100%	Investment holding in Hong Kong
L.K. Machinery International Limited	Limited liability	Hong Kong, limited liability company	HK\$151,417,696	100%	Sale of die-casting machines in Hong Kong
力勁機械股份有限公司 L.K. Machinery Corp.	Limited liability	Taiwan, limited liability company	TWD211,000,000	100%	Manufacture and sale of CNC machines in Taiwan
力勁機械(深圳)有限公司 L.K. Machinery (Shenzhen) Co. Ltd. ¹	WFOE	PRC, limited liability company	HK\$69,500,000	100%	Manufacture and sale of die-casting machines in PRC
力勁精密機械(昆山)有限公司 L.K. Precision Machinery (Kunshan) Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$20,000,000	100%	Manufacture and sale of CNC machines in PRC
Lucky Prosper Limited	Limited liability	Hong Kong, limited liability company	HK\$1	100%	Investment holding in Hong Kong
寧波力勁塑機智造有限公司 Ningbo L.K. Plastic Machinery Intelligent Manufacturing Co. Ltd. ¹	WFOE	PRC, limited liability company	RMB211,365,007	100%	Manufacture and sale of plastic injection moulding machines in PRC

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12 PRINCIPAL 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
寧波力勁科技有限公司 Ningbo L.K. Technology Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$20,400,000	100%	Manufacture and sale of die-casting machines in PRC
Power Excel International Limited	Limited liability	Hong Kong, limited liability company	HK\$291,080,002	100%	Investment holding in Hong Kong
陸途有限公司 Rise Link Limited	Limited liability	Hong Kong, limited liability company	HK\$1	91.31%	Sale of plastic injection moulding machines in Hong Kong
上海一達機械有限公司 Shanghai Atech Machinery Co. Ltd. ¹	WFOE	PRC, limited liability company	US\$4,900,000	100%	Manufacture and sale of die-casting machines in PRC
深圳領威科技有限公司 Shenzhen Leadwell Technology Co. Ltd. ¹	Sino-foreign equity joint venture	PRC, limited liability company	RMB152,400,000	100%	Manufacture and sale of die-casting machines in PRC
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
廣東力勁塑機智造股份有限公司 LK Injection Molding Machine Co., Ltd. ¹	WFOE	PRC, limited liability company	RMB229,033,536	91.31% (Note i)	Manufacture and sale of plastic injection moulding machines in PRC
阜新力達鋼鐵鑄造有限公司 Fuxin Lida Steel Casting Co. Ltd. ¹	WFOE	PRC, limited liability company	HK\$140,000,000	100%	Steel casting 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

¹ The English name is made for identification purpose only.

Note:

- (i) Pursuant to the Subscription Agreements entered into on 29 July 2021, LK Injection Molding Machine Co., Ltd. transferred 8.69% of its enlarged registered capital to the participating parties of the Employees' Incentive Plan. For details of the Employees' Incentive Plan and the transactions during the year, please refer to Note 20(b).

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results, assets, or liabilities of the Group. To give details of all subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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13 DEFERRED INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets	92,511	92,227
Deferred income tax liabilities	(86,254)	(93,933)
Deferred income tax assets/(liabilities), net	6,257	(1,706)

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

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	(1,706)	43,257
Credited/(charged) to the consolidated income statement (<i>Note 29</i>)	8,647	(17,414)
Charged to other comprehensive income	-	(28,105)
Exchange difference	(684)	556
At the end of the year	6,257	(1,706)

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

	Deferred income tax assets		Total HK\$'000
	Impairment allowances and others HK\$'000	Decelerated tax depreciation HK\$'000	
At 1 April 2021	80,396	33,585	113,981
(Charged)/credited to the consolidated income statement	(2,658)	879	(1,779)
Exchange difference	969	1,147	2,116
At 31 March 2022	78,707	35,611	114,318
Set-off of deferred tax liabilities			(22,091)
			92,227

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13 DEFERRED INCOME TAX (Continued)

	Deferred income tax assets		
	Impairment allowances and others HK\$'000	Decelerated tax depreciation HK\$'000	Total HK\$'000
At 1 April 2022	78,707	35,611	114,318
Credited/(charged) to the consolidated income statement	17,446	(14,039)	3,407
Exchange difference	(4,150)	(2,417)	(6,567)
At 31 March 2023	92,003	19,155	111,158
Set-off of deferred tax liabilities			(18,647)
			92,511
	Deferred income tax liabilities		
	Revaluation of investment properties HK\$'000	Dividend withholding tax HK\$'000	Total HK\$'000
At 1 April 2021	(38,654)	(32,070)	(70,724)
Charged to the consolidated income statement	(5,645)	(9,990)	(15,635)
Charged to other comprehensive income	(28,105)	–	(28,105)
Exchange difference	(1,560)	–	(1,560)
At 31 March 2022	(73,964)	(42,060)	(116,024)
Set-off of deferred tax assets			22,091
			(93,933)
At 1 April 2022	(73,964)	(42,060)	(116,024)
(Charged)/credited to the consolidated income statement	(2,170)	7,410	5,240
Exchange difference	5,883	–	5,883
At 31 March 2023	(70,251)	(34,650)	(104,901)
Set-off of deferred tax assets			18,647
			(86,254)

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13 DEFERRED INCOME TAX *(Continued)*

Deferred income tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

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

	2023 HK\$'000	2022 HK\$'000
Tax losses expiring:		
Within 5 years	198,164	115,170
Over 5 years	177,353	188,274
Without expiry date	89,712	94,687
	465,229	398,131

Dividends out of profits earned on or after 1 January 2008 for the PRC subsidiaries distributed to the Group will be subject to dividend withholding tax.

