
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



力勁科技集團有限公司
L.K. Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 558)

**MAJOR TRANSACTIONS IN RELATION TO
THE URBAN RENEWAL PROJECT
(1) DISPOSAL OF PROPERTIES; AND
(2) ACQUISITION OF RESETTLEMENT PROPERTIES**

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

A letter from the Board is set out on pages 5 to 20 of this circular.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I — PROPERTY VALUATION REPORT	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Resettlement Properties by the Vendor pursuant to the Cooperation Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	L.K. Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“Competent Authority (主管部門)”	the competent authority (主管部門), being Shenzhen Longhua Urban Renewal and Land Development Bureau* (深圳市龍華區城市更新和土地整備局) for the purpose of the Urban Renewal Project, who is responsible for, amongst others, approving the Urban Renewal Planning (城市更新單元計劃) and the Urban Renewal Specialised Planning (城市更新單元專項規劃), and confirming the execution principal (實施主體)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement in relation to the Urban Renewal Project entered into by the Vendor and the Purchaser on 12 January 2021
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Properties by the Vendor to the Purchaser pursuant to the terms of the Cooperation Agreement
“Disposal Consideration”	the aggregate consideration for the Disposal, comprising the Monetary Consideration and title to the Resettlement Properties
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, not a connected person of the Group
“Latest Practicable Date”	26 February 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Monetary Consideration”	the monetary consideration of RMB350 million (equivalent to approximately HK\$419.1 million), being part of the Disposal Consideration
“MOU”	the memorandum of understanding dated 28 December 2020 in relation to, amongst others, the Disposal by the Vendor in relation to the Urban Renewal Project, please refer to the announcement of the Company dated 28 December 2020 for further details
“Performance Deposit”	has the meaning ascribed to it under the paragraph headed “The Cooperation Agreement – Consideration – The Monetary Consideration” in the letter from the Board of this circular
“Possible Relocation”	has the meaning ascribed to it under the paragraph headed “The Possible Relocation of the manufacturing plant” in the letter from the Board of this circular
“PRC”	the People’s Republic of China
“Properties”	comprising Land A, Buildings A, Land B (but excluding the Excluded Land) and Buildings B (but excluding the Excluded Buildings), as further particularised in the paragraph headed “The Cooperation Agreement – The Properties to be disposed of” in the letter from the Board of this circular
“Property Valuer”	Vigers Appraisal and Consulting Limited, an independent valuer appointed by the Company in respect of the valuation of the Properties

DEFINITIONS

“Purchaser”	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
“Resettlement Properties”	has the meaning ascribed to it under the paragraph headed “The Cooperation Agreement – Consideration” in the letter from the Board of this circular
“RMB”	Renminbi, the lawful currency in the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Leadwell”	Shenzhen Leadwell Technology Co., Ltd.* (深圳領威科技有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction(s)”	the transaction(s) contemplated under the Cooperation Agreement, comprising, amongst others, the Disposal and the Acquisition
“Urban Renewal Approval (立項完成)”	completion of urban renewal approval (立項完成) occurs when (i) the Urban Renewal Planning (城市更新單元計劃) has been reviewed and approved by the Competent Authority (主管部門) and there is (a) no objection received during the publication period; or (b) objection has been received during the publication period but the objection is not established; or (c) objection has been received during the publication period and the objection has been properly resolved; and (ii) the filing of the Urban Renewal Planning (城市更新單元計劃) has been completed at the Planning and Natural Resources Administration Department* (規劃和自然資源部門)

DEFINITIONS

“Urban Renewal Planning (城市更新單元計劃)”	urban renewal planning (城市更新單元計劃) for the Urban Renewal Project, which consists of a preliminary and general proposal of the relevant urban renewal project, including the scope and area of land subject to urban renewal and the proposed redevelopment direction of the relevant land
“Urban Renewal Project”	the urban renewal project titled “力勁高新科技工業園城市更新項目” (L.K. High-tech Industrial Park Urban Renewal Project*) comprising the Properties with an aggregate land area (土地面積) of approximately 48,105.71 sq. m. and an aggregate gross floor area (建築面積) of approximately 38,424.59 sq. m.
“Urban Renewal Specialised Planning (城市更新單元專項規劃)”	urban renewal specialised planning (城市更新單元專項規劃) for the Urban Renewal Project, which consists of a detailed and specific proposal of the relevant urban renewal project, including (i) the proposed positioning, land use, transportation solutions, urban design of the relevant urban renewal project; (ii) proposals and specifications of industrial, commercial or residential housing and public infrastructure to be constructed; (iii) the scope and area of government land affected and the relevant arrangements; and (iv) the cost-benefit analysis of the relevant urban renewal project
“Vendor”	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
“%”	per cent

For the purposes of this circular, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.83514 for the purpose of illustration only.

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



力勁科技集團有限公司
L.K. Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 558)

Executive Directors:

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

Independent Non-executive Directors:

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

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

4 March 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS IN RELATION TO
THE URBAN RENEWAL PROJECT
(1) DISPOSAL OF PROPERTIES; AND
(2) ACQUISITION OF RESETTLEMENT PROPERTIES**

1. INTRODUCTION

The Board refers to the announcement of the Company dated 12 January 2021 in relation to the Cooperation Agreement and the Transactions.

The Company has obtained a written shareholders' approval from Girgio Industries Limited ("Girgio Industries"), a controlling shareholder of the Company, holding in aggregate

LETTER FROM THE BOARD

770,980,000 Shares, representing approximately 64.7% of the entire issued share capital of the Company as at the Latest Practicable Date, for the Cooperation Agreement and the Transactions contemplated thereunder. Accordingly, the written approval from Girgio Industries will be accepted in lieu of holding a general meeting of the Company for the approval of the Cooperation Agreement and the Transactions pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with, amongst others: (i) further information regarding the Cooperation Agreement and the Transactions; and (ii) the property valuation report in respect of the Properties.

2. THE URBAN RENEWAL PROJECT

As mentioned in the announcement of the Company dated 28 December 2020, the Vendor and the Purchaser entered into the MOU dated 28 December 2020 in relation to the Disposal, pursuant to which, amongst others, the Purchaser paid a refundable earnest money of RMB10,000,000 to the Vendor.

The Board is pleased to announce that on 12 January 2021, the Vendor, an indirectly wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has 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 the Property Valuer to have a gross development value of approximately RMB1,249 million (equivalent to approximately HK\$1,495.6 million) as at 5 January 2021.

Since the Cooperation Agreement has been entered into by the Vendor and the Purchaser, the refundable earnest money of RMB10,000,000 has been returned to the Purchaser without interest in accordance with the terms of the MOU as at the Latest Practicable Date.

3. THE COOPERATION AGREEMENT

A summary of the salient terms of the Cooperation Agreement in relation to the Urban Renewal Project is set out below.

Date

12 January 2021

Parties

- (i) The Vendor; and
- (ii) The Purchaser

LETTER FROM THE BOARD

The Cooperation

The parties have designated the Purchaser as the execution principal (實施主體) of the Urban Renewal Project.

The Purchaser is responsible for obtaining approval from the PRC government for the redevelopment and reconstruction works contemplated under the Urban Renewal Project, including but not limited to the demolition of the existing properties, the design, construction, renovation, completion, and paying all costs in connection with it (including but not limited to the expenses incurred in connection with demolition, reconstruction, renovation, land premium and relevant tax and expenses) and handover the certificates of title of the redeveloped Resettlement Properties to the Vendor.

The Vendor is responsible for the provision of the Properties, which were occupied by Shenzhen Leadwell as its manufacturing plant for the production of the Group's products, namely, die-casting machines as at the Latest Practicable Date, and will receive the Monetary Consideration and the Resettlement Properties as consideration under the Cooperation Agreement.

The Properties to be disposed of

The Properties, located at the South of Jihe Expressway, Longhua Street, Longhua District, Shenzhen, Guangdong, the PRC* (中國廣東省深圳市龍華區龍華街道機荷高速公路南側):

- (i) comprise the following:
 - (a) the land use rights to certain lands being industrial land (工業用地), with an aggregate land area (土地面積) of approximately 10,104.60 sq. m. (“**Land A**”);
 - (b) certain buildings erected on Land A, with an aggregate gross floor area (建築面積) of approximately 9,901.51 sq. m. (“**Buildings A**”);
 - (c) the land use rights to certain lands being industrial land (工業用地), with an aggregate land area (土地面積) of approximately 46,239.11 sq. m. (“**Land B**”); and
 - (d) certain buildings erected on Land B, with an aggregate gross floor area (建築面積) of approximately 43,302.26 sq. m. (“**Buildings B**”);

LETTER FROM THE BOARD

- (ii) but exclude:
 - (a) a portion of land of Land B, with an aggregate land area (土地面積) of approximately 8,238.00 sq. m. (the “**Excluded Land**”); and
 - (b) certain buildings erected on the Excluded Land, with an aggregate gross floor area (建築面積) of approximately 14,779.18 sq. m. (the “**Excluded Buildings**”),

together with any attachments, roads, green areas, water and electricity facilities, etc. located thereon.

