# IMPORTANT

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **Left Field Printing Group Limited** (the "**Company**"), you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



**LEFT FIELD PRINTING GROUP LIMITED**
**澳獅環球集團有限公司***
*(Incorporated in Bermuda with limited liability)*
**(Stock code: 1540)**

# MAJOR TRANSACTION

# IN RELATION TO

# (I) ACQUISITION OF BOOK PRINTING BUSINESS AND ASSETS; AND (II) SUBSCRIPTION OF CONVERTIBLE NOTE

Capitalised terms used in this cover have the same meanings as defined in this circular unless otherwise specified.

A letter from the Board is set out on pages 4 to 20 of this circular.

The Acquisition, the Subscription and the respective transactions contemplated thereunder have been approved by a written shareholder's approval obtained from Lion Rock Group Limited, pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

* *For identification purpose only*

23 November 2022

# CONTENTS

Unless defined otherwise, terms used in this circular shall have the following meanings.

| | |
|---|---|
| "Acquisition" | the acquisition by OPUS of the Business and the Assets (and assumption of the Liabilities) pursuant to the terms and conditions of the Acquisition Agreement |
| "Acquisition Agreement" | the conditional acquisition agreement entered into among the Company, OPUS and Ovato on 24 May 2022 in respect of the Acquisition |
| "Acquisition Completion" | completion of the Acquisition |
| "Announcement" | the announcement jointly issued by Lion Rock and the Company dated 24 May 2022 in relation to, among other things, the Acquisition and the Subscription |
| "Assets" | the assets owned by Ovato and used in the Business as at the date of the Acquisition Agreement which are subject to the Acquisition |
| "ASX" | the Australian Securities Exchange |
| "Board" | the board of Directors |
| "Business" | the book printing business being carried on by Ovato as at the date of the Acquisition Agreement |
| "Business Day(s)" | a day(s) that is (are) not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Sydney, NSW, Australia |
| "Company" | Left Field Printing Group Limited (澳獅環球集團有限公司*), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1540) |
| "Conversion Price" | the issue price of the Conversion Shares, which is initially A$0.14 per Conversion Share |
| "Conversion Share(s)" | the new Ovato Share(s) to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Note |
| "Convertible Note" | the convertible note issued by Ovato to OPUS with aggregate principal value of A$2.5 million |
| "Convertible Note Disposal" | the disposal of Convertible Note with principal value of A$2.0 million by OPUS to Mr. Lau |

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|---|---|
| "Convertible Note Split" | the split of the entire Convertible Note into two Convertible Notes with principal values of A$2.0 million and A$0.5 million respectively |
| "Deed of Settlement" | the deed of settlement entered into among OPUS, Opus Australia, Ovato and the Voluntary Administrators dated 10 September 2022 in respect of the Loans |
| "Director(s)" | director(s) of the Company |
| "Enlarged Group" | the Group upon the Acquisition Completion |
| "Group" | the Company and its subsidiaries |
| "HP Equipment Rental Agreements" | the rental agreements entered into between Ovato and HP Financial Services (Australia) Pty Limited in respect of the rental of certain printing presses and other related equipment |
| "Independent Third Party(ies)" | third party(ies) independent of the Company and its connected persons |
| "Latest Practicable Date" | 16 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| "Liabilities" | all of the obligations and liabilities of Ovato in respect of the Business assumed by OPUS pursuant to the Acquisition Agreement |
| "Lion Rock" | Lion Rock Group Limited (獅子山集團有限公司*), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1127) |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Loans" | the loans granted by OPUS to Ovato, which were fully settled on 30 September 2022 in accordance with the terms and conditions of the Deed of Settlement |
| "Mr. Lau" | Mr. Lau Chuk Kin, an executive Director, and the substantial shareholder of the Company and Lion Rock respectively |
| "OPUS" | OPUS Group Pty. Ltd., a company incorporated in Australia, which is a direct wholly-owned subsidiary of the Company |

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|---|---|
| "Opus Australia" | Opus Group (Australia) Pty Limited, a wholly-owned subsidiary of OPUS |
| "Ovato" | Ovato Limited, a company incorporated in Australia, whose issued shares were listed on ASX (ASX stock code: OVT) as at the date of the Acquisition Agreement and the Subscription Agreement but subsequently delisted on 26 August 2022 |
| "Ovato Group" | Ovato and its subsidiaries |
| "Ovato Share(s)" | ordinary security(ies) of Ovato |
| "Ovato's Appointment of Administrators" | the appointment of the Voluntary Administrators to Ovato on 21 July 2022 |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the capital of the Company |
| "Shareholder(s)" | holder(s) of the issued Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscription" | the subscription of the Convertible Note by OPUS pursuant to the terms and conditions of the Subscription Agreement |
| "Subscription Agreement" | the subscription agreement entered into between OPUS and Ovato on 24 May 2022 in respect of the Subscription |
| "Subscription Completion" | completion of the Subscription |
| "Voluntary Administrators" | Chris Hill, Ross Blakely and Ben Campbell of FTI Consulting |
| "A$" | Australian dollars, the lawful currency of Australia |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "%" | per cent |

*For the purpose of illustration only and unless otherwise stated, conversion of A$ to HK$ in this circular is based on the exchange rate of A$1.00 to HK$5.30. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be exchanged at this or any other rate or at all.*

**LEFT FIELD PRINTING GROUP LIMITED**
**澳獅環球集團有限公司***
*(Incorporated in Bermuda with limited liability)*
**(Stock code: 1540)**

*Executive Directors:*
Richard Francis Celarc
Lau Chuk Kin
Tang Tsz Ying

*Non-executive Director:*
Paul Antony Young

*Independent non-executive Directors:*
David Ho
Tsui King Chung David
Lai Wing Hong Joseph

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business in Hong Kong:*
Level 11 East Wing
NEO, 123 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

23 November 2022

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION**
**IN RELATION TO**
**(I) ACQUISITION OF BOOK PRINTING BUSINESS AND ASSETS;**
**AND**
**(II) SUBSCRIPTION OF CONVERTIBLE NOTE**

**Introduction**

Reference is made to the Announcement.

On 24 May 2022, the Company, OPUS (a wholly-owned subsidiary of the Company), and Ovato entered into the Acquisition Agreement, pursuant to which, among other things, OPUS had conditionally agreed to acquire, and Ovato had conditionally agreed to sell, the Business and the Assets, and OPUS had also conditionally agreed to assume the Liabilities, at the aggregate initial consideration of A$8.5 million (equivalent to approximately HK$45.1 million) (subject to adjustments). On the same date, OPUS and Ovato entered into the Subscription Agreement, pursuant to which OPUS had conditionally agreed to subscribe for, and Ovato had conditionally agreed to issue, the Convertible Note at the issue price of A$2.5 million (equivalent to approximately HK$13.3 million).