Deferred income tax liabilities of HK\$30,689,000 (2022: HK\$13,634,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain PRC subsidiaries, unremitted earnings of these PRC subsidiaries that are subject to withholding tax totalled HK\$613,780,000 at 31 March 2023 (2022: HK\$272,691,000). Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China. For those subsidiaries that the Group have an intention to distribute their respective retained earnings, the Group has recognised deferred tax liabilities of HK\$34,650,000 (2022: HK\$42,060,000) for the withholding tax as at 31 March 2023 that would be payable upon such distribution.

14 TRADE AND BILLS RECEIVABLES

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

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14 TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

The maturity date of the bills receivables is generally between one to six months.

Goods sold to customers are either made on cash on delivery or on credit basis. Customers in general are required to pay deposits upon placing purchase orders, the remaining balances will be payable upon goods delivery to customers. Majority of customers are granted with credit terms ranging from one to six months. The Group also sells goods to certain customers with sales proceeds payable by installments which normally range from six to twelve months.

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

	2023 HK\$'000	2022 HK\$'000
RMB	2,131,169	1,636,712
US\$	162,500	141,256
EUR	235,631	256,665
Other currencies	11,368	16,201
Trade and bills receivables, net	2,540,668	2,050,834

Certain bills receivables are pledged to secure bank borrowings of the Group as detailed in Note 22.

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15 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Non-current		
Deposits for purchases of property, plant and equipment	123,970	125,480
<i>Other assets (Note i)</i>	–	23,583
	123,970	149,063
Current		
Value added tax refund receivable from government	9,391	5,598
Value added tax receivable	138,946	77,436
Trade deposits	103,068	107,619
Prepayments	53,271	45,789
Advances to staff for business purpose	12,278	8,917
Sundry, rental and utility deposits	2,060	2,308
Others deposits and receivables	30,597	34,389
	349,611	282,056
Total	473,581	431,119

Note:

- (i) As at 31 March 2022, other assets represent the estimated agency fee capitalised in relation to the Urban Renewal Project located in the PRC (Note 7).

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$'000	2022 HK\$'000
Unlisted equity investment	5,682	6,173

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

Movement of the financial asset at FVOCI is as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	6,173	5,952
Exchange difference	(491)	221
End of the year	5,682	6,173

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.

17 INSURANCE POLICY INVESTMENTS

	2023 HK\$'000	2022 HK\$'000
Current assets		
Insurance policy investments	-	-

Movement of the insurance policy investments is as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	-	12,840
Change in fair value recognised in other comprehensive income	-	(26)
Disposal	-	(12,814)
End of the year	-	-

The fair value of insurance policy investments that is not traded in an active market is determined by reference to the expected return from the insurance policy investments.

The insurance policy investments are denominated in US\$.

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18 INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	806,948	821,828
Work in progress	577,517	527,726
Finished goods	591,218	492,261
	1,975,683	1,841,815
Less: Provision for impairment of inventories	(123,801)	(128,467)
	1,851,882	1,713,348

The cost of inventories recognised as an expense and included in cost of sales amounted to HK\$3,459,697,000 (2022: HK\$2,969,584,000).

For the year ended 31 March 2023, the Group recognised write-downs of inventories to net realisable value of HK\$3,439,000 (2022: a reversal of write-downs of inventories to net realisable value of HK\$21,791,000).

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

19 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

(a) Cash and cash equivalents

	2023 HK\$'000	2022 HK\$'000
Cash at banks and on hand	605,365	576,790

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

	2023 HK\$'000	2022 HK\$'000
US\$	52,037	45,554
HK\$	6,099	15,870
RMB	471,102	421,152
EUR	69,896	82,229
Other currencies	6,231	11,985
	605,365	576,790

As at 31 March 2023, the Group's cash and bank balances of approximately HK\$439,580,000 (2022: HK\$406,338,000) 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.

(b) Restricted bank balances

Restricted bank balances of the 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 bill by banks.

As the end of reporting period, the restricted bank balances carried interest at market rates which ranged from 0.0% to 2.0% (2022: 0.0% to 3.0%) per annum.

20 SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Issued and fully paid:		
At 1 April 2021	1,191,265,000	119,127
Placement of shares (<i>Note i</i>)	60,000,000	6,000
Issue of bonus shares (<i>Note ii</i>)	125,126,500	12,513
At 31 March 2022, 1 April 2022 and 31 March 2023	1,376,391,500	137,640

Notes:

- (i) On 3 May 2021, the Company issued 60,000,000 ordinary shares at price of HK\$9.50 each through placement. The gross and net proceeds (after deduction of placing commission and other costs and expenses) from the placing were approximately HK\$570,000,000 and HK\$562,546,000, respectively.
- (ii) Pursuant to the bonus issue which was completed on 27 September 2021, a total of 125,126,500 bonus shares were issued on the basis of one bonus share for every ten existing shares (the "Bonus Issue") held on 15 September 2021.