According to the unaudited condensed consolidated interim results of the Group as at 30 September 2020, the unaudited net book value of the Properties is approximately HK\$19.0 million.

Consideration

The aggregate consideration for the Disposal (the “**Disposal Consideration**”) comprises of:

- (i) a monetary consideration (the “**Monetary Consideration**”) of RMB350 million (equivalent to approximately HK\$419.1 million) payable by the Purchaser; and
- (ii) the title to the redeveloped properties (the “**Resettlement Properties**”), which shall consist of, subject to adjustments, (a) redeveloped properties dominantly for industrial use (including new research centres, ancillary dormitories and ancillary commercial property) with a plot ratio-based gross floor area (計容積率建築面積) of 38,000 sq. m. (the “**Industrial Resettlement Properties**”); and (b) redeveloped properties for residential use (i.e., commodity housing) with a gross floor area (建築面積) of 2,500 sq. m. (the “**Residential Resettlement Properties**”), to be transferred from the Purchaser to the Vendor. The gross development value of the Resettlement Properties is estimated to be approximately RMB1,249 million (equivalent to approximately HK\$1,495.6 million) as at 5 January 2021 based on the preliminary valuation prepared by the Property Valuer. Please refer to the paragraph headed “Financial Effect of the Transactions and Intended Use of Proceeds” in this section below for details of the basis on determining the gross development value of the Resettlement Properties.

The Disposal Consideration has been determined after arm’s length negotiations between the parties with reference to (i) the abovementioned carrying value of the Properties as at 30 September 2020; (ii) the appraised value of the Properties as at 5 January 2021 of approximately RMB195.9 million (equivalent to approximately HK\$234.6 million) according to the preliminary valuation by the Property Valuer (the report of the same is set out in Appendix I to this circular); and (iii) the abovementioned gross development value of the Resettlement Properties.

LETTER FROM THE BOARD

The Monetary Consideration

The Monetary Consideration is payable by the Purchaser to the Vendor in the following manner:

- (1) 10% of the Monetary Consideration, amounting to RMB35 million (equivalent to approximately HK\$41.9 million), shall be paid within 10 working days upon entering into of the Cooperation Agreement;
- (2) 10% of the Monetary Consideration, amounting to RMB35 million (equivalent to approximately HK\$41.9 million), shall be paid within 10 working days upon (a) the years of construction completion (建築竣工年限) of the Properties reaching 15 years (i.e., 24 July 2021); and (b) the Cooperation Agreement and the Transactions having been approved by the Shareholders (the “**Shareholders’ Approval**”);

(the instalments stated in (1) and (2) above shall collectively be referred to as the “**Performance Deposit**”)

- (3) 30% of the Monetary Consideration, amounting to RMB105 million (equivalent to approximately HK\$125.7 million), shall be paid within 10 working days upon the Urban Renewal Planning (城市更新單元計劃) being approved by the Competent Authority (主管部門), which is expected to take place by November 2022;
- (4) 20% of the Monetary Consideration, amounting to RMB70 million (equivalent to approximately HK\$83.8 million), shall be paid (a) within 10 working days upon the Urban Renewal Specialised Planning (城市更新單元專項規劃) being approved by the Competent Authority (主管部門), which is expected to take place by February 2024; or (b) within 450 calendar days upon the Urban Renewal Planning (城市更新單元計劃) being approved by the Competent Authority (主管部門), whichever is the earlier;
- (5) 20% of the Monetary Consideration, amounting to RMB70 million (equivalent to approximately HK\$83.8 million), shall be paid within 10 working days upon (a) the confirmation of the execution principal (實施主體確認); and (b) the Vendor vacating and handing over the Properties pursuant to the terms of the Cooperation Agreement, which is expected to take place by July 2024; and
- (6) 10% of the Monetary Consideration, amounting to RMB35 million (equivalent to approximately HK\$41.9 million), shall be paid (a) within 10 working days upon the Competent Authority (主管部門) entering into of land use rights transfer agreement (土地使用權出讓合同) in relation to the Urban Renewal Project with the execution principal (實施主體), which is expected to take place by December 2024; or (b) within 150 calendar days upon the confirmation of the execution principal (實施主體確認) and the Vendor having vacated and handed over the Properties, whichever is the earlier.

As at the Latest Practicable Date, the instalment of the Monetary Consideration stated in (1) above has been received by the Vendor.

LETTER FROM THE BOARD

The Resettlement Properties

The title to the Resettlement Properties shall be registered (the “**Title Registration**”) in the Vendor’s name (or, if allowed by applicable laws and regulations, its nominee’s name) within 12 months upon (i) the redeveloped Resettlement Properties having passed the acceptance inspection (竣工驗收合格) and completed delivery; and (ii) the Vendor having provided requisite information or documents for the Title Registration. It is expected the Title Registration will take place by January 2029 in accordance with the Delivery Timeframe.

In case where the requisite certificates and documents of the Resettlement Properties and/or the quality of the Resettlement Properties does not meet the standard stipulated under the Cooperation Agreement, the Vendor may refuse to receive the Resettlement Properties (the “**Refusal of Delivery**”). In case of a Refusal of Delivery, the Vendor shall be entitled to the liquidated damages further particularised in item (iii) of the paragraph headed “The Cooperation Agreement – Termination and defaulting liabilities” in this section below.

Adjustments to the gross floor area of the Resettlement Properties

The gross floor area of the Resettlement Properties is subject to the following adjustments:

- (i) for the Industrial Resettlement Properties, in case where the plot ratio-based gross floor area (計容積率建築面積) approved pursuant to the Urban Renewal Specialised Planning (城市更新單元專項規劃) exceeds 38,000 sq. m., the Vendor may accept all or part of the excess or decline to accept the excess at all. If the Vendor chooses to accept the excess, the Vendor may opt to pay for the excess at a rate of RMB15,000 per sq. m. of the excess or to exchange for every 3 sq. m. of the excess with 1 sq. m. of Residential Resettlement Properties;
- (ii) for the Industrial Resettlement Properties, in case where the plot ratio-based gross floor area (計容積率建築面積) approved pursuant to the Urban Renewal Specialised Planning (城市更新單元專項規劃) falls short of 38,000 sq. m., the Purchaser shall compensate the Vendor for the shortfall. The Vendor may opt to have compensation at a rate of RMB25,000 per sq. m. of the shortfall or to exchange for 1 sq. m. of Residential Resettlement Properties with every 1 sq. m. of the shortfall; and
- (iii) for the Residential Resettlement Properties, in case where the approved gross floor area (建築面積) falls short of 2,500 sq. m., the Purchaser shall compensate the shortfall with shops (商舖) of equivalent size on the same lot of land of the Resettlement Properties. If the gross floor area (建築面積) of Residential Resettlement Properties plus the shops (商舖) still falls short of 2,500 sq. m., the Purchaser shall further compensate the shortfall with office property (寫字樓辦公物業) of equivalent size on the same lot of land of the Resettlement Properties.

LETTER FROM THE BOARD

Pursuant to the Cooperation Agreement, the Vendor is not entitled to accept the excess of the Residential Resettlement Properties in case where the approved gross floor area (建築面積) exceeds 2,500 sq. m.

The rate of RMB15,000 per sq. m. of the excess of Industrial Resettlement Properties was determined based on the expected construction costs of the Industrial Resettlement Properties, whilst the rate of exchange for every 3 sq. m. of the excess of Industrial Resettlement Properties with 1 sq. m. of Residential Resettlement Properties has taken into account the difference in the market price of the Industrial Resettlement Properties to that of the Residential Resettlement Properties.

The rate of compensation of RMB25,000 per sq. m. of the shortfall of Industrial Resettlement Properties was determined based on the expected market price of the Industrial Resettlement Properties, whilst the rate of exchange for 1 sq. m. of Residential Resettlement Properties with every 1 sq. m. of the shortfall of Industrial Resettlement Properties was determined at a discount to the market price of the Industrial Resettlement Properties and Residential Resettlement Properties, where the discount of which was determined on a discretionary basis of the parties.