The Subscription, on a standalone basis and when aggregated with the Loans, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules are more than 5% but all are less than 25%. The Acquisition, on a standalone basis and when aggregated with the Loans and the Subscription, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules are more than 25% but all are less than 100%. Accordingly, the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a shareholders' meeting for approving the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. As at the date of the Acquisition Agreement and the Subscription Agreement, Lion Rock was the controlling shareholder of the Company beneficially interested in 296,396,954 Shares, representing approximately 59.4% of the issued share capital of the Company. The Company had obtained a written shareholder's approval from Lion Rock on 24 May 2022 for the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. Pursuant to Rule 14.44(2) of the Listing Rules, the written shareholder's approval from Lion Rock had been accepted in lieu of holding a general meeting of the Shareholders. Accordingly, no physical shareholders' meeting would be held by the Company to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. This circular is being sent to you for information only and contains, among other things, (i) information of the Acquisition and the Subscription; (ii) financial information of the Group; (iii) financial information of the Business; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) other information as required under the Listing Rules.

The Acquisition Completion and the Subscription Completion took place on 17 June 2022. Subsequent to the Acquisition Completion and Subscription Completion, (i) the Voluntary Administrators were appointed to Ovato on 21 July 2022; (ii) the Group entered into the Deed of Settlement in respect of the Loans on 12 September 2022, which was completed on 30 September 2022; and (iii) the Group completed the Convertible Note Split and Convertible Note Disposal on 19 September 2022. For further details, please refer to the section headed "Other matters relating to Ovato's Appointment of Administrators" below in this letter from the Board and the relevant announcements made by the Company dated 21 July 2022, 12 September 2022, 19 September 2022 and 30 September 2022.

**THE ACQUISITION AGREEMENT**

**Date**

24 May 2022

**Parties**

(i) OPUS, as purchaser;

(ii) the Company, as purchaser's guarantor guaranteeing the obligations and liabilities of OPUS under the Acquisition Agreement; and

(iii) Ovato, as vendor.

**Subject matter**

Pursuant to the Acquisition Agreement, OPUS had conditionally agreed to acquire, and Ovato had conditionally agreed to sell, the Business and the Assets, and OPUS had also conditionally agreed to assume the Liabilities. Further details of the Business, the Assets and the Liabilities are disclosed in the section headed "Information of the Business, the Assets and the Liabilities" below.

**Consideration and payment terms**

The initial consideration for the Acquisition is A$8.5 million (equivalent to approximately HK$45.1 million), subject to adjustments as further disclosed below, which is payable in cash upon the Acquisition Completion. OPUS settled the consideration partly by reallocating the unutilised proceeds from the initial public offering of the Shares (as further disclosed in the section headed "Change of use of proceeds" below) and partly by its internal resources. The consideration was determined after arm's length negotiations among the parties to the Acquisition Agreement with reference to the net book value of the Assets and the Liabilities of approximately A$5.7 million (equivalent to approximately HK$30.2 million) as at 31 March 2022 as shown in the management accounts of the Business (the "**Net Book Value**"). The Net Book Value is comprised of net working capital and non-current assets of approximately A$5.1 million and A$0.6 million, respectively. The net working capital of approximately A$5.1 million was based on the management accounts provided by Ovato as at 31 March 2022 which mainly comprised inventories, trade and other receivables, trade and other payables and employee leave provisions. The Company considered that these balances are approximate to their fair values. The book value of the non-current assets of approximately A$0.6 million mainly represent plant and equipment. Based on the ages, capacities and conditions of the plant and equipment in conjunction with the current lack of international buyers in the market, the Company considered that the value in using the plant and equipment will be equivalent to the fair value. As a result of the above, the Company considered it is fair and reasonable to refer to the Net Book Value in arriving at the initial consideration for the Acquisition. The premium of the initial consideration over the Net Book Value of approximately A$2.8 million (equivalent to approximately HK$14.8 million) (the "**Consideration Premium**") was determined after having considered, among other things, the scale of the Business, the established customer/supplier network of the Business, the experienced operating team for the Business and the market value of the machinery comprising the Assets. The Company made reference to the replacement costs model, being that, were the Company to set up its own operation in Australia of similar size to the Business, it would cost the Company not less than approximately A$2.8 million. The Company arrived at the estimated set up cost based on (i) approximately A$0.5 million for the training of approximately 70 staff members; (ii) approximately A$1.0 million for the installation of machinery, transportation costs and training costs for each piece of key machinery required to operate the Business; (iii) approximately A$0.2 million for the purchase of furniture and fixtures for the business premises, including workstations, cupboards, bookshelves, cabinets, warehousing racking etc.; and (iv) approximately A$0.8 million for the purchase of IT related hardware including computers, monitors, phone systems, production screens, servers, etc. In light of the above, the Directors consider that the initial consideration, which was arrived at with reference to the Net Book Value, and the Consideration Premium as discussed above, are fair and reasonable.

**Adjustments to the initial consideration**

OPUS shall, as soon as reasonably practicable after the date on which the Acquisition Completion takes place (and in any event within twenty Business Days after that date) prepare the completion accounts for the Business in accordance with the principles and policies set out in the Acquisition Agreement (the "**Completion Accounts**"). Within two Business Days after the Completion Accounts are issued, OPUS shall prepare a report (the "**Completion Report**") setting out the calculation of the working capital of the Business (i.e. the sum of trade debtors, inventories and other current assets, less the sum of trade creditors, employee provisions, current accruals, current provisions and non-current provisions).

The initial consideration will be subject to the following adjustments on the date which is the earliest of the dates on which the Completion Accounts and the Completion Report are finally accepted by Ovato, agreed or determined under the terms of the Acquisition Agreement (the "**Completion Accounts Settlement Date**"):

(i) if the completion working capital amount exceeds A$7.1 million (equivalent to approximately HK$37.6 million), the initial consideration will be increased by A$2.0 million (equivalent to approximately HK$11.2 million);

(ii) if the completion working capital amount exceeds A$5.1 million (equivalent to approximately HK$27.0 million) and is less than or equal to A$7.1 million (equivalent to approximately HK$37.6 million), the initial consideration will be increased by the amount by which the completion working capital amount exceeds A$5.1 million (equivalent to approximately HK$27.0 million);

(iii) if the completion working capital amount is less than A$5.1 million (equivalent to approximately HK$27.0 million), the initial consideration will be decreased by the amount by which the completion working capital amount is less than A$5.1 million (equivalent to approximately HK$27.0 million); and

(iv) if the completion working capital amount is equal to A$5.1 million (equivalent to approximately HK$27.0 million), then the initial consideration will not be adjusted.