(a) Share option scheme

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2016, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. The Share Option Scheme is valid and effective for a period of 10 years commencing on 8 September 2016. The Share Option Scheme was classified as an equity-settled share-based payment arrangement.

On 24 September 2021, 27,540,000 share options have been granted to certain directors and employees (the "Grantees") of the Group under the Share Option Scheme.

The vesting of the share options is mainly subject to fulfilment of certain performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations. Fulfilment of the performance and service conditions is subject to the review of the Administration Committee of the Share Option Scheme. The Administration Committee of the Share Option Scheme has absolute discretion in approving the exercise of the share options and sale of shares request from the Grantees.

The fair value of the share options of equity-settled share-based payment transactions is expensed over the vesting period with a corresponding increase in equity, taking into account the best available estimate by management of the number of shares expected to vest under the service and performance conditions at the end of each reporting period.

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20 SHARE CAPITAL (Continued)

(a) Share option scheme (Continued)

Set out below are summaries of options granted under the plan:

Name	Date of grant	Exercise price	Exercisable period	Number of share options held as at 1 April 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Number of share options held as at 31 March 2023
Directors (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	520,000	-	-	-	-	520,000
		HK\$19.86	25 September 2024 to 23 September 2031	390,000	-	-	-	-	390,000
		HK\$19.86	25 September 2025 to 23 September 2031	390,000	-	-	-	-	390,000
Employees (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	10,066,000	-	-	-	(378,000)	9,688,000
		HK\$19.86	25 September 2024 to 23 September 2031	7,549,500	-	-	-	(283,500)	7,266,000
		HK\$19.86	25 September 2025 to 23 September 2031	7,549,500	-	-	-	(283,500)	7,266,000
Total				26,465,000	-	-	-	(945,000)	25,520,000

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20 SHARE CAPITAL (Continued)

(a) Share option scheme (Continued)

Name	Date of grant	Exercise price	Exercisable period	Number of share options held as at 1 April 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Number of share options held as at 31 March 2022
Directors (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	-	520,000	-	-	-	520,000
		HK\$19.86	25 September 2024 to 23 September 2031	-	390,000	-	-	-	390,000
		HK\$19.86	25 September 2025 to 23 September 2031	-	390,000	-	-	-	390,000
Employees (in aggregate)	24 September 2021	HK\$19.86	25 September 2023 to 23 September 2031	-	10,496,000	-	-	(430,000)	10,066,000
		HK\$19.86	25 September 2024 to 23 September 2031	-	7,872,000	-	-	(322,500)	7,549,500
		HK\$19.86	25 September 2025 to 23 September 2031	-	7,872,000	-	-	(322,500)	7,549,500
Total				-	27,540,000	-	-	(1,075,000)	26,465,000

The assessed fair values at grant date of share options granted on 24 September 2021 ranged from HK\$7.0 to HK\$8.0 per option.

Other than the exercise price mentioned above, significant judgement on parameters is required to be made by the directors in applying the binomial model, which are summarised as below:

	2022
Closing stock price at grant date	HK\$17.1
Volatility	64.8%
Risk-free rate	1.3%
Dividend yield	2.8%
Post vesting exit rate	19.9%
Exercise multiple	2.2 times

20 SHARE CAPITAL (Continued)

(b) Employees' incentive plan of a subsidiary

On 29 July 2021, the Company approved the Employees' Incentive Plan of 廣東力勁塑機製造股份有限公司 LK Injection Molding Machine Co., Ltd. ("LK Injection") (formerly known as 中山力勁機械有限公司 Zhongshan LK Machinery Co. Ltd.), a PRC subsidiary of the Group. Following the Board approval on 29 July 2021, LK Injection entered into five subscription agreements ("Subscription Agreements") with three individuals, being Mr. Tse Siu Sze, an executive director of the Company, Mr. Huang Xi, an employee of LK Injection and Ms. Liu Ying Ying, daughter of Ms. Chong Siw Yin (an executive director and the Chairperson of the Company) and Mr. Liu Siong Song (a controlling shareholder of the Company) and two limited liability partnerships ("LLP"), namely 中山市睿力企業管理合夥企業(有限合夥) Zhongshan City Ruili Corporate Management Partnership (Limited Partnership) ("Zhongshan Ruili") and 寧波市鑄力企業管理合夥企業(有限合夥) Ningbo City Zhuli Corporate Management Partnership (Limited Partnership) ("Ningbo Zhuli") in connection with the Employees' Incentive Plan of LK Injection. The general partner of Zhongshan Ruili is Ms. Ke Ai Rong (an employee of LK Injection); the general partner of Ningbo Zhuli is Mr. Tan Ying Shi (an employee of 寧波力勁塑機製造有限公司 Ningbo L.K. Plastic Machinery Intelligent Manufacturing Co. Ltd.). The LLP were established in the PRC in July 2021 solely for the purpose of holding the equity interests in LK Injection in connection with the Employees' Incentive Plan of LK Injection.