In the event the actual gross floor area of the Resettlement Properties exceeds or falls short of the agreed and adjusted (if any) gross floor area due to construction planning (建築規劃設計), (i) the Vendor shall pay for the excess of the Industrial Resettlement Properties at a rate of RMB15,000 per sq. m.; (ii) the Purchaser shall compensate for the shortfall of the Industrial Resettlement Properties at a rate of RMB25,000 per sq. m.; and/or (iii) the shortfall of the Residential Resettlement Properties shall be compensated for by the Purchaser at a rate based on the pre-sale filing average price (預售備案均價) of the property of the same type under the Urban Renewal Project.

The pre-sale filing average price (預售備案均價) refers to the average price of the pre-sale price (預售價格) of the relevant properties filed with the relevant government authority by the property developers prior to the pre-sale of the relevant properties, which is determined with reference to the then recent actual sale price of properties of the same type in the vicinity. Accordingly, the Directors consider that the pre-sale filing average price (預售備案均價) in general reflects the market price of the properties of the same type in the vicinity, and referencing the compensation provided by the Purchaser to the pre-sale filing average price (預售備案均價) for the shortfall of the Residential Resettlement Properties as a result of the construction planning (建築規劃設計) achieves certainty, and is fair and reasonable to both the Vendor and the Purchaser.

Vacation and handover of the Properties

Subject to the terms and conditions of the Cooperation Agreement, the Purchaser shall notify the Vendor in advance in relation to the vacation and handover of the Properties (the “**Vacation Notification**”) upon the Urban Renewal Planning (城市更新單元計劃) being approved. The Vendor shall vacate the Properties within five months of the Vacation

LETTER FROM THE BOARD

Notification or within 15 days of the Purchaser being confirmed as the execution principal (實施主體), whichever is the later. The Vendor shall also handover the certificates of title of the Properties and the requisite information or documents for the deregistration of such certificates to the Purchaser. It is expected that the Vendor shall vacate the Properties and handover the certificates of title of the Properties by July 2024.

Timeframe of the Urban Renewal Project

The proposed timeframe of the Urban Renewal Project is agreed as follows:

- (1) Urban Renewal Approval (立項完成) shall be obtained by the Purchaser within two years after the Shareholders' Approval.

In case where Urban Renewal Approval (立項完成) is not obtained within the abovementioned 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) may further extend for a year with the prior written consent of the Vendor. If Urban Renewal Approval (立項完成) is still not obtained within the extended timeframe, the Vendor may unilaterally terminate the Cooperation Agreement in the manner stated in (a) above.

- (2) "Construction permit for construction works" (《建築工程施工許可證》) shall be obtained and construction shall commence within four years after the Shareholders' Approval (shall be extended to five years in case where the timeframe in (1) is so extended), unless the delay is due to the Vendor's fault (the "**Construction Timeframe**"). It is expected that the Construction Timeframe will be fulfilled by January 2025.
- (3) Delivery of the Resettlement Properties shall be completed within four years after the Purchaser having obtained the "Construction permit for construction works" (《建築工程施工許可證》) (the "**Delivery Timeframe**"). It is expected that the Delivery Timeframe will be fulfilled by January 2029.

Condition precedent

Completion of the Transactions shall be conditional upon the Shareholders' Approval having been obtained. In the event that the condition precedent could not be satisfied, the Cooperation Agreement will be terminated.

As at the Latest Practicable Date, the Company has obtained the Shareholders' Approval by way of a written shareholders' approval from Girgio Industries pursuant to Rule 14.44 of the Listing Rules. Please refer to the paragraph headed "Listing Rules Implications" in this section below for further details. Accordingly, the condition precedent under the Transactions has been satisfied as at the Latest Practicable Date.

LETTER FROM THE BOARD

Termination and defaulting liabilities

The parties are entitled to terminate the Cooperation Agreement and/or entitled to liquidated damages in, amongst others, the following events.

- (i) In the event where any amount payable by the Purchaser under the Cooperation Agreement becomes overdue, the Vendor shall be entitled to a liquidated damages of 0.05% of the overdue amount per day payable by the Purchaser. If the relevant amount remains overdue for more than 60 days, the Vendor may unilaterally terminate the Cooperation Agreement, and upon which (a) the Performance Deposit shall be forfeited by the Vendor; (b) the Vendor shall be entitled to a liquidated damages of RMB20 million payable by the Purchaser for the termination of the Cooperation Agreement; and (c) other amount received by the Vendor under the Cooperation Agreement shall be returned to the Purchaser without interest within 30 days of the Cooperation Agreement being terminated.
- (ii) In the event where the Construction Timeframe is not met, the Vendor shall be entitled to a liquidated damages of RMB40,000 per day payable by the Purchaser until conditions under the Construction Timeframe are met. If the conditions under the Construction Timeframe are not fulfilled within 24 months after the Construction Timeframe, and:
 - (a) if the Purchaser has yet to be confirmed as the execution principal (實施主體), the parties shall re-negotiate the terms of the Urban Renewal Project; and if no agreement has been reached upon the re-negotiation within six months, either party is entitled to terminate the Cooperation Agreement; or
 - (b) if the Purchaser has been confirmed as the execution principal (實施主體), the parties shall re-negotiate the Construction Timeframe,

provided, however, that, any liquidated damages payable under this event shall not exceed the Monetary Consideration already paid by the Purchaser to the Vendor, upon which the parties shall re-negotiate the terms of the Urban Renewal Project.

- (iii) In the event where the Delivery Timeframe is not met or where there is a Refusal of Delivery, the Vendor shall be entitled to a liquidated damages of the higher of (a) RMB100 per sq. m. of the gross floor area (建築面積) per month of the undelivered Resettlement Properties; or (b) market rent standard (市場租金標準) of properties of the same type payable by the Purchaser based on the gross floor area (建築面積) of the undelivered Resettlement Properties. Delay of the Delivery Timeframe for every year shall entitle the Vendor to receive from the Purchaser liquidated damages of 150% of the annualised liquidated damages received under this event in the previous year.

LETTER FROM THE BOARD

- (iv) In the event where the Title Registration is not made within the requisite timeframe, the Vendor shall be entitled to a liquidated damages of 0.03% of the higher of the value of the unregistered Resettlement Properties calculated based on (a) the pre-sale filing average price (預售備案均價) of the saleable property (可售物業) of the same type and same phase under the Urban Renewal Project at the time of obtaining the pre-sale permit (預售許可證); or (b) average market price (市場銷售均價) of same type of properties.
- (v) In the event where the Purchaser is directly owned less than 51% by Shenzhen Vanke prior to the pre-sale permit (預售許可證) for the Urban Renewal Project being obtained and without prior written consent of the Vendor, the Vendor shall be entitled to a liquidated damages of 0.05% of the aggregate Monetary Consideration per day payable by the Purchaser up to and until the Purchaser resumes to be directly owned as to 51% or more by Shenzhen Vanke.
- (vi) In the event where the vacation and handover of the Properties does not meet the agreed timeframe, or where the Vendor fails to procure necessary assistance in relation to the Urban Renewal Project (including but not limited to the administrative procedures related to the Urban Renewal Project and the handing over of the certificates of title of the Properties) within the reasonable timeframe requested by the Purchaser, and that such failure is attributable to the Vendor and has not be rectified within three working days of written follow-up by the Purchaser, the Purchaser shall be entitled to a liquidated damages of 0.05% of the Monetary Consideration actually received by the Vendor per day payable by the Vendor up to and until such failure is rectified by the Vendor. In such event of delay, the timeframe of the Urban Renewal Project shall be extended accordingly.

4. THE POSSIBLE RELOCATION OF THE MANUFACTURING PLANT

Pursuant to the terms of the Cooperation Agreement, the Vendor shall vacate the Properties within five months of the Vacation Notification or within 15 days of the Purchaser being confirmed as the execution principal (實施主體), whichever is the latter, which the Company expects the vacation to take place by about June 2024.

As at the Latest Practicable Date, the Properties were occupied by Shenzhen Leadwell as its manufacturing plant for the production of the Group's products, namely, die-casting machines. Shall the Cooperation Agreement materialise and the Group shall vacate from the Properties pursuant to its terms, the Company currently plans to relocate the existing production lines on the Properties to its new manufacturing plant (the "**New Manufacturing Plant**") prior to the vacation and the cessation of its existing production (the "**Possible Relocation**").