On the date that is ten Business Days after the Completion Accounts Settlement Date:

(a) if the initial consideration is adjusted in accordance with (i) or (ii) above, OPUS must pay to Ovato the amount of the increase in the initial consideration in cash; and

(b) if the initial consideration is adjusted in accordance with (iii) above, Ovato must repay to OPUS the amount of the decrease in the initial consideration in cash.

In light of Ovato's Appointment of Administrators and the entering into of the Deed of Settlement, OPUS has not issued the Completion Accounts nor the Completion Report. Pursuant to the terms and conditions of the Deed of Settlement, upon receipt by the Group of the sale proceeds from the sale of the secured property in relation to the Loans and the release of the secured property, each of the Voluntary Administrators, Ovato and each member of the Ovato Group have agreed to release OPUS, among others, from all claims in connection with the Acquisition Agreement, among others, including any claims in relation to the adjustments to the initial consideration. Furthermore, as shown in the management account of the Business on which the Completion Accounts would have been based, the completion working capital amount is approximately A$5.1 million (equivalent to approximately HK$27.0 million) and therefore there would be no adjustment to the initial consideration, and therefore the Directors consider the initial consideration without adjustment to be fair and reasonable. For further details, please refer to the section headed "Other matters relating to Ovato's Appointment of Administrators" below in this letter from the Board.

**Conditions precedent**

The Acquisition Completion is subject to and conditional on each of the following conditions precedent having been satisfied or waived:

(i) certain employees operating the Business (as specified in the Acquisition Agreement) having accepted OPUS's offer of employment;

(ii) OPUS having received the written consent of each counterparty to the HP Equipment Rental Agreement(s) (on terms acceptable to OPUS acting reasonably, and if required by the counterparties, signed by OPUS and/or Ovato) to the transactions relating to the HP Equipment Rental Agreement(s) provided for in the Acquisition Agreement;

(iii) renewal of certain existing business/lease contracts and OPUS having received a counterpart of the transfer deeds of certain existing business/lease contracts for the Business specified in the Acquisition Agreement;

(iv) Ovato obtaining consent from its financier for the transactions contemplated under the Acquisition Agreement;

(v) notice from the Australian Competition & Consumer Commission having been received to the effect that the Australian Competition & Consumer Commission does not propose to oppose the Acquisition; and

(vi) no material adverse change to the Business as specified in the Acquisition Agreement having occurred (the "**No MAC Condition**").

Conditions (i) to (v) may only be waived by agreement between OPUS and Ovato in writing. Condition (vi) may only be waived by OPUS in writing.

Either party may terminate the Acquisition Agreement at any time on or before the Acquisition Completion by giving notice in writing to the other party if any condition precedent other than the No MAC Condition:

(a) is not fulfilled or waived by 30 November 2022;

(b) becomes incapable of being fulfilled on or before 30 November 2022 and has not been waived within ten Business Days after notice is given of the fact that the condition precedent has become incapable of being fulfilled; or

(c) having been satisfied on or before 30 November 2022, ceases to be satisfied before the Acquisition Completion.

OPUS may terminate the Acquisition Agreement at any time on or before the Acquisition Completion by giving notice in writing to Ovato if the No MAC Condition:

(a) is not fulfilled or waived at the time immediately before the Acquisition Completion; or

(b) becomes incapable of being fulfilled at any time before 30 November 2022 and has not been waived.

Upon termination, the Acquisition Agreement shall have no further effect and no party is liable to any other party except:

(i) under any clause expressed to survive termination; or

(ii) in respect of any breach of the Acquisition Agreement occurring before termination.

**Acquisition Completion**

As all conditions precedent to the Acquisition Agreement had been satisfied or waived in accordance with the terms and conditions therein, the Acquisition Completion took place on 17 June 2022. Upon the Acquisition Completion and as at the Latest Practicable Date, the Assets and Liabilities had been delivered to OPUS and the Business had been under the operation and control of OPUS.

**Other salient terms**

Subject to the Acquisition Completion occurring,

(i) to the extent permissible, Ovato shall licence all of its rights in and under each HP Equipment Rental Agreements to OPUS at and from the Acquisition Completion until the day before expiry of the term of the HP Equipment Rental Agreements;

(ii) on the date of the Acquisition Completion, OPUS must pay to Ovato the fees payable under the HP Equipment Rental Agreements in advance as a lump sum payment for the remaining term of each such agreement, up to a maximum of A$3.8 million (equivalent to approximately HK$20.1 million) (the "**HP Advance**"); and

(iii) on the day prior to expiry of the term of each of the HP Equipment Rental Agreements (or otherwise on a date to be agreed by each of Ovato and OPUS), Ovato will assign all of its rights, title and interest in and under the HP Equipment Rental Agreements to OPUS, and OPUS will accept such assignment (the "**HP Assignment**").

As at the Latest Practicable Date, the outstanding amount of the HP Advance was A$2.9 million (equivalent to approximately HK$15.4 million), and the HP Assignment had been completed. Further details of the HP Advance is disclosed in the section headed "Other matters relating to Ovato's Appointment of Administrators" below in this letter from the Board.

**THE SUBSCRIPTION AGREEMENT**

**Date**

24 May 2022

**Parties**

(i) OPUS, as subscriber; and

(ii) Ovato, as issuer.

**The Subscription**

Pursuant to the Subscription Agreement, OPUS had conditionally agreed to subscribe for, and Ovato had conditionally agreed to issue, the Convertible Note with principal value of A$2.5 million (equivalent to approximately HK$13.3 million) at the issue price of A$2.5 million (equivalent to approximately HK$13.3 million).

The subscription monies shall be payable by OPUS in cash upon the Subscription Completion. Details of the Convertible Note are set out in the paragraph headed "Principal terms of the Convertible Note" below.

**Condition precedent**

The Subscription Completion is subject to and conditional on the Acquisition Completion having occurred.

The above condition may only be waived by the written agreement of OPUS and Ovato.

If the above condition is not fulfilled or waived (as the case may be) on or before 30 November 2022, or any later date agreed in writing by Ovato and OPUS, then all rights and obligations under the Subscription Agreement shall terminate on that date other than (a) under any clause expressed to survive termination; or (b) rights that accrue before that date.

**Subscription Completion**

The Subscription Completion took place on 17 June 2022.