The qualified employees participating the Employees' Incentive Plan contribute the capital at the specified grant price and become the limited partners of the LLP. Pursuant to the Subscription Agreements, LK Injection transferred 8.69% of enlarged registered capital in LK Injection to the abovementioned three qualified individuals and two LLPs at consideration of RMB2.75 per share.

Each participating employee in the Employees' Incentive Plan shall remain in service with LK Injection or any of its subsidiaries for six years from the date of granting the restricted shares (the "Service Period"). The restricted shares granted pursuant to the Employees' Incentive Plan are personal to each participating employee, and are not transferrable during the Service Period, unless otherwise approved as stipulated under the Subscription Agreements. If any of the participating employees resign from LK Injection or any of its subsidiaries before the end of the Service Period or if LK Injection failed to be listed in any qualified Stock Exchange by 29 July 2027 (i.e. six years from the date of granting the restricted shares), the participating employees have the right to request Power Excel International Limited, the immediate holding company of LK Injection, to repurchase all of the restricted shares of LK Injection held by the participating employees at an consideration of the initial investment cost plus 5% interest per annum.

For the year ended 31 March 2022, the Group received capital contribution from the participating employees of HK\$63,591,000 and recognised a repurchase obligation of HK\$67,295,000 in the liability (Note 23).

The above transaction was considered as an equity-settled share-based payment to employees in exchange for their services. The fair value of the share-based payment expenses was determined by the difference between the fair value of the equity transferred (determined by an independent professional valuer) and the capital contribution by incentive targets. For the year ended 31 March 2023, share-based payment expenses of approximately HK\$3,782,000 (2022: HK\$2,104,000) was charged in the consolidated income statement with a corresponding credit in equity.

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21 RESERVES

	Share premium HK\$'000	Share reserve HK\$'000 (Note i)	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000 (Note ii)	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 2022	1,123,842	13,771	183,969	15,055	304,693	129,433	368	1,794,228	3,565,359
Profit for the year	-	-	-	-	-	-	-	532,235	532,235
Currency translation difference	-	-	(269,906)	-	-	-	-	-	(269,906)
Employees' incentive plans	-	-	-	3,782	-	-	-	-	3,782
Transfer to statutory reserve	-	-	-	-	8,716	-	-	(8,716)	-
Dividends paid	-	-	-	-	-	-	-	(110,112)	(110,112)
Dividends in relation to an employees incentive plan of a subsidiary	-	-	-	-	-	-	-	(3,282)	(3,282)
At 31 March 2023	1,123,842	13,771	(85,937)	18,837	313,409	129,433	368	2,204,353	3,718,076

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21 RESERVES (Continued)

	Share premium HK\$'000	Share reserve HK\$'000 (Note i)	Exchange translation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000 (Note ii)	Property revaluation reserve HK\$'000	Insurance policy investments 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 2021	579,809	13,771	98,626	11,116	265,860	45,118	(196)	368	1,327,673	2,342,145
Profit for the year	-	-	-	-	-	-	-	-	625,509	625,509
Currency translation difference	-	-	85,343	-	-	-	-	-	-	85,343
Change in fair value of insurance policy investments	-	-	-	-	-	-	(26)	-	-	(26)
Loss on disposal of insurance policy investments	-	-	-	-	-	-	222	-	-	222
Gain on revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	-	-	84,315	-	-	-	84,315
Employees' incentive plans	-	-	-	2,157	-	-	-	-	-	2,157
Transfer to statutory reserve	-	-	-	-	38,833	-	-	-	(38,833)	-
Placement of shares	556,546	-	-	-	-	-	-	-	-	556,546
Issue of bonus shares	(12,513)	-	-	-	-	-	-	-	-	(12,513)
Dividends paid	-	-	-	-	-	-	-	-	(120,121)	(120,121)
Other	-	-	-	1,782	-	-	-	-	-	1,782
At 31 March 2022	1,123,842	13,771	183,969	15,055	304,693	129,433	-	368	1,794,228	3,565,359

Notes:

- (i) Share reserve represents the difference between the share capital and reserves of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition of subsidiaries at the time of corporate reorganisation in 2006.
- (ii) The statutory reserve is the reserve of the Company's 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 subsidiaries.

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22 BORROWINGS

The borrowings of the Group comprise:

	2023 HK\$'000	2022 HK\$'000
Non-current		
Bank borrowings	253,514	210,431
Current		
Bank borrowings	1,373,501	869,951
Trust receipt loans	14,031	8,255
	1,387,532	878,206
	1,641,046	1,088,637
Secured:		
Bank borrowings	220,686	139,349
Unsecured:		
Bank borrowings	1,406,329	941,033
Trust receipt loans	14,031	8,255
	1,420,360	949,288
	1,641,046	1,088,637

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

22 BORROWINGS (Continued)

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

	Trust receipt loans		Bank borrowings		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Within 1 year	14,031	8,255	1,308,376	813,258	1,322,407	821,513
Bank borrowings due for repayment after one year (Note):						
After 1 year but within 2 years	-	-	56,517	39,063	56,517	39,063
After 2 years but within 5 years	-	-	13,617	24,284	13,617	24,284
After 5 years	-	-	248,505	203,777	248,505	203,777
	-	-	318,639	267,124	318,639	267,124
	14,031	8,255	1,627,015	1,080,382	1,641,046	1,088,637