The New Manufacturing Plant is located in the Shen-Shan Special Cooperation Zone (深汕特別合作區) in Shenzhen, Guangdong, the PRC and is currently under construction. The land on which the New Manufacturing Plant is situated was acquired by the Group in June 2018 from Shanwei Municipal Bureau of Land and Resources* (汕尾市國土資源局) at an aggregate

LETTER FROM THE BOARD

consideration of RMB27.6 million (equivalent to approximately HK\$33.0 million) pursuant to a State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) dated 11 June 2018 (the “**Land Acquisition**”). According to the latest construction plan, it is expected that the construction of the New Manufacturing Plant will be completed by the end of 2022. The New Manufacturing Plant will have a production capacity similar to that of the existing production lines on the Properties.

As at the Latest Practicable Date, and assuming that the Group will purchase brand new machineries for the production facilities at the New Manufacturing Plant, the estimated cost and expenses for the Possible Relocation are as follows:

	<i>HK\$'000</i>
Construction of the New Manufacturing Plant	320,000
Machinery, fixtures and equipment	160,000
	<hr/>
	480,000
	<hr/> <hr/>

The Board expects that the Possible Relocation will take about nine months to complete, and that the Group will maintain the requisite level of production scale during the transitional period of the Possible Relocation to satisfy the demands from the customers. As at the Latest Practicable Date, the Possible Relocation has not commenced. In view of the expected completion of the construction of the New Manufacturing Plant by the end of 2022, the Directors are of the view that the Possible Relocation will be completed prior to the vacation and handover of the Properties which is expected to take place by July 2024.

Albeit it is expected that customer orders will gradually and seamlessly be taken up by the New Manufacturing Plant of the Group several months upon the completion of the Possible Relocation, the management of the Group will minimise the impact, if any, of Possible Relocation on the employees, production activities and customers' orders of the Group. In addition, the Group also owns another manufacturing plant for the production of the die-casting machines in Longhua District, Shenzhen, Guangdong, the PRC, which may take up the customer orders during the transitional period of the Possible Relocation. Accordingly, the Directors are of the view that the Cooperation Arrangement will not have material adverse effect to the Group's operation and principal business activities as there will be sufficient time for the Group to plan for the Possible Relocation and minimise the impact of the Possible Relocation during the transitional period before the cessation of its existing production at the Properties.

Taking into account the Possible Relocation gives rise to an opportunity for the Group to upgrade the machineries, automate and intelligentise production lines to level up production and operation efficiency, and optimise the production capacity of die-casting machines required for emerging industries and new-energy vehicles, the Board considers the Possible Relocation will bring long-term benefit to the Group and Shareholders as a whole.

LETTER FROM THE BOARD

Since all the applicable percentage ratios of each of the underlying transactions of the Possible Relocation entered into by the Group so far (including the Land Acquisition and the transactions in relation to the construction of the New Manufacturing Plant) do not exceed 5%, and each of such underlying transactions was entered into with Independent Third Party(ies), such underlying transactions do not constitute notifiable transactions nor connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules. The Company will make further announcement(s) in respect of the Possible Relocation and/or the underlying transactions thereto as and when appropriate to update the Shareholders and potential investors of the Company in accordance with the Listing Rules.

5. FINANCIAL EFFECT OF THE TRANSACTIONS AND INTENDED USE OF PROCEEDS

The unaudited net book value of the Properties as at 30 September 2020 was approximately HK\$19.0 million. Based on the preliminary valuation prepared by the Property Valuer, the appraised value of the Properties as at 5 January 2021 was estimated to be approximately RMB195.9 million (equivalent to approximately HK\$234.6 million). There is no identifiable income stream originated from the Properties.

The Properties will be de-recognised from the books of the Group when the Group deregisters its legal title to the Properties. The unaudited net book value of the machineries and equipment situated on the Properties as at 30 September 2020 was approximately HK\$48.8 million. Certain of the relevant machineries and equipment will be de-recognised from the books of the Group or impaired if it cannot be relocated to the New Manufacturing Plant or is damaged. Upon completion of the Cooperation Agreement, it is estimated that the total assets of the Group would be increased by approximately HK\$1,871.4 million (i.e., the Monetary Consideration plus the gross development value of the Resettlement Properties, less the abovementioned unaudited net book value of the Properties and other related costs and expenses directly attributable to the Transactions, but without taking into account any PRC taxes to be or may be charged) and, except for the tax implications arising from the Transactions, there will be no material impact to the total liabilities of the Group.

Based on the preliminary valuation prepared by the Property Valuer, as at 5 January 2021, the gross development value of the Resettlement Properties (comprising new research centres, ancillary dormitories, ancillary commercial property and commodity housing) was approximately RMB1,249 million (equivalent to approximately HK\$1,495.6 million). The gross development value represents the price at current of the relevant properties assuming the proposed development has been newly completed as at the date of valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest available hypothetical development proposal. In arriving at the gross development value of the Resettlement Properties, the Property Valuer has made reference to (i) the pre-sale filing average prices (預售備案均價) of similar type of development for the unit rates of new research centres, ancillary dormitories, ancillary commercial property; and (ii) the offering of comparable properties for the unit rate of commodity housing. For further details, please refer to the paragraphs headed “Property Valuation Report – Basis of Value” and “Property Valuation

LETTER FROM THE BOARD

Report – Approach to Value” and note 8 to the property valuation report in Appendix I to this circular. The Company intends that the new research centres will be served as the research and development centre for the Group’s product lines (namely, die-casting machines, plastic injection moulding machines and the computerised numerical controlled machines, the “**Product Lines**”), showrooms and technical training centre for the Product Lines, and offices for design, application and industrial engineers for the Product Lines. As the Resettlement Properties will be received after around eight years’ time, the Group will depend on the market conditions when receiving Resettlement Properties to formulate a concrete strategy.

Upon completion of the Cooperation Agreement, it is estimated that the Group will record an unaudited net gain of approximately HK\$1,871.4 million. Such an unaudited net gain has not taken into account any PRC taxes to be or may be charged, and is estimated based on the Monetary Consideration and the abovementioned gross development value of the Resettlement Properties, less the unaudited net book value of the Properties as at 30 September 2020 and other related costs and expenses directly attributable to the Transactions (such as consulting fees for surveyors, legal advisers and other professional fees and spending) (i.e., approximately HK\$24.3 million). The actual gain to be recorded by the Group will depend on (i) the net book value of the Properties as at the date of deregistration of the title to the Properties; (ii) the actual costs and expenses to be incurred by the Group in connection with the Urban Renewal Project; (iii) the actual value of the Resettlement properties; and (iv) the associated PRC taxes in connection with the Urban Renewal Project, and therefore, the actual gain before tax is subject to changes and may be different from the amount as presented above.

The Monetary Consideration received pursuant to the Cooperation Agreement prior to entering into of land use rights transfer agreement (土地使用權出讓合同) will be recognised as a liability in the form of receipt in advance in the financial statements of the Group. Upon signing of the land use rights transfer agreement (土地使用權出讓合同) and deregistering its legal title to the Properties (at point (6) of the time sequence stated under the paragraph headed “The Cooperation Agreement – Consideration – The Monetary Consideration” in this section above), the Group fulfils its performance obligations as mentioned in the Cooperation Agreement as the control of the Properties has been transferred to the Purchaser, and the Group is entitled to the Monetary Consideration and the Resettlement Properties, the Group will then record the gain on disposal, including the recognition of the RMB350 million Monetary Consideration previously recognised as receipt in advance, the prepaid assets in relation to the Resettlement Properties and the respective PRC tax liabilities on the financial statements. The prepaid assets in relation to the Resettlement Properties to be recognised will be based on the estimated fair value of the Resettlement Properties on the date the gain on disposal is recognised. The Group will recognise the Resettlement Properties on the financial statements from the prepaid assets upon the Purchaser handing over the certificates of title of the Resettlement Properties to the Group.

The net proceeds (i.e., the Monetary Consideration deducting the other related costs and expenses, but without taking into account any PRC taxes to be or may be charged) arising from the Transactions will be approximately HK\$394.8 million.

LETTER FROM THE BOARD

The Company intends to apply the net proceeds in the following manner:

- (i) approximately 50% of the net proceeds in the New Manufacturing Plant; and
- (ii) approximately 50% of the net proceeds for the Group's general working capital.

6. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Urban Renewal Project provides an opportunity to obtain funds to finance the construction of the New Manufacturing Plant, relocation expenses, purchase of machineries and equipment and working capital, and thereby increasing the revenue and enabling the sustainable development of the Group's business in the long run.

Upon completion of the Urban Renewal Project, the Company intends to hold the Resettlement Properties as long term investment, depending on the then market conditions and policies in the PRC.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Agreement and Transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

7. INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability. It is principally engaged in industry investment and provision of investment consultancy.