**Principal terms of the Convertible Note**

| | |
|---|---|
| Principal value: | A$2,500,000 |
| Issue price: | A$2,500,000 |
| Interest: | The Convertible Note does not bear any interest. |
| Maturity date: | 25 November 2023 |
| Transferability: | The Convertible Note may not be assigned or transferred without the prior written consent of Ovato. |
| Conversion right: | The noteholder may require conversion of, at any time prior to the maturity date, the Convertible Note into the Conversion Shares, by giving a conversion notice to Ovato together with the note certificate in respect of the Convertible Note.<br><br>On or before the issue of the Conversion Shares, Ovato must apply to ASX and use its best endeavours to obtain official quotation of the Conversion Shares on and from the date of conversion. |
| Initial Conversion Price: | A$0.14 per Conversion Share, subject to customary anti-dilutive adjustments upon occurrence of certain events such as consolidation or subdivision of the Ovato Shares, buy back of the Ovato Shares, bonus issue of the Ovato Shares, and issue of new Ovato Shares at an issue price that is less than the prevailing Conversion Price.<br><br>The initial Conversion Price is determined after arm's length negotiations between OPUS and Ovato with reference to the recent market price of the Ovato Shares.<br><br>The initial Conversion Price represents:<br><br>(i) 16.7% premium over the closing price per Ovato Share of A$0.12 as quoted on ASX on 23 May 2022;<br><br>(ii) 13.8% premium over the average of the closing prices of the Ovato Shares as quoted on ASX for the five trading days up to and including 23 May 2022 of A$0.123; and |

| | |
|---|---|
| | (iii) 33.3% discount to the net asset value per Ovato Share of A$0.21 as at 31 December 2021 (based on the unaudited net asset value of Ovato of A$25,179,000 as at 31 December 2021 divided by 121,613,855 Ovato Shares in issue as at that date as disclosed in the half yearly report of Ovato). |
| Conversion Shares: | Upon full conversion of the Convertible Note, 17,857,142 Conversion Shares shall be allotted and issued by Ovato to OPUS, which represents approximately (i) 14.7% of the issued share capital of Ovato as at the Latest Practicable Date; and (ii) 12.8% of the issued share capital of Ovato as enlarged by the allotment and issue of the Conversion Shares.<br><br>No fractional Conversion Shares will be issued on the conversion of the Convertible Note and no cash adjustment will be made. Any fractional Conversion Shares will be disregarded. |
| Ranking of the Conversion Shares: | Each Conversion Share will be issued fully paid on the date of conversion and be free of any encumbrance and, as from the date of conversion, will rank *pari passu* in all respects with all other Ovato Shares then in issue. |
| Redemption: | Unless redeemed or converted before the maturity date in accordance with the terms of the Convertible Note, the Convertible Note must be redeemed on the maturity date. |
| No listing: | The Convertible Note is not, and is not proposed to be, listed for quotation on any stock exchange or market by Ovato. |

**INFORMATION OF OVATO**

Ovato is a company incorporated in Australia, whose shares were listed on the ASX (ASX stock code: OVT) as at the date of the Acquisition Agreement and the Subscription Agreement. Its shares were delisted from the ASX on 26 August 2022 due to its failure to pay the annual listing fees.

As at the date of the Acquisition Agreement and the Subscription Agreement, the Ovato Group was primarily engaged in commercial printing, catalogue printing, magazine and newspaper printing and packaging printing. The Ovato Group operated nationally in Australia and New Zealand with some of the biggest and most recognised retail brands in each country as print customers.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) as at the date of the Acquisition Agreement and the Subscription Agreement, Ovato was controlled by Sayman Pty Limited in its capacity as trustee for the Lindsay Hannan Family Trust, Lindsay Hannan, James Michael Hannan, Michael Ashton Hannan, Richard Ashton Charles O'Connor and Adrian Thomas O'Connor (collectively, the "**Hannan Family**"), who held in aggregate approximately 36.5% of the total issued Ovato Shares; and (ii) Ovato and the Hannan Family are Independent Third Parties.

Reference is made to the joint announcements of Lion Rock and the Company dated 1 April 2022 and 8 April 2022 respectively in respect of the Loans. On 1 April 2022, OPUS acquired from an Independent Third Party a non-revolving financing facility granted to Ovato with outstanding loan amount of A$4.86 million (equivalent to approximately HK$25.8 million) and provided additional loan of A$5.14 million (equivalent to approximately HK$27.2 million) to Ovato. As at the Latest Practicable Date, the Loans had been fully settled on 30 September 2022 in accordance with the terms and conditions of the Deed of Settlement and there were no outstanding loans provided by OPUS to Ovato other than the remaining Convertible Note and the repayable HP Advance. For further details, please refer to the section headed "Other matters relating to Ovato's Appointment of Administrators" below in this letter from the Board.

**INFORMATION OF THE BUSINESS, THE ASSETS AND THE LIABILITIES**

The Business refers to the book printing business being carried on by Ovato from the premises located at 168 Cross Keys Road, Salisbury South, Australia SA 5106 as at the date of the Acquisition Agreement, which employed the Assets and incurred the Liabilities as further detailed below.

The Assets comprise assets employed for the conduct of the Business and include plant and equipment, goodwill, stock, receivables, prepayments and Ovato's right and title in certain business/lease/financing contracts and domain names in relation to the Business.

The Liabilities comprise liabilities incurred in the course of the Business and include trade payables, employees' entitlements and the performance of certain business/lease/financing contracts.

Based on the audited financial statements of the Business, the key financial information attributable to the Business and the Assets for the two financial years ended 30 June 2021 and 2022 are set out below:

| | For the year ended 30 June | |
|---|---|---|
| | **2021** | **2022** |
| | *'000* | *'000* |
| Net loss before taxation | A$767 (approx. HK$4,065) | A$1,006 (approx. HK$5,332) |
| Net loss after taxation | A$767 (approx. HK$4,065) | A$1,006 (approx. HK$5,332) |

Based on the audited financial statements of the Business, the book value of the Assets (net of the Liabilities) as at 30 June 2022 was approximately A$9.9 million (equivalent to approximately HK$52.5 million). For further information, please refer to the accountants' report on historical financial information of the Business set out in Appendix II to this circular.

**REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION**

The Company is an investment holding company and the principal business activities of the Group are the provision of printing solutions and services in Australia.

The Directors are of the view that the Acquisition provides the Group with a good opportunity to increase market share. Through the Acquisition, the Group will be able to acquire the business connection established with several renowned publishers and consolidate its strong presence in the book printing industry in Australia. The Directors also consider that the Acquisition will increase the revenue source for and create synergy with the existing printing business of the Group, thereby supporting its further development in the printing industry in Australia.