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	
	2023 HK\$'000	2022 HK\$'000
RMB	1,284,841	853,082
HK\$	193,400	140,000
EUR	132,003	59,181
TWD	30,802	36,374
	1,641,046	1,088,637

NOTES TO THE CONSOLIDATED
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22 BORROWINGS (Continued)

As at 31 March 2023, the borrowings of approximately HK\$1,286,811,000 (2022: HK\$888,081,000) were borrowed from banks in the PRC by subsidiaries of the Group in the PRC.

	2023				2022			
	HK\$	RMB	EUR	TWD	HK\$	RMB	EUR	TWD
Bank borrowings	5.00%	3.88%	0.51%	2.68%	3.48%	4.23%	0.55%	2.69%
Trust receipt bank loans	N/A	N/A	N/A	2.49%	2.80%	5.22%	N/A	2.49%

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

	2023 HK\$'000	2022 HK\$'000
Restricted bank balances	217,632	159,432
Right-of-use assets	135,576	151,507
Investment properties	177,700	187,100
Property, plant and equipment	207,639	243,607
Bills receivables	88,792	128,304
	827,339	869,950

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

23 TRADE AND BILLS PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

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

Notes:

- (i) The revenue recognised in the current reporting period is HK\$426,110,000 (2022: HK\$272,690,000) related to carried forward contract liabilities.

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

- (ii) As at 31 March 2023, the balance included the deposits of RMB70,000,000 (equivalent to approximately HK\$79,545,000) (2022: RMB70,000,000 (equivalent to approximately HK\$86,420,000)) received in relation to the Urban Renewal Project located in the PRC (Note 7).
- (iii) The balance represents the Group's obligation to repurchase all restricted shares of LK Injection, a PRC subsidiary of the Group in connection with an employees' incentive plan (Note 20(b)).

23 TRADE AND BILLS PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

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

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

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

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

	2023 HK\$'000	2022 HK\$'000
RMB	1,657,670	1,338,972
EUR	125,604	152,663
TWD	24,016	11,747
HK\$	1,319	2,499
US\$	1,953	1,583
	1,810,562	1,507,464

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

24 REVENUE AND OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Revenue for sales of goods recognised under HKFRS 15		
Sales of die-casting machine	4,427,861	3,816,178
Sales of plastic injection moulding machine	1,191,013	1,365,111
Sales of CNC machining centre	277,475	181,185
	5,896,349	5,362,474

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

	2023 HK\$'000	2022 HK\$'000
Other income		
Value added tax refund	35,652	32,488
Other subsidies from government (<i>Note</i>)	56,116	35,736
Rental income	33,279	17,048
Sundry income	15,295	17,480
	140,342	102,752

Note: Other subsidies from government recognised was related to grant 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 condition and other contingencies attached to the receipts of those subsidies.

25 OTHER GAINS – NET

	2023 HK\$'000	2022 HK\$'000
Increase in fair value of investment properties (<i>Note 8</i>)	11,667	28,546
Net foreign exchange (loss)/gain	(11,891)	11,769
Net gain/(loss) on disposals of property, plant and equipment	163	(814)
Loss on disposals of insurance policy investments	–	(222)
Others	119	–
	58	39,279

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

26 EXPENSES BY NATURE

	2023 HK\$'000	2022 HK\$'000
Raw materials and consumables used	3,608,445	3,288,583
Changes in inventories of finished goods and work in progress	(148,748)	(318,999)
Staff costs (<i>Note 27</i>) (<i>Note</i>)	960,485	873,032
Research costs	27,958	29,162
Amortisation of intangible assets (<i>Note 6</i>)	5,419	5,751
Depreciation of property, plant and equipment (<i>Note 7</i>)	160,687	120,573
Depreciation of right-of-use assets (<i>Note 9</i>)	19,376	19,549
Utilities	76,262	65,490
Transportation expenses	136,726	130,629
Auditor's remuneration		
– Audit services	3,485	3,400
– Non-audit services	839	1,041
(Reversal of provision for)/provision for impairment of trade receivables – net (<i>Note 3.1(b)(ii)</i>)	(4,654)	4,840
Provision for/(reversal of provision for) inventories write-down (<i>Note 18</i>)	3,439	(21,791)
(Reversal of provision for)/provision for loss on financial guarantee contracts (<i>Note 34</i>)	(1,751)	1,140
Other expenses	511,307	509,590
	5,359,275	4,711,990
Represented by:		
Cost of sales	4,299,662	3,796,074
Selling and distribution expenses	544,592	480,605
General and administrative expenses	519,675	430,471
(Reversal of provision for)/provision for impairment of trade receivables – net	(4,654)	4,840
	5,359,275	4,711,990

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

NOTES TO THE CONSOLIDATED
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27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK\$'000	2022 HK\$'000
Wages and salaries	856,000	782,416
Retirement scheme contributions (Note i)	63,937	64,570
Other allowances and benefits	36,766	23,942
Employees' incentive plans (Note 20)	3,782	2,104
	960,485	873,032

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.