The Company understood from publicly available information that, as at the Latest Practicable Date, the Purchaser is owned as to 51% by Shenzhen Vanke Development Co., Ltd.* (深圳市萬科發展有限公司) ("**Shenzhen Vanke**") and 49% by Shenzhen Wanke Investment Development Co., Ltd.* (深圳市萬可投資發展有限公司) ("**Shenzhen Wanke**"). Shenzhen Vanke is owned as to 95% by China Vanke Co., Ltd.* (萬科企業股份有限公司) ("**China Vanke**"), whose shares are listed on the Stock Exchange (stock code: 2202) and on the Shenzhen Stock Exchange (stock code: 000002), and 5% by Shenzhen Vanke Financial Consulting Co., Ltd.* (深圳市萬科財務顧問有限公司) ("**Vanke Financial**"). Vanke Financial is owned as to 95% by China Vanke and 5% by Shenzhen Vanke. Shenzhen Wanke is wholly-owned by Huang Fuji (黃浮基).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is an Independent Third Party.

The Company has been informed that Shenzhen Vanke has been focusing on urban redevelopment in the Shenzhen area, and has accumulated rich experience in urban renewal projects in the PRC.

LETTER FROM THE BOARD

8. INFORMATION ON THE VENDOR AND THE GROUP

The Vendor is a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company. The Vendor principally engages in the manufacture and sale of die-casting machines.

The Group is principally engaged in the design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled machining centres and related accessories. The Group is also engaged in steel casting.

9. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Disposal calculated in accordance with the Listing Rules exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for the Acquisition calculated in accordance with the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates has a material interest in the Cooperation Agreement and the Transactions contemplated thereunder, thus, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Cooperation Agreement and the Transactions. The Company has obtained a written shareholders' approval from Girgio Industries Limited ("**Girgio Industries**"), a controlling shareholder of the Company, holding in aggregate 770,980,000 Shares, representing approximately 64.7% of the entire issued share capital of the Company as at the Latest Practicable Date, for the Cooperation Agreement and the Transactions contemplated thereunder. Girgio Industries is owned as to 95% by Fullwit Profits Limited ("**Fullwit**") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siong Song ("**Mr. Liu**"), the spouse of Ms. Chong Siw Yin ("**Ms. Chong**", the chairperson of the Board and an executive Director). Fullwit is wholly-owned by Ms. Chong. The Liu Family Trust was established by Mr. Liu on 22 February 2002 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. Accordingly, the written approval from Girgio Industries will be accepted in lieu of holding a general meeting of the Company for the approval of the Cooperation Agreement and the Transactions pursuant to Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

10. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Cooperation Agreement and the Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the relevant resolution to approve the same.

11. FURTHER INFORMATION

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

12. MISCELLANEOUS

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

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

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

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent professional valuer, in connection with the valuation(s) of the Properties as at 5 January 2021 in relation to the Disposal and the Acquisition (as defined in this Circular).

Vigers Appraisal and Consulting Limited

General Practice Sector

27/F Standard Chartered Tower,
Millennium City 1, No. 388 Kwun Tong Road,
Kowloon, Hong Kong

T: +852 6651-5330 E: GP@Vigers.com W: www.Vigers.com



4 March 2021

The Board of Directors

L.K. Technology Holdings Limited

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

Dear Sirs,

We refer to the recent instruction from “L.K. Technology Holdings Limited” (referred to as the “**Company**”) and its subsidiary(ies) (together referred to as the “**Group**”) to us to value the property interest(s) of “Lot Numbers A829-0049 and A829-0050, Southern Side of Jihe Expressway, Longhua Street, Longhua District, Shenzhen, Guangdong Province, the People’s Republic of China” (referred to as the “**Properties**”) in relation to the following:

- (1) the proposed disposal of the Properties by “L.K. Machinery (Shenzhen) Co., Ltd.”, an indirectly wholly-owned subsidiary of the Company, (the “**Vendor**”) to “Shenzhen Wanjin Investment Co., Ltd.” (the “**Purchaser**”) pursuant to the terms of a cooperation agreement in relation to the “Urban Renewal Project” (as defined in the circular of the Company dated the even date) entered into by the Vendor and the Purchaser on 12 January 2021 (the “**Cooperation Agreement**”); and
- (2) the proposed acquisition of the Resettlement Properties (which has the meaning ascribed to it under the paragraph headed “The Cooperation Agreement – Consideration” in the circular of the Company dated the even date) by the Vendor pursuant to the Cooperation Agreement.

We confirm that we have inspected the Properties, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value(s) of the Properties as at 5 January 2021 (the “**Date of Valuation**”).

BASIS OF VALUE

(1) Market Value

In respect of the Disposal, our valuation is our opinion of market value of the Properties on its existing use which is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

(2) Gross Development Value

In respect of the Acquisition, our valuation is our opinion of gross development value of the Properties which is defined as intended to mean “the market value of the Properties assuming the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us”.

Our valuation(s) has/have been prepared in accordance with “HKIS Valuation Standards 2020” published by “The Hong Kong Institute of Surveyors” (“**HKIS**”), “RICS Valuation – Global Standards” published by the “Royal Institution of Chartered Surveyors” (“**RICS**”), both incorporate the “International Valuation Standards” (“**IVS**”) published by the “International Valuation Standards Council” (“**IVSC**”), relevant provisions in the Companies Ordinance and the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (Main Board) published by “The Stock Exchange of Hong Kong Limited” (“**HKEx**”). Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

APPROACH TO VALUE

(1) Market Value

In respect of the Disposal, we have assessed the Properties on its existing use which is a self-occupation industrial complex. In lack of sufficient comparable for comparison, we have adopted cost approach which “provides an indication of value using the economic principle that

a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence". Our valuation of the Properties is assessed based on "depreciated replacement cost" ("DRC") which is "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". Since the Properties comprises various building(s) and structure(s) of a complex or development(s), the reported market value only applies to the whole of the complex or development as a unique interest; and no piecemeal transaction of the complex or development is assumed. The DRC assessed is subject to adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. In our valuation, no consideration has been taken into account of alternative use(s) or development option(s); nor have we considered any redevelopment potential of the Properties, unless otherwise stated in our valuation report.

(2) Gross Development Value

In respect of the Acquisition, we have assessed the Properties based on price at current as at the Date of Valuation on the special assumption that the proposed development has been newly completed as at the Date of Valuation pursuant to the prevailing development control parameters under the relevant regulatory frameworks as well as the latest hypothetical development proposal made available to us pursuant to "410 Development Property" of IVS. In our valuation, we have adopted market approach which "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available". In arriving at the gross development value of the Properties, we have adopted the direct comparison method of valuation whereby comparisons based on actual sales transactions and/or offerings of comparable properties have been made. Comparable properties with similar character, location, sizes and so on are analysed and carefully weighed against all respective advantages and disadvantages of the proposed development of the Properties in order to arrive at the fair comparison of value(s).

TITLE INVESTIGATION

The Properties is located in the "People's Republic of China" (the "PRC"), and we have been given extracted copy(ies) of relevant title document(s) for the Properties but we have not checked the title(s) to the Properties nor scrutinized the original title document(s). We have relied on the advice given by the Group and her legal adviser on the laws of the PRC, "Zhong Lun Law Firm" (hereinafter referred to as the "PRC Legal Adviser") regarding title(s) to and ownership of the Properties. For the purpose of our valuation(s), we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title(s), ownership, encumbrances and so on of the Properties. While we have exercised our professional judgement in arriving at our valuation(s), you are urged to consider our valuation assumptions with caution.

VALUATION CONSIDERATION

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Group, particularly planning approval(s) or statutory notice(s), easement(s), land-use rights' term(s), site and floor areas, development options and parameters, development costs, occupancy status as well as in the identification of the Properties. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and the PRC Legal Adviser and we have been advised that no material fact has been omitted from the information provided. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the Properties but we have assumed that the site and floor areas shown on the document(s) handed to us are accurate and reliable. All dimension(s), measurement(s) and area(s) included in our valuation report are based on the information contained in the document(s) provided to us and are therefore approximations.

We had carried out on-site inspection to the Properties and surrounding environment, but not in any form of a building survey, on 30 December 2020. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other part(s) of the structure(s) of the Properties which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part(s) of the Properties is free from any structural or non-structural defect.