As at the date of the Acquisition Agreement and the Subscription Agreement, the Directors further considered that the Subscription provided an opportunity for OPUS, at its discretion, to acquire equity interest in Ovato through the exercise of the conversion rights attaching to the Convertible Note should that be considered beneficial to the Group. Should the conversion have occurred, Ovato would have become 12.8% owned by OPUS and Ovato would have been accounted for as an investment of the Group. As at the date of the Acquisition Agreement and the Subscription Agreement, the Ovato Group was primarily engaged in the commercial printing business which included catalogue and magazines printing, packaging and direct distribution businesses. The commercial printing business of Ovato offered a broad suite of print solutions across a significant national leasehold footprint in Australia. These sites contained valuable heat set web and sheetfed press equipment as well as bindery and mailhouse capabilities. Furthermore, Ovato had maintained long-term relationships with certain key blue chip customers in Australia. In addition to organic growth through new relationships with blue chip customers, this diverse and longstanding customer base may have been able to be leveraged through an expanded service offering. The Subscription would have allowed the Company the flexibility to become a shareholder of Ovato and diversify its operations from traditional book printing business to commercial printing with all ready-to-go long term relationship key blue chip customers in Australia. This would have enhanced the Group's business connections as well as increased its national footprint in the printing industry in Australia.

Based on the above, the Board considered that the terms of the Acquisition Agreement and the Subscription Agreement were on normal commercial terms which are fair and reasonable, and the respective transactions contemplated thereunder were in the interests of the Shareholders and the Company as a whole. However, due to Ovato's Appointment of Administrators, the Company does not intend to convert the remaining Convertible Note. For further details, please refer to the section headed "Other matters relating to Ovato's Appointment of Administrators" below in this letter from the Board.

**CHANGE OF USE OF PROCEEDS**

Reference is made to (i) the prospectus issued by the Company dated 20 September 2018 (the "**Prospectus**") in relation to the initial public offering of the Shares (the "**Share Offer**"), which sets out the intended use of the net proceeds (the "**Net Proceeds**") from the issue of new Shares at the time of preparing the Prospectus; and (ii) the annual report of the Company for the year ended 31 December 2021 (the "**Annual Report**"), in which the utilisation of the actual Net Proceeds up to 31 December 2021 was disclosed.

On 24 May 2022, the Board resolved to change the use of the Net Proceeds for settlement of part of the initial consideration for the Acquisition.

**Use of proceeds as stated in the Prospectus**

As disclosed in the section headed "Future plans and proposed use of proceeds" in the Prospectus, the Net Proceeds were intended to be used in the following manner:

(i) approximately HK$41.9 million (equivalent to approximately A$7.9 million) or approximately 57.2% of the estimated Net Proceeds from the Share Offer would be utilised for the expansion of production capacity and enhancing efficiency by purchasing machinery. The Company intended to utilise approximately (a) HK$7.1 million (equivalent to approximately A$1.3 million) to purchase three digital printing presses, two binding machines and one pre-press machine to replace certain existing machines which are performing with low efficiency and incurring higher maintenance costs, which has impacted their performance; and (b) HK$34.8 million (equivalent to approximately A$6.6 million) to purchase one new digital printing press, two binding machines and warehousing equipment to expand the Group's capacity as well as to reduce binding related sub-contracting works;

(ii) approximately HK$17.7 million (equivalent to approximately A$3.3 million) or approximately 24.1% of the Net Proceeds would be utilised for upgrading the Group's enterprise resource planning ("**ERP**") system and the Integrated Print and Logistics Management Pty Ltd ("**IPALM**") platform. The Group intended to upgrade its ERP system and IPALM platform in order to improve their general functionality with the aim of maximizing the efficiency of its production and operations as well as enhancing product offerings to its customers. Such overall upgrades would involve the purchase and installation of equipment, such as servers, wifi networks and radio frequency identification equipment at the Group's warehouses, as well as the development and/or purchase of software and new applications, which could be integrated into its ERP system and IPALM platform;

(iii) approximately HK$6.4 million (equivalent to approximately A$1.2 million) or approximately 8.7% of the Net Proceeds would be utilised for expansion of the Group's warehousing facilities and/or streamlining of its printing facilities. Such improvements may include enhancements to the Group's existing facilities or potential relocations to larger premises; and

(iv) approximately HK$7.3 million (equivalent to approximately A$1.4 million) or approximately 10.0% of the estimated Net Proceeds would be utilised as general working capital of the Group.

**Utilised Net Proceeds**

As set out in section headed "Use of proceeds" in the Annual Report, the total Net Proceeds from the Share Offer was approximately HK$66.5 million after the deduction of related listing expenses. With reference to the proposed use of the Net Proceeds as stated in the Prospectus and in light of the difference between the actual amount of the Net Proceeds and estimated amount of the Net Proceeds as stated in the Prospectus (which was disclosed based on an offer price of HK$1.05 per Share, being the mid-point of the then indicative offer price range of HK$1.00 to HK$1.10 per Share, net of the estimate listing expenses), the Company adjusted the intended use of the actual amount of the Net Proceeds proportionately as disclosed in the Annual Report.

As at the date of the Annual Report, the amount of Net Proceeds which has been utilised in the manner set out in the Annual Report was approximately HK$47.0 million.

As disclosed in the Annual Report, the Group's plan of purchasing the remaining machinery had been delayed in view of the challenging economic conditions, the reduction of printing demand from various government agencies and quick turnaround time educational book publishers as a result of the adverse impact of the COVID-19 pandemic on the local and global economic environment. Given the impacts of the COVID-19 pandemic on the printing industry and the local and global economy as a whole, the Company would adopt a more conservative approach for utilising the remaining Net Proceeds effectively and efficiently for its long-term benefit and development. As at the date of the Annual Report, the Company planned to prolong the timeline for using the remaining Net Proceeds up to the year ending 31 December 2024.

**Change in use of proceeds**

As at the date of the Announcement, the aggregate amount of unutilised Net Proceeds was approximately HK$19.5 million (equivalent to approximately A$3.7 million). On 24 May 2022, the Board resolved to change the use of the unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds as at the date of the Announcement and the proposed change in the use of the unutilised Net Proceeds is set out below:

| | Original allocation of Net Proceeds as disclosed in the Prospectus | Revised allocation based on the actual Net Proceeds | Net Proceeds utilised as at the date of the Announcement | Unutilised Net Proceeds as at the date of the Announcement | Proposed application of the unutilised Net Proceeds |
|---|---|---|---|---|---|
| | *Approximate HK$ million* | *Approximate HK$ million* | *Approximate HK$ million* | *Approximate HK$ million* | *Approximate HK$ million* |
| Purchasing machinery | 41.9 | 38.0 | 19.8 | 18.2 | – |
| Upgrading ERP system and IPALM platform | 17.7 | 16.0 | 16.0 | – | – |
| Expanding the warehousing facilities and/or streamlining the printing facilities | 6.4 | 5.8 | 4.5 | 1.3 | – |
| General working capital of the Group | 7.3 | 6.7 | 6.7 | – | – |
| Payment of part of the initial consideration in respect of the Acquisition | – | – | – | – | 19.5 |
| **Total** | **73.3** | **66.5** | **47.0** | **19.5** | **19.5** |

Save for the aforesaid changes, there was no other change in the use of the Net Proceeds.