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 March 2023

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Share-based payments HK\$'000	Employer's contribution to a retirement benefit scheme	Total HK\$'000
					HK\$'000	
Executive Directors						
Chong Siw Yin	-	5,200	-	-	18	5,218
Liu Zhuo Ming	-	1,400	-	-	18	1,418
Tse Siu Sze	-	1,982	-	1,077	18	3,077
	-	8,582	-	1,077	54	9,713
Independent Non-executive Directors						
Low Seow Chay	258	-	-	-	-	258
Lui Ming Wah	310	-	-	-	-	310
Tsang Yiu Keung	310	-	-	-	-	310
Look Andrew	273	-	-	-	-	273
	1,151	-	-	-	-	1,151
Total	1,151	8,582	-	1,077	54	10,864

27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2022

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Share-based payments HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive Directors						
Chong Siw Yin	-	4,552	-	-	18	4,570
Liu Zhuo Ming	-	1,400	-	-	18	1,418
Tse Siu Sze	-	2,055	2,227	735	18	5,035
	-	8,007	2,227	735	54	11,023
Independent Non-executive Directors						
Low Seow Chay	310	-	-	-	-	310
Lui Ming Wah	310	-	-	-	-	310
Tsang Yiu Keung	310	-	-	-	-	310
	930	-	-	-	-	930
Total	930	8,007	2,227	735	54	11,953

Salary paid to a director is generally an emolument paid or receivable by directors in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

During the year ended 31 March 2023, there was no allowances and benefits in kind, or other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings (2022: Nil).

27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	2023 HK\$'000	2022 HK\$'000
Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings	1,151	930
Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings	9,713	11,023
Total	10,864	11,953

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial year ended 31 March 2023 and 2022.

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

During the year ended 31 March 2023, the Company did not pay consideration to any third parties for making available directors' services (2022: Nil).

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

During the year ended 31 March 2023, there was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2022: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

NOTES TO THE CONSOLIDATED
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27 EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(f) Five highest paid individuals

During the year ended 31 March 2023, the five highest paid individuals included two (2022: two) directors. The emoluments of the remaining three (2022: three) individuals were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other allowances	9,940	12,858
Retirement scheme contributions	1,238	1,057
	11,178	13,915

The emoluments fell within the following bands:

	2023	2022
HK\$2,000,001–HK\$2,500,000	1	–
HK\$3,500,001–HK\$4,000,000	1	1
HK\$4,000,001–HK\$4,500,000	–	1
HK\$5,000,001–HK\$5,500,000	1	–
HK\$5,500,001–HK\$6,000,000	–	1

28 FINANCE COSTS – NET

	2023 HK\$'000	2022 HK\$'000
Finance income:		
Interest income on short-term bank deposits	(6,760)	(6,721)
Finance costs:		
Interest on bank borrowings	59,082	37,830
Interest on an employees' incentive plan of a subsidiary (Note 20(b))	3,033	2,135
Charges on bills receivables discounted without recourse	3,907	1,801
Interest on lease liabilities	748	799
Less: Capitalised in property, plant and equipment (Note i)	(12,834)	(8,993)
	53,936	33,572
	47,176	26,851

Note:

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

29 INCOME TAX EXPENSES

	2023 HK\$'000	2022 HK\$'000
The tax charge for the year comprises:		
Current income tax		
– PRC income tax	85,965	99,606
– Hong Kong profits tax	–	–
– Overseas tax	11,684	7,308
– Withholding income tax on dividends	9,000	15,870
	106,649	122,784
Deferred income tax (<i>Note 13</i>)	(8,647)	17,414
	98,002	140,198

In accordance with the applicable Corporate Income Tax Law of the PRC, the Company's subsidiaries are taxed at the statutory rate of 25% (2022: same).

Certain subsidiaries in Shenzhen, Zhongshan, Ningbo, Shanghai, Kunshan and Fuxin were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% for three years. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

Under the Corporate Income Tax Law of the PRC, dividends out of profits earned on or after 1 January 2008 from the subsidiaries in the PRC distributed to the Group will be subject to withholding income tax. Pursuant to the implementation rules of the Corporate Income Tax Law of the PRC and a double tax arrangement between the PRC and Hong Kong, Hong Kong tax resident companies could enjoy a lower withholding tax rate of 5% on dividends received from China. Provision for such withholding tax is included in deferred taxation.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2022: same) on the estimated assessable profits for the year. No Hong Kong profits tax has been provided for the year ended 31 March 2023 (2022: same) as the subsidiaries established in Hong Kong were utilising brought-forward tax losses or had no assessable profits for the year ended 31 March 2023 (2022: same).

For the year ended 31 March 2023, taxation on overseas profits had been calculated on the estimated assessable profits for the year at the rate of taxation prevailing in the jurisdiction in which the Group operates (2022: same).