VALUATION ASSUMPTION

Our valuation(s) has/have been made on the assumption that the Properties could be sold in the prevailing market in existing state (for market value assessment) or otherwise assuming the proposed development has been newly completed as at the Date of Valuation (for gross development value assessment), and assuming sale with vacant possession and without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value(s) of the Properties unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Properties.

In our valuation(s), we have assumed that the owner(s) of the Properties has/have free and uninterrupted rights to use and assign the Properties during the unexpired land-use rights' term(s) granted subject to payment of usual land-use fee(s). Our valuation(s) for the Properties is carried out on the basis of a cash purchase, and no allowance has been made for interest(s) and/or funding cost(s) in relation to the sale or purchase of the Properties.

We had carried out on-site inspection to the Properties but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development erected on the Properties. Our valuation(s) has/have been carried out on the assumption that these aspects are satisfactory. According to the PRC legal opinion issued by the PRC Legal Adviser, all necessary consent(s), approval(s) and/or licence(s) from relevant government authority(ies) have been granted for the existing property development of the Properties.

Our value assessment(s) of the Properties is/are the value(s) estimated without regard to cost(s) of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Properties has/have been disregarded. In our valuation(s), we have assumed that the Properties is free from encumbrances, restriction(s) and outgoing(s) of an onerous nature which may serve to affect the value(s) of the Properties.

REMARKS

The outbreak of the “Novel Coronavirus” (“**COVID-19**”), declared by the “World Health Organisation” as a “Global Pandemic” on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and “lockdowns” applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks or a “second wave” is possible. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the Date of Valuation some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinion of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to “Material Valuation Uncertainty” as defined by VPS3 and VPGA10 of the “RICS Valuation – Global Standards” published by RICS as well as “Material Uncertainty” as set out in “VS9 Reporting” of “HKIS Valuation Standards 2020” published by the HKIS, except as identified below. In respect of the sector in which the Properties is being classified, as at the Date of Valuation we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant or sufficient market evidence on which to base our judgement. Our valuation(s) of the Properties is therefore reported as being subject to “Material Valuation Uncertainty” as set out in VPS3 and VPGA10 of the “RICS Valuation – Global Standards” published by RICS as well as “Material Uncertainty” as set out in “VS9 Reporting” of “HKIS Valuation Standards 2020” published by the HKIS. Consequently, in respect of the valuation less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, this explanatory note, including the “Material Valuation Uncertainty” declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the Date of Valuation.

We hereby confirm that:

- (1) we have no present or prospective interest in the Properties; and are not a related corporation of nor having a relationship with the Group, the Purchaser or other party/parties who the Group and/or the Purchaser is contracting with;

- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;
- (3) our valuation(s) has/have been prepared on a fair and unbiased basis;
- (4) the valuer's compensation is not contingent upon reporting of a predetermined value or direction in value that favours the cause of the Vendor or the Purchaser, the amount of the value(s) estimate, the attainment of a stipulated result(s), or occurrence of subsequent event(s); and
- (5) we are independent of the Group and the Purchaser.

Unless otherwise stated, all monetary amounts stated herein are denoted in "Renminbi" ("RMB"), the lawful currency of the PRC.

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Sr Franky C. H. WONG
MSc(RealEst) MCIM FRICS MHKIS RPS(GP)
China Registered Real Estate Appraiser
RICS Registered Valuer
Director

Note: Graduated from The University of Hong Kong with a Master of Science in Real Estate, Sr Franky C. H. WONG is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 20 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, Southeast Asia countries, United Kingdom and United State of America. Sr WONG has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by the HKIS and "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. Sr WONG has been employed by "Vigers Appraisal and Consulting Limited" as a valuer since 2006 and as a qualified surveyor since 2009.

PROPERTY VALUATION REPORT

Property currently held by the Group for Owner-occupation purpose

The Properties	Description and Tenure	Occupancy Status	Capital Value in Existing State as at the Date of Valuation																		
Lot Numbers A829-0049 and A829-0050, Southern Side of Jihe Expressway, Longhua Street, Longhua District, Shenzhen, Guangdong Province, the People's Republic of China	<p>The Properties comprises an industrial complex with three blocks of which Block 1 and Block 2 were completed in 2003 and Block 3 were completed in 2006.</p> <p>The Properties is located on the northeast side of Long Guan East Road within Longhua District of Shenzhen, where is a mixed-user area comprising various residential, commercial and industrial developments in close proximity to Shenzhen Metro-Qinghu North Station.</p> <p>The Properties has a total site area of about 48,105.71 square metres (excluding the portion of about 8,238 square metres which was surrendered to the Government); and the existing use of the Properties has a total gross floor area of about 38,424.59 square metres for industrial use (excluding portion of about 14,779.18 square metres of dormitory which was surrendered to the Government).</p> <p>As advised by the Group, the Properties will have a total gross floor area of about 40,500.00 square metres (the "Resettlement Properties") with breakdown as follows:</p>	<p>Pursuant to a copy of Cooperation Agreement and as advised by the Group, the Properties is owner-occupied for industry use subject to an internal arrangement that the Properties is tenanted to "Shenzhen Leadwell Technology Co., Ltd.", a wholly-owned subsidiary of the Company, for production of the Group's products.</p>	<p>Market Value RMB195,900,000 (RENMINBI ONE HUNDRED NINETY FIVE MILLION NINE HUNDRED THOUSAND ONLY)</p> <p>Gross Development Value RMB1,249,000,000 (RENMINBI ONE BILLION TWO HUNDRED FORTY NINE MILLION ONLY)</p>																		
	<table border="1"> <thead> <tr> <th data-bbox="424 1285 459 1312">Use</th> <th data-bbox="708 1285 874 1312">Gross Floor Area</th> </tr> </thead> <tbody> <tr> <td data-bbox="424 1347 528 1374">Commodity</td> <td></td> </tr> <tr> <td data-bbox="443 1374 523 1402">Housing</td> <td data-bbox="660 1374 874 1402">2,500.00 square metres</td> </tr> <tr> <td data-bbox="424 1402 555 1430">New Research</td> <td></td> </tr> <tr> <td data-bbox="443 1430 507 1457">Centre</td> <td data-bbox="644 1430 874 1457">26,600.00 square metres</td> </tr> <tr> <td data-bbox="424 1457 512 1485">Ancillary</td> <td></td> </tr> <tr> <td data-bbox="443 1485 539 1513">Dormitory</td> <td data-bbox="660 1485 874 1513">9,500.00 square metres</td> </tr> <tr> <td data-bbox="424 1513 536 1540">Commercial</td> <td data-bbox="660 1513 874 1540">1,900.00 square metres</td> </tr> <tr> <td data-bbox="424 1604 472 1632">Total</td> <td data-bbox="644 1604 874 1632"><u>40,500.00 square metres</u></td> </tr> </tbody> </table>	Use	Gross Floor Area	Commodity		Housing	2,500.00 square metres	New Research		Centre	26,600.00 square metres	Ancillary		Dormitory	9,500.00 square metres	Commercial	1,900.00 square metres	Total	<u>40,500.00 square metres</u>		
Use	Gross Floor Area																				
Commodity																					
Housing	2,500.00 square metres																				
New Research																					
Centre	26,600.00 square metres																				
Ancillary																					
Dormitory	9,500.00 square metres																				
Commercial	1,900.00 square metres																				
Total	<u>40,500.00 square metres</u>																				
	<p>The Properties is held under granted land-use rights to be expired on 15 July 2051 for industrial use.</p>																				

Notes:

1. Pursuant to “Real Estate Title Certificates”, the land-use rights and the buildings erected thereon of the Properties is vested in the name of “L.K. Machinery (Shenzhen) Co., Ltd.”.
2. “L.K. Machinery (Shenzhen) Co., Ltd.” is a company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of “L.K. Technology Holdings Limited” (the “**Company**”).
3. The PRC Legal Adviser has provided certain advice in her legal opinion, including but not limited to, that:
 - (1) The land-use rights of the Properties is legally vested in the name of “L.K. Machinery (Shenzhen) Co., Ltd.”;
 - (2) Relevant “Permission Certificate for Construction Land-use Planning” and “Permission Certificates for Construction Work Planning” have been obtained for the construction work over the Properties; and the buildings have been certified for construction work planning inspection;
 - (3) The building portion of the Properties (including dormitory having an aggregate gross floor area of about 14,779.18 square metres which was demolished to meet the construction requirements of the Third Phase of Shenzhen Metro Line 4) is legally vested in the name of “L.K. Machinery (Shenzhen) Co., Ltd.”;
 - (4) Pursuant to the information obtained from “Real Estate Title Registration Centre”, the land-use rights and the buildings erected on the Properties are not subject to mortgage or sealed order; and
 - (5) The leasing of the Properties between “L.K. Machinery (Shenzhen) Co., Ltd.” to “Shenzhen Leadwell Technology Co., Ltd.” does not affect the title issues of “L.K. Machinery (Shenzhen) Co., Ltd.” against the Properties.
4. As confirmed by the Group, the use of the Properties does not constitute any breach of environmental regulations.
5. Upon Disposal, the existing buildings of the Properties will be demolished upon obtaining approval from the Government for the redevelopment and reconstruction works contemplated under the urban renewal project titled “L.K. High-tech Industrial Park Urban Renewal Project” comprising (“**Urban Renewal Project**”).
6. Upon Disposal, the use of the Properties will be changed from industrial to commodity housing, new research centres, dormitories, commercial and similar uses.
7. The key inputs of our valuation on the gross development value of the Resettlement Properties are tabulated as follows.