**Reasons for and benefits of the change in use of proceeds**

As discussed above, the Company's plan to purchase additional machinery had been delayed in view of, among other things, the challenging economic conditions as a result of the adverse impact of the COVID-19 pandemic on the local and global economic environment. The Company considered that, as the Acquisition involves, among others, the purchase of digital printing presses, printing presses, binding machines and other machinery and equipment used by Ovato in the Business, the Acquisition was expected to have a synergistic effect with the Group's existing printing business and would help the Company to achieve its plans for the expansion of production capacity and enhancing efficiency as described in the Prospectus.

The Board confirmed that there were no material changes in the nature of the business of the Group as described in the Prospectus. The Board considered the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group, is largely in line with the intended plan as stated in the Prospectus to expand production capacity, and is in the interests of the Group and the Shareholders as a whole.

**LISTING RULES IMPLICATIONS**

The Subscription, on a standalone basis and when aggregated with the Loans, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules are more than 5% but all are less than 25%. The Acquisition, on a standalone basis and when aggregated with the Loans and the Subscription, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules are more than 25% but all are less than 100%. Accordingly, the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a shareholders' meeting for approving the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. As at the date of the Acquisition Agreement and the Subscription Agreement, Lion Rock was the controlling shareholder of the Company beneficially interested in 296,396,954 Shares, representing approximately 59.4% of the issued share capital of the Company. The Company has obtained a written shareholder's approval from Lion Rock on 24 May 2022 for the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder. Pursuant to Rule 14.44(2) of the Listing Rules, the written shareholder's approval from Lion Rock has been accepted in lieu of holding a general meeting of the Shareholders. Accordingly, no physical shareholders' meeting will be held by the Company to approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder.

## OTHER MATTERS RELATING TO OVATO'S APPOINTMENT OF ADMINISTRATORS

Reference is made to the (i) announcements jointly issued by the Company and Lion Rock dated 1 April 2022 and 8 April 2022 respectively in respect of the Loans; (ii) the joint announcement dated 24 May 2022 in respect of, among other things, the Acquisition; (iii) the inside information announcement dated 21 July 2022 in respect of, among other things, Ovato's Appointment of Administrators; (iv) the inside information announcements dated 10 September 2022 and 30 September 2022 in respect of, among other things, the Deed of Settlement; and (v) the announcement dated 19 September 2022 in respect of, among others, the Convertible Note Split and Convertible Note Disposal.

Upon completion of the due diligence and the no material adverse change confirmation provided by Ovato prior to the Acquisition Completion and Subscription Completion, the Acquisition Completion and the Subscription Completion took place on 17 June 2022. As at the date of the Acquisition Completion and Subscription Completion, OPUS had provided the Loans amounting to A$9.6 million (equivalent to approximately HK$50.9 million) to Ovato; (ii) subscribed for the Convertible Note issued by Ovato with principal value of A$2.5 million (equivalent to approximately HK$13.3 million); and (iii) paid to Ovato the HP Advance in the aggregate amount of A$3.1 million (equivalent to approximately HK$16.4 million).

In early July 2022, Ovato indicated to the Group that there was an unexpected deterioration in its cashflow due to increased material cost and legacy cost issue but did not provide much details to the Company. On 21 July 2022, Ovato announced that it appointed the Voluntary Administrators with immediate effect, as ongoing volatile market conditions, increased cost of raw materials, and legacy cost issues continually impacted Ovato. The shares of Ovato were delisted from the ASX on 26 August 2022.

In light of the changes in circumstance and following negotiations with the Voluntary Administrators, on 10 September 2022, OPUS, Opus Australia, Ovato and the Voluntary Administrators entered into the Deed of Settlement in respect of, among others, the Loans, whereby OPUS and Opus Australia consented to the sale of the secured property in relation to the Loans and the settlement of the Loans from the sale proceeds thereof. On 30 September 2022 and as at the Latest Practicable Date, the Loans were fully settled pursuant to the terms and conditions of the Deed of Settlement and the Group received the early termination fee of A$0.25 million (equivalent to approximately HK$1.33 million).

On 19 September 2022, after having obtained the agreement of Ovato to the Convertible Note Split and the transfer of the Convertible Note with principal amount of A$2.0 million (equivalent to approximately HK$10.6 million), OPUS and Mr. Lau completed the Convertible Note Split and the Convertible Note Disposal. Pursuant to the Convertible Note Disposal, OPUS disposed the Convertible Note with principal value of A$2.0 million (equivalent to approximately HK$10.6 million) to Mr. Lau for a consideration of A$2.0 million settled in cash. As at the Latest Practicable Date, OPUS continued to hold the Convertible Note with principal value of A$0.5 million (equivalent to approximately HK$2.7 million). In light of Ovato's Appointment of Administrators and the delisting of its shares from ASX, the Company does not intend to exercise its option to convert the Convertible Note with principal amount of A$0.5 million into Conversion Shares. The Company has been in discussions with the Voluntary Administrators regarding repayment of the remaining Convertible Note.

Further, pursuant to the terms of the Acquisition Agreement, upon the Acquisition Completion, OPUS paid Ovato the HP Advance in the amount of A$3.1 million (equivalent to approximately HK$16.4 million) for onward payment for the monthly fees payable under the HP Equipment Rental Agreements (the "**HP Fees**"), and Ovato licenced all of its rights in and under each HP Equipment Rental Agreements to OPUS at and from the Acquisition Completion until the day before expiry of the term of the HP Equipment Rental Agreements. It was planned that immediately prior to the expiry of the term of each of the HP Equipment Rental Agreements, Ovato and OPUS shall complete the HP Assignment to the effect that OPUS shall assume all rights, title, interest and obligations in and under the HP Equipment Rental Agreements. However, upon Ovato indicated to the Group that there was an unexpected deterioration in its cashflow as aforementioned, in order to secure its right to use the equipment under the HP Equipment Rental Agreements, OPUS discussed with Ovato and HP Financial Services (Australia) Pty Limited and the parties agreed to complete the HP Assignment earlier than originally planned. As such, commencing from August 2022, OPUS has become the lessee under the HP Equipment Rental Agreements and assumed all rights and obligations under the HP Equipment Rental Agreements. Despite completion of the HP Assignment, given that OPUS had already paid the HP Advance to Ovato upon the Acquisition Completion, Ovato agreed to continue to make the onward payment for the HP Fees on behalf of OPUS until the HP Advance used up. Subsequently, Ovato had made one monthly payment for the HP Fees on behalf of OPUS. Upon it appointed the Voluntary Administrators, Ovato had not paid any HP Fees, and OPUS has been settling the HP Fees on its own. As at the Latest Practicable Date, the remaining unutilised HP Advance amounted to approximately A$2.9 million (equivalent to approximately HK$15.4 million). Given that Ovato had not utilised the HP Advance to pay the HP Fees, the unutilised HP Advance should be returned by Ovato to OPUS. The Group has been in discussions with the Voluntary Administrators regarding repayment of such unutilised HP Advance.