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29 INCOME TAX EXPENSE *(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:

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	630,237	765,707
Tax calculated at applicable tax rates in the respective jurisdictions	163,967	193,253
Effect of preferential tax rates applicable to relevant jurisdictions	(63,748)	(75,568)
Tax effects of:		
– Super-deduction of research and development costs	(23,320)	(18,775)
– Income not subject to tax	(1,950)	(2,556)
– Expenses not deductible for tax purposes	4,683	8,238
– PRC withholding tax	1,590	25,860
Tax effect of unrecognised tax losses	16,780	9,746
Tax charge	98,002	140,198

30 EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company of HK\$532,235,000 (2022: HK\$625,509,000) and on the weighted average number of approximately 1,376,392,000 (2022: 1,370,424,000) ordinary shares in issue.

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

30 EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 March 2023, the Group has two categories of potentially dilutive ordinary share: share option issued by the Company and share-based payment scheme of a subsidiary of the Group. These unvested potentially dilutive ordinary shares were not included in the calculation of diluted earnings per share as they would have an antidilutive impact to the basic earnings per share (2022: same).

31 DIVIDENDS

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

	2023 HK\$'000	2022 HK\$'000
Final dividend for the year ended 31 March 2021 (HK3 cents per ordinary share)	–	37,538
Interim dividend for the six months ended 30 September 2021 (HK6 cents per ordinary share)	–	82,583
Final dividend for the year ended 31 March 2022 (HK4 cents per ordinary share)	55,056	–
Interim dividend for the six months ended 30 September 2022 (HK4 cents per ordinary share)	55,056	–
	110,112	120,121

A final dividend in respect of the year ended 31 March 2023 of HK4.5 cents per ordinary share, amounting to a total dividend of HK\$61,938,000, is to be proposed at the forthcoming annual general meeting on 6 September 2023. These consolidated financial statements do not reflect these dividends payables.

NOTES TO THE CONSOLIDATED
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32 CASH GENERATED FROM OPERATIONS

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	630,237	765,707
Adjustments for:		
Depreciation and amortisation	185,482	145,873
Increase in fair value of investment properties	(11,667)	(28,546)
Finance income	(6,760)	(6,721)
Finance costs	53,936	33,572
(Reversal of provision for)/provision for impairment of trade receivables – net	(4,654)	4,840
Provision for/(reversal of provision for) inventories write-down	3,439	(21,791)
Net (gain)/loss on disposals of property, plant and equipment	(163)	814
Loss on disposals of insurance policy investments	–	222
An employees' incentive plan	3,782	2,104
Share of losses/(profit) of associates	61	(43)
Operating profit before changes in working capital	853,693	896,031
Changes in working capital:		
Inventories	(258,665)	(514,766)
Trade and bills receivables	(628,509)	(612,435)
Other receivables, prepayments and deposits	(78,743)	(73,925)
Trade and bills payables, other payables and contract liabilities	456,908	722,640
Restricted bank balances	(70,241)	(91,530)
Cash generated from operations	274,443	326,015

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

	2023 HK\$'000	2022 HK\$'000
Net book amount (<i>Note 7</i>)	5,919	7,058
Net gain/(loss) on disposals of property, plant and equipment (<i>Note 25</i>)	163	(814)
Proceeds from disposals of property, plant and equipment	6,082	6,244

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

32 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) Liabilities from financing activities

	Borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2021	1,165,552	30,782	1,196,334
Additions	–	1,844	1,844
Finance costs	37,830	799	38,629
Cash flows	(136,311)	(12,096)	(148,407)
Exchange difference	21,566	(91)	21,475
As at 31 March 2022	1,088,637	21,238	1,109,875
Additions	–	2,523	2,523
Finance costs	59,082	748	59,830
Cash flows	564,337	(11,529)	552,808
Exchange difference	(71,010)	(902)	(71,912)
As at 31 March 2023	1,641,046	12,078	1,653,124

33 COMMITMENTS

(a) Capital commitments

	2023 HK\$'000	2022 HK\$'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred are as follows:		
Property, plant and equipment	178,850	136,283

33 COMMITMENTS (Continued)

(b) Operating lease commitments

The Group as lessor

The 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 2023 and 2022, the Group had contracted with lessees under non-cancellable operating leases in respect of buildings and machinery for the following future minimum leases receivable:

	2023 HK\$'000	2022 HK\$'000
Leases receivable:		
Within one year	25,294	7,202
In the second to fifth year inclusive	51,207	687
	76,501	7,889

34 FINANCIAL GUARANTEES

	2023 HK\$'000	2022 HK\$'000
The amount of the outstanding loans granted by banks to customers to purchase the Group's products for which guarantees have been given by the Group to the banks	21,991	35,857

The Group has provided guarantees to banks in respect of credit facilities up to the maximum amount of HK\$21,991,000 as at 31 March 2023 (2022: HK\$35,857,000) which are granted to certain customers of the Group to purchase its products. Pursuant to the terms of the guarantees, the 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 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 Group is entitled to take over the legal title and possession of the related products. The 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 year ended 31 March 2023, the Group reversed a provision of HK\$1,751,000 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 Group recognised a provision of HK\$1,140,000 as a result of default in payment by customers of certain loans.

The Company has provided guarantees in respect of banking facilities of its subsidiaries of approximately HK\$701,894,000 (2022: HK\$738,708,000). The facilities utilised by the subsidiaries as at 31 March 2023 was HK\$257,233,000 (2022: HK\$176,374,000).