Resettlement Properties	Gross Floor Area	Assumed Unit Rate	Gross Development Value
Commodity Housing	2,500.00 sq.m.	RMB63,480/sq.m.	RMB158,700,000
New Research Centre	26,600.00 sq.m.	RMB26,160/sq.m.	RMB695,856,000
Ancillary Dormitory	9,500.00 sq.m.	RMB28,690/sq.m.	RMB272,555,000
Commercial	1,900.00 sq.m.	RMB64,160/sq.m.	RMB121,904,000
		Total	RMB1,249,015,000
		Rounded	RMB1,249,000,000

8. In arriving at the assumed unit rates of the Resettlement Properties, we have made reference to the pre-sale filing average prices and offering of comparable properties in the vicinity with similar characteristics and the details are listed as follows.

Resettlement Properties	Development	Nature	Range of Unit Rates of Comparable Properties
Commodity Housing	“Xing Fu Cheng” (幸福城) “Tian Ji Gong Guan” (天璣公館) “Zhao Shang Lan Yuan” (招商瀾園) “Long Hua Hua Ban Li Hua Yuan” (龍華花半里花園) “Mei Li 365 Hua Yuan” (美麗365花園) “Jin Li Cheng Shi Ming Zhu” (勁力城市明珠)	Current Offering	From RMB59,880/sq.m. to RMB81,839/sq.m.
New Research Centre	“Heng Ming Zhi Hui Zhong Xin” (恒明智匯中心) “Hai Gu Ke Ji Da Sha” (海谷科技大廈) “Tian An Yun Gu Chan Ye Yuan Phase Two” (天安雲谷產業園二期) “Heng Da Shi Shang Hui Gu Da Sha” (恒大時尚慧谷大廈)	Pre-sale Filing Average Prices of Similar Type of Development	From RMB27,002/sq.m. to RMB39,458/sq.m.
Ancillary Dormitory	“Heng Ming Zhi Hui Zhong Xin” (恒明智匯中心) “Hong Xing Chuang Zhi Guang Chang” (紅星創智廣場) “Hai Gu Ke Ji Da Sha” (海谷科技大廈) “Rong Chuang Zhi Hui Da Sha” (融創智匯大廈)	Pre-sale Filing Average Prices of Similar Type of Development	From RMB29,200/sq.m. to RMB42,893/sq.m.
Commercial	“Heng Ming Zhi Hui Zhong Xin” (恒明智匯中心) “Hong Xing Chuang Zhi Guang Chang” (紅星創智廣場) “Hai Gu Ke Ji Da Sha” (海谷科技大廈) “Rong Chuang Zhi Hui Da Sha” (融創智匯大廈)	Pre-sale Filing Average Prices of Similar Type of Development	From RMB53,127/sq.m. to RMB80,528/sq.m.

Remark: In determining the assumed unit rates of New Research Centre and Ancillary Dormitory of the Resettlement Properties, we have adopted market approach by making appropriate adjustments to reflect the inherent differences between the Resettlement Properties and comparable on such matters as inferior location, development scale and time. Location refers to the locality and infrastructures nearby; development scale refers to the total gross floor area and current development maturity;

whilst time refers to the atmosphere of the property market as at different points of timing. As the comparable situated in well-developed localities with more infrastructure provisions, negative location adjustments have been made to the Resettlement Properties. In view of the smaller development scale of the Resettlement Properties with less provisions of supporting facilities and amenities, negative development scale adjustments have been made to the Resettlement Properties. Having regard to the uprising trend of vacancy rate in Shenzhen property market, including vacancy rate of office premises close to 30% (regarded as the most relevant indicator) according to Vigers Research, negative time adjustments have been made to the Resettlement Properties as the pre-sale filing average prices of the comparable were filed in between 2018 to 2020 which is considered having better market sentiment comparing to that of the Date of Valuation. In light of the above factors, we opine that the inherent differences between the Resettlement Properties and comparable on such factors vary from aggregate adjustments of about -2.2% to -33.2%. In arriving at the aggregate adjustments, we have adopted an adjustment for each of the above three factors (i.e., inferior location, development scale and time) based on our interpretation and professional judgement onto the property market as well as relevant economics, and further computed the adjustments based on market approach in accordance with the “105 Valuation Approaches and Methods” of IVS. Accordingly, we consider the aggregate adjustments are fair and reasonable in determining the assumed unit rates of New Research Centre and Ancillary Dormitory of the Resettlement Properties as at the Date of Valuation.

Pre-Sale Filing Average Price refers to the average price of the pre-sale prices of the relevant properties filed with the relevant government authority by the property developers prior to the pre-sale of the relevant properties and the property developers are prohibited from selling such properties at a price higher than their respective filing prices. Current offering refers to the prevailing asking prices offered by vendors in the property market.

9. An inspection to the Properties and surrounding environment, but not in any form of a building survey, was carried out by **Ms. Susanna S. P. MO** (*with over 15 years' valuation experience on properties in the PRC*) under the supervision of **Sr Franky C. H. WONG** (*MSc(RealEst) MCIM FRICS MHKIS RPS(GP) China Registered Real Estate Appraiser RICS Registered Valuer*) on 30 December 2020. As inspected, no serious defect was noted; and the condition of the Properties is considered to be reasonable commensurate to its age and use. Building services including electricity, water and drainage are all available throughout the Properties.

1. FINANCIAL SUMMARY

The audited financial information of the Group for each of the years ended 31 March 2018, 2019 and 2020 and the unaudited financial information of the Group for the six months ended 30 September 2020, together with the relevant notes thereto are disclosed in the relevant annual reports and interim report of the Company, which have been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.lktechnology.com):

- (i) annual report of the Company for the year ended 31 March 2018 published on 26 July 2018 (pages 34 to 115), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0726/ltn20180726454.pdf>

- (ii) annual report of the Company for the year ended 31 March 2019 published on 24 July 2019 (pages 33 to 118), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0724/ltn20190724279.pdf>

- (iii) annual report of the Company for the year ended 31 March 2020 published on 24 July 2020 (pages 30 to 118), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0724/2020072400677.pdf>

- (iv) interim report of the Company for the six months ended 30 September 2020 published on 16 December 2020 (pages 12 to 40), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1216/2020121600471.pdf>

The auditors of the Company have not issued any qualified opinion on the Group's financial statements for each of the financial years ended 31 March 2018, 2019 and 2020.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular. The Group had outstanding indebtedness as follows:

Borrowings

	As at 31 December 2020 HK\$'000
Bank borrowings – secured	231,874
Bank borrowings – unsecured	1,021,487
	<u>1,253,361</u>

Certain bank borrowings of the Group were secured by the Group's certain restricted bank balances, right-of-use assets, investment properties, property, plant and equipment, bills receivables and insurance policy investments.

Lease liabilities

As at close of business on 31 December 2020, lease liabilities of HK\$29,277,000 relating to office premises leased by the Group as lessee.

Guarantees

As at close of business on 31 December 2020, the Group had contingent liabilities of HK\$15,651,000 in respect of financial guarantees given to the banks for 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.

The Group has also provided guarantees in respect of financing facilities granted by leasing finance providers to the Group's customers. The amount of outstanding loans due by these customers to the leasing finance providers as at 31 December 2020 amounted to approximately HK\$4,565,000.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or authorised or otherwise created but unissued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or contingent liabilities at the close of business on 31 December 2020.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 December 2020.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the paragraph headed "Information on the Vendor and the Group" in the letter from the Board contained in this circular, the Group is principally engaged in the design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled machining centres and related accessories, and is also engaged in steel casting.