Based on the assessment as at the Latest Practicable Date, since (i) the Acquisition Completion occurred prior to Ovato's Appointment of Administrators; and (ii) the HP Assignment has been duly completed, the Directors are of the view that Ovato's Appointment of Administrators has no impact to the Company's rights and entitlements to the Business and the Assets. However, while the Company has been in discussions with the Voluntary Administrators for the settlement of the remaining Convertible Note and the HP Advance, as the Convertible Note and the HP Advance are not secured by any assets of Ovato, the Directors consider that the recoverability of both the remaining Convertible Note and the unutilised HP Advance would be low. The Deed of Settlement and the Convertible Note Disposal were entered into with a view to reducing the Group's credit exposure in Ovato. As the outstanding principal amount of the Convertible Note of A$0.5 million (equivalent to approximately HK$2.7 million) and the unutilised HP Advance of approximately A$2.9 million (equivalent to approximately HK$15.4 million) represent only approximately 0.7% and 4.1% of the Group's unaudited total assets of approximately HK$370.8 million as at 30 June 2022, respectively, the Directors are of the view that, in the event that the Group were unable to recover such amounts, the impact to the Group would be low. Subject to the further discussions with the Voluntary Administrators, the Directors will further deliberate with the Group's auditors regarding the recoverability of the remaining Convertible Note and the unutilised HP Advance and consider whether provision for impairment loss would be required for the year ending 31 December 2022 in accordance with the applicable accounting policies of the Group. Save as aforesaid, the Directors do not foresee any other provision might be required in relation to the Acquisition.

The Group is seeking legal advice on the implications of Ovato's Appointment of Administrators on the Group and will, in conjunction with its legal advisers, continue to monitor the situation closely and assess the potential impact on the Group. The Company will keep its respective shareholders and investors informed of any significant development in Ovato as and when appropriate.

**ADDITIONAL INFORMATION**

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

By Order of the Board
**Left Field Printing Group Limited**
**Richard Francis Celarc**
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for the three years ended 31 December 2019 ("**FY2019**"), 2020 ("**FY2020**") and 2021 ("**FY2021**") and the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 ("**1H2022**") have been published in the annual reports and interim report of the Company respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.leftfieldprinting.com). The hyperlinks to the aforesaid annual reports and interim report are set out below:

(i) Annual report of the Company for FY2019 published on 2 April 2020 (pages 54 to 125):
**https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0402/2020040201889.pdf**

(ii) Annual report of the Company for FY2020 published on 12 April 2021 (pages 48 to 109):
**https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0412/2021041201019.pdf**

(iii) Annual report of the Company for FY2021 published on 13 April 2022 (pages 48 to 106):
**https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041301014.pdf**

(iv) Interim report of the Company for 1H2022 published on 14 September 2022 (pages 8 to 25):
**https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0914/2022091400508.pdf**

## 2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$29,616,000, consisting of unsecured and unguaranteed lease liabilities of approximately HK$29,121,000 and utilisation of a bank guarantee of approximately HK$495,000 in relation to an obligation of the Company under a commercial agreement with a third party. As of the close of business on 30 September 2022, there have been no claims from the agreement.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables in the ordinary course of business, at the close of business on 30 September 2022, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

For the purpose of the indebtedness statement, foreign currency amounts have been converted into Hong Kong dollars at the approximate rates of exchange prevailing at the date of indebtedness statement.

## 3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged Group will have sufficient working capital for at least the next 12 months from the date of publication of this circular.

## 4. MATERIAL ADVERSE CHANGE

Reference is made to the interim report of the Company for 1H2022 dated 30 August 2022 and published 14 September 2022 (the "**Interim Report**"). As disclosed in the Interim Report, despite having recorded approximately 5.8% and 8.0% growth in revenue and gross profit for 1H2022, respectively as compared to the corresponding period of the previous year, the net profit of the Group attributable to the Shareholders was lower by approximately 23.6% for 1H2022 as compared to the corresponding period of the previous year, which was mainly attributable to the following:

(1) one-off professional costs incurred for various corporate projects;

(2) cessation of the "Jobkeeper Payment" scheme promulgated by the Australian government to support Australian businesses significantly impacted by COVID-19; and

(3) fair value reduction of the Convertible Note

Save as disclosed above, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the provision of printing solutions and services in Australia.

Looking to the second half of 2022, the management team of the Company expects to identify opportunities for synergies within its book printing division of the Enlarged Group to better service the read-for-pleasure market that continues to spearhead the demand for onshore book printing. Focus on managing the ongoing and sustained cost increases across all areas of the Group will be key in the second half of 2022 as the management team navigates the challenges of supply constraints and labour shortages in the domestic operating environment.

*The following is the text of a report set out on pages II-1 to II-35, received from the Target Business' reporting accountants, Baker Tilly Hong Kong Limited, for the purpose of incorporation in this circular.*

bakertilly
天職國際

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE BOOK PRINTING BUSINESS OF OVATO LIMITED**

**TO THE DIRECTORS OF LEFT FIELD PRINTING GROUP LIMITED**

**Introduction**

We report on the historical financial information in relation to the book printing business of Ovato Limited (the "**Target Business**") set out on pages II-4 to II-35, which comprises the statements of financial position of the Target Business as at 30 June 2020, 30 June 2021 and 30 June 2022, and the statements of profit or loss and other comprehensive income, the statements of changes in parent's net investment and the statements of cash flows of the Target Business for the years ended 30 June 2020, 2021 and 2022 (the "**Relevant Years**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-35 forms an integral part of this report, which has been prepared for inclusion in the circular of Left Field Printing Group Limited (the "**Company**") dated 23 November 2022 (the "**Circular**") in connection with the acquisition of the Target Business by the Company.

**Directors' responsibility for the Historical Financial Information**

The directors of Ovato Limited (the "**Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Business as at 30 June 2020, 30 June 2021 and 30 June 2022 and of the financial performance and cash flows of the Target Business for the Relevant Years in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

**Dividends**

No dividends have been paid by the Target Business in respect of the Relevant Years.