35 CONTINGENT LIABILITIES

During the year ended 31 March 2023, a wholly-owned subsidiary of the Group received a product-related claim from a customer. The relevant legal process is 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 disclosed as a contingent liability.

36 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Except for those disclosed below and other than those disclosed elsewhere in the consolidated financial statements, the Group has no other significant transaction with related parties during the year ended 31 March 2023 (2022: same).

	2023 HK\$'000	2022 HK\$'000
Consultancy fee (<i>Note i</i>)	6,000	6,000

Note:

- (i) On 1 December 2020, the Company entered into a consultancy agreement with Mr. Liu Siang Song to appoint him as the strategic and technical consultant of the Company for the term from 1 December 2020 to 30 November 2023. This related party transaction is also the continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Key management compensation

The remuneration of directors and other members of key management personnel during the year was as follows:

	2023 HK\$'000	2022 HK\$'000
Wages and salaries, other allowances and benefits	21,344	23,330
Employees' incentive plans	1,077	735
Retirement scheme contributions	1,529	1,536
	23,950	25,601

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Non-current asset		
Investments in subsidiaries	65,000	65,000
Current assets		
Other receivables, prepayments and deposits	478	445
Amounts due from subsidiaries	1,295,999	1,287,786
Cash and cash equivalents	215	318
Total current assets	1,296,692	1,288,549
Total assets	1,361,692	1,353,549
Equity		
Share capital	137,640	137,640
Reserves	(a) 1,218,507	1,210,248
Total equity	1,356,147	1,347,888
Current liability		
Other payables	5,545	5,661
	5,545	5,661
Total equity and liability	1,361,692	1,353,549

The statement of financial position of the Company was approved by the Board of Directors on 28 June 2023 and was signed on its behalf.

Chong Siw Yin
Director

Liu Zhuo Ming
Director

NOTES TO THE CONSOLIDATED
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37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Note:

(a) Reserve movement of the Company

	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2021	579,809	11,116	57,119	648,044
Profit for the year	–	–	138,292	138,292
Placement of shares	556,546	–	–	556,546
Issue of bonus shares	(12,513)	–	–	(12,513)
Dividends paid	–	–	(120,121)	(120,121)
At 31 March 2022 and 1 April 2022	1,123,842	11,116	75,290	1,210,248
Profit for the year	–	–	118,371	118,371
Dividends paid	–	–	(110,112)	(110,112)
At 31 March 2023	1,123,842	11,116	83,549	1,218,507

MAJOR INVESTMENT PROPERTIES SUMMARY

	Location	Lease Expiry	Total Gross Floor Area
HONG KONG			
Factory	Unit Nos. 1102 and 1104 on 11th Floor, Tsuen Wan Industrial Centre, Nos. 220–248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	2047	4,377 (sq.ft.)
PRC			
Factory	Level 1 and portion of Level 2 of No. 4 Factory Building and 9 Apartment Units of No. 1 Dormitory Building, Jihua Industrial Area, Buji Town, Longgang District, Shenzhen City, Guangdong Province, the PRC	2049	3,252 (sq.m.)
Factory	Factory No. 3, Songnan Road, Qiandeng Town, Kunshan City, Suzhou City, Jiangsu Province, the PRC	2057	17,291 (sq.m.)
Factory	Factory No. 4–10, No. 168 Xinhong Road, Qiandeng Town, Kunshan City, Suzhou City, Jiangsu Province, the PRC	2057	63,945 (sq.m.)
Offices	Units 2301–2306 and 2308–2310 on Level 23 Zhenyuan Building, No. 2052 Zhongshan Road North, Putuo District, Shanghai, the PRC	2045	812 (sq.m.)

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	5,896,349	5,362,474	4,021,206	2,746,099	3,604,449
Profit before income tax	630,237	765,707	457,952	50,114	253,772
Income tax expense	(98,002)	(140,198)	(114,285)	(46,836)	(63,096)
Profit for the year	532,235	625,509	343,667	3,278	190,676
Profit attributable to:					
Owners of the Company	532,235	625,509	343,667	3,278	190,676
Non-controlling interests	–	–	–	–	–
	532,235	625,509	343,667	3,278	190,676
	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Assets and liabilities					
Total assets	8,539,878	7,599,524	5,478,376	4,999,005	5,220,784
Total liabilities	(4,684,162)	(3,896,525)	(3,017,104)	(3,012,353)	(3,072,224)
	3,855,716	3,702,999	2,461,272	1,986,652	2,148,560
Equity attributable to owners of the Company	3,855,716	3,702,999	2,461,272	1,986,652	2,148,560
Non-controlling interests	–	–	–	–	–
	3,855,716	3,702,999	2,461,272	1,986,652	2,148,560



力勁科技集團有限公司

L.K. TECHNOLOGY HOLDINGS LIMITED
www.lk.world

Unit A, 8/F., Mai Wah Industrial Building,
1-7 Wah Sing Street, Kwai Chung,
New Territories, Hong Kong

香港新界葵涌華星街1-7號
美華工業大廈8樓A室