Since March 2020, the Group's production and operation have improved quickly and its performance has regained growth, showing a robust development momentum. As control over pandemic further stabilise across China, various projects for economic and social development progress steadily, stimulus policies of various regions come into effects simultaneously, and the pandemic subsides internationally, the demands in the overseas market will gradually recover and the automobile industry will further recover, underpinning the Group's sustained business growth.

China is forging a new development landscape by continuously expanding domestic demands so that production, resources allocation, distribution, and spending will rely more on the domestic market, thereby creating a virtuous cycle for the national economy. Currently, the Group has strong level of orders on hand, and its production is intense yet orderly. The Group will continue to focus on the research and development of technologies for die-casting machine, plastic injection moulding machine and CNC machining centre, striving for breakthroughs to satisfy customers' ever-changing demands. The Group will also actively exploit application products in areas including emerging industries, new-energy vehicles and 5G communications, accelerate the upgrade of products and the development of new products, strengthen the automation and networking level of products, and establish long-term business relationship with customers. Meanwhile, the Group will expand its overseas agency network, striving to promote its products to the global market and establish new foundation for its sustainable development.

The Directors believe that the Urban Renewal Project provides an opportunity to obtain funds to finance the construction of the New Manufacturing Plant, relocation expenses, purchase of machineries and equipment and working capital, and thereby increasing the revenue and enabling the sustainable development of the Group's business in the long run. Upon completion of the Urban Renewal Project, the Company intends to hold the Resettlement Properties as long term investment, depending on the then market conditions and policies in the PRC. The Group intends to apply the net proceeds from the Transactions in the New Manufacturing Plant and for the Group's general working capital.

1. RESPONSIBILITY STATEMENT

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

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

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

Name of director/ chief executive	Name of company	Capacity	Number of shares held	Approximate percentage of shareholding
Ms. Chong Siw Yin ("Ms. Chong")	The Company	See Note 1	770,980,000 Long position (Note 1)	64.72%
	The Company	Beneficial owner	2,550,000 Long position	0.21%
	The Company	Interest of spouse	5,202,500 Long position (Note 2)	0.44%
Mr. Liu Zhuo Ming	The Company	Beneficiary of a trust	770,980,000 Long position (Note 3)	64.72%

Notes:

- These 770,980,000 shares are owned by Girgio Industries Limited ("Girgio Industries"). Girgio Industries is owned as to 95% by Fullwit Profits Limited ("Fullwit") as trustee of The Liu Family Unit Trust and 5% by Mr. Liu Siong Song ("Mr. Liu"), the spouse of Ms. Chong. Fullwit is wholly-owned by Ms. Chong. Ms. Chong is deemed to be interested in the shares held by Girgio Industries through Fullwit and Mr. Liu.

2. These 5,202,500 shares are beneficially owned by Mr. Liu.
3. Mr. Liu Zhuo Ming is deemed to be interested in the 770,980,000 shares held by Girgio Industries as a beneficiary of The Liu Family Trust. Mr. Liu Zhuo Ming is the son of Mr. Liu and Ms. Chong.

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Girgio Industries	Beneficial owner	770,980,000 Long position (Note 1)	64.72%
Mr. Liu	See Note 2	770,980,000 Long position (Note 2)	64.72%
		2,550,000 Long position (Note 2)	0.21%
	Beneficial owner	5,202,500 Long position	0.44%

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Fullwit	<i>See Note 1</i>	770,980,000 Long position (<i>Note 1</i>)	64.72%
HSBC International Trustee Limited	<i>See Note 3</i>	770,980,000 Long position (<i>Note 3</i>)	64.72%

Notes:

1. These 770,980,000 shares are owned by Girgio Industries. Girgio Industries is owned as to 95% by Fullwit as trustee of The Liu Family Unit Trust and 5% by Mr. Liu. Fullwit is wholly-owned by Ms. Chong.
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 Industries.
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 as an irrevocable discretionary trust for the benefit of Ms. Chong and the children of Mr. Liu and Ms. Chong. HSBC International Trustee Limited as trustee of The Liu Family Trust owns 99.9% of the units issued under The Liu Family Unit Trust and Ms. Chong owns the remaining 0.1% of the units.

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

4. COMPETING INTEREST

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited accounts of the Group were made up.

6. SERVICE CONTRACTS

Each of our Directors has entered into a service contract or an appointment letter with our Company for an initial fixed term of three years subject to retirement by rotation and re-election at the annual general meeting and will continue thereafter until terminated by notice in writing served by either party on the other.

Each of the executive Directors receives under the respective service contract a fixed emolument of per annum and a discretionary bonus which will be determined with reference to individual performance and profit level of the Group for the year. Each of the independent non-executive Directors receives under the respective appointment letter a fixed director's fee. The remuneration package entitled by each of the Directors is determined by the Board with reference to his/her experience, duties and responsibilities and prevailing market conditions.

Set out below are the particulars of the service contracts or letters of appointment of the Directors:

Name of Director	Date of service contract/letter of appointment	Term and its date of commencement	Emolument/directors' fee	Notice period for termination by notice in writing
Ms. Chong Siw Yin	16 October 2018	3 years; 16 October 2018	HK\$3,900,000 per annum	6 months
Mr. Liu Zhuo Ming	30 March 2020	3 years; 1 April 2020	HK\$1,400,000 per annum	6 months
Mr. Tse Siu Sze	1 December 2019	3 years; 1 December 2019	HK\$1,500,000 per annum	6 months
Dr. Low Seow Chay	28 September 2019	3 years; 4 September 2019	HK\$310,000 per annum	3 months
Dr. Lui Ming Wah, <i>SBS, JP</i>	28 September 2019	3 years; 4 September 2019	HK\$310,000 per annum	3 months
Mr. Tsang Yiu Keung, Paul	28 September 2019	3 years; 4 September 2019	HK\$310,000 per annum	3 months

Save as disclosed above and as at the Latest Practicable Date, none of the Directors has entered into, or proposed to enter into, a service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. OTHER INTERESTS OF THE DIRECTORS

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

- (a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2020, being the date of the latest published audited accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, a subsidiary of the Group in the PRC, namely, Zhongshan L.K. Machinery Co., Ltd.* (中山力勁機械有限公司) (the “**Subsidiary**”) was involved in litigation with a former distributor which alleged that the Subsidiary breached certain terms of a distribution agreement. A ruling with damages of approximately RMB15.5 million was issued by a court against the Subsidiary. The Subsidiary had lodged an appeal against the ruling, and the relevant legal process was undergoing as at the Latest Practicable Date.

In addition to the appeal, the Subsidiary also lodged a separate claim against that former distributor for an amount of approximately RMB9.1 million for breaching certain terms of that distribution agreement. The relevant legal process was undergoing as at the Latest Practicable Date.

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

9. MATERIAL CONTRACTS

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

- (a) the consultancy agreement dated 1 December 2020 entered into by the Company with Mr. Liu Siong Song (the spouse of Ms. Chong Siw Yin, an executive Director and the chairperson of the Company, and the father of Mr. Liu Zhuo Ming, an executive Director and the chief executive officer of the Company) to appoint Mr. Liu Siong Song as the strategic and technical consultant of the Company for a term of three years commencing from 1 December 2020 to 30 November 2023 (for further details, please refer to the announcement of the Company dated 1 December 2020);

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

- (b) the MOU; and
- (c) the Cooperation Agreement.

10. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
Vigers Appraisal and Consulting Limited	Professional general practice surveyors

The Property Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of extracts of its report and the reference to its name in the form and context in which they appear.

The Property Valuer has confirmed that each of the letter and report made by them was given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, the Property Valuer was not interested beneficially or otherwise in any shares or securities in any of subsidiaries or associated corporation (within the meaning of Part XV of the SFO) of the Company and did not have any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or securities in any of subsidiaries or associated corporations of the Company nor did they have any interests, either directly or indirectly, in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Chung Wing Man, who is an associate member of both The Chartered Governance Institute in United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit A, 8th Floor, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company's principal place of business in Hong Kong at Unit A, 8th Floor, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong during normal business hours for a period of 14 days from the date of this circular:

- (1) the memorandum and the articles of association of the Company;
- (2) annual reports of the Group for the financial years ended 31 March 2018, 2019 and 2020 and the interim report of the Group for the six months ended 30 September 2020;
- (3) the written consent of the Property Valuer referred to in the section headed "Qualifications and consent of experts" in this appendix;
- (4) the property valuation report issued by the Property Valuer, the text of which is set out in Appendix I of this circular;
- (5) the service contracts and letters of appointment referred to in the section headed "Service Contracts" in this appendix;
- (6) the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (7) this circular.