**No historical financial statements for the Target Business**

As at the date of this report, no statutory financial statements have been prepared or issued for the Target Business since its date of establishment.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*
Hong Kong
23 November 2022
Del Rosario, Faith Corazon
Practising certificate number P06143

## HISTORICAL FINANCIAL INFORMATION OF THE TARGET BUSINESS

### Preparation of Historical Financial Information

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

The financial statements of the Target Business for the Relevant Years, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Australian dollar ("**A$**") which is also the functional currency of the Target Business and all values are rounded to the nearest thousands, except when otherwise indicated.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 30 June | | |
|---|---|---|---|---|
| | | 2020 | 2021 | **2022** |
| | *Notes* | *A$'000* | *A$'000* | ***A$'000*** |
| **Revenue** | *5(a)* | 30,784 | 34,316 | **32,717** |
| Direct operating costs | | (26,666) | (29,400) | **(28,943)** |
| **Gross profit** | | 4,118 | 4,916 | **3,774** |
| Other income | *5(b)* | 425 | 314 | **377** |
| Selling and distribution costs | | (1,477) | (1,512) | **(1,383)** |
| Administrative expenses | | (3,635) | (4,002) | **(3,439)** |
| Finance costs | *6* | (577) | (483) | **(335)** |
| **Loss before income tax** | *7* | (1,146) | (767) | **(1,006)** |
| Income tax expense | *9* | – | – | **–** |
| **Loss and total comprehensive expense for the year** | | (1,146) | (767) | **(1,006)** |

The accompanying notes form an integral part of the Historical Financial Information.

**STATEMENTS OF FINANCIAL POSITION**

| | | As at 30 June | | |
|---|---|---|---|---|
| | | 2020 | 2021 | **2022** |
| | *Notes* | *A$'000* | *A$'000* | ***A$'000*** |
| **Non-current assets** | | | | |
| Property, plant and equipment | *11* | 686 | 566 | **493** |
| Right-of-use assets | *12* | 9,047 | 7,996 | **3,997** |
| Deposits for acquisition of property, plant and equipment | | – | 18 | **31** |
| | | 9,733 | 8,580 | **4,521** |
| **Current assets** | | | | |
| Inventories | *13* | 3,421 | 3,088 | **3,760** |
| Trade receivables | *14* | 6,518 | 4,733 | **7,287** |
| Prepayments and deposit | *15* | 104 | 179 | **3,129** |
| Cash and bank balances | | 1 | 1 | **15** |
| | | 10,044 | 8,001 | **14,191** |
| **Current liabilities** | | | | |
| Trade and other payables | *16* | 4,008 | 1,303 | **2,765** |
| Lease liabilities | *17* | 3,531 | 4,203 | **4,404** |
| Provisions | *18* | 1,477 | 1,362 | **1,620** |
| | | 9,016 | 6,868 | **8,789** |
| **Net current assets** | | 1,028 | 1,133 | **5,402** |
| **Total assets less current liabilities** | | 10,761 | 9,713 | **9,923** |
| **Non-current liabilities** | | | | |
| Lease liabilities | *17* | 6,708 | 4,406 | **58** |
| Provisions | *18* | – | 194 | **–** |
| | | 6,708 | 4,600 | **58** |
| **Net assets** | | 4,053 | 5,113 | **9,865** |
| **Parent's net investment** | *19* | 4,053 | 5,113 | **9,865** |

The accompanying notes form an integral part of the Historical Financial Information.

## STATEMENT OF CHANGES IN PARENT'S NET INVESTMENT

| | Parent's net investment *A$'000* |
|---|---|
| **Balance at 1 July 2019** | 5,555 |
| Loss and total comprehensive expense for the year | (1,146) |
| Distributions to the parent | (356) |
| **Balance as at 30 June 2020** | 4,053 |
| Loss and total comprehensive expense for the year | (767) |
| Contributions from the parent | 1,827 |
| **Balance as at 30 June 2021** | 5,113 |
| Loss and total comprehensive expense for the year | (1,006) |
| Contributions from the parent prior to completion of the Acquisition (note 2.1) | 1,350 |
| Contributions from the parent subsequent to completion of the Acquisition (note 2.1) | 4,408 |
| **Balance as at 30 June 2022** | 9,865 |

The accompanying notes form an integral part of the Historical Financial Information.

## STATEMENTS OF CASH FLOWS

| | | Year ended 30 June | | |
|---|---|---|---|---|
| | | 2020 | 2021 | **2022** |
| | *Notes* | *A$'000* | *A$'000* | ***A$'000*** |
| **Cash flows from operating activities** | | | | |
| Loss before income tax | | (1,146) | (767) | **(1,006)** |
| Adjustments for: | | | | |
| Finance costs | *6* | 577 | 483 | **335** |
| Depreciation of property, plant and equipment | *7* | 264 | 222 | **196** |
| Depreciation of right-of-use assets | *7* | 3,719 | 3,798 | **4,067** |
| Write-down of inventories | *7* | 46 | 17 | **406** |
| Reversal of impairment losses of trade receivables | *7* | (3) | (3) | **–** |
| Write-off of trade receivables | *7* | 10 | 3 | **–** |
| Write-off of property, plant and equipment | *7* | 12 | 29 | **3** |
| **Net cash inflow generated from operating activities** | | 3,479 | 3,782 | **4,001** |
| (Increase)/decrease in trade and other receivables | | (1,982) | 1,710 | **(5,504)** |
| Decrease/(increase) in inventories | | 1,138 | 316 | **(1,078)** |
| Increase/(decrease) in trade and other payables | | 1,453 | (2,705) | **1,462** |
| (Decrease)/increase in provisions | | (64) | 79 | **64** |
| **Net cash generated from/(used in) operating activities** | | 4,024 | 3,182 | **(1,055)** |
| **Cash flows from investing activities** | | | | |
| Payments for acquisition of property, plant and equipment | | (60) | (131) | **(126)** |
| Deposits for acquisition of property, plant and equipment | | – | (18) | **(13)** |
| **Net cash used in investing activities** | | (60) | (149) | **(139)** |

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| **Cash flows from financing activities** | | | |
| Payments of principal portion of lease liabilities | (3,031) | (4,377) | **(4,215)** |
| Interest paid on lease liabilities | (577) | (483) | **(335)** |
| Distributions to the parent | (356) | – | **–** |
| Contributions from the parent prior to completion of the Acquisition | – | 1,827 | **1,350** |
| Contributions from the parent subsequent to completion of the Acquisition | – | – | **4,408** |
| **Net cash (used in)/from financing activities** | (3,964) | (3,033) | **1,208** |
| **Net increase in cash and cash equivalents** | – | – | **14** |
| Cash and cash equivalents at 1 July | 1 | 1 | **1** |
| **Cash and cash equivalents at 30 June** | 1 | 1 | **15** |
| **Analysis of cash and cash equivalents** | | | |
| Cash and bank balances | 1 | 1 | **15** |

The accompanying notes form an integral part of the Historical Financial Information.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 General information

On 24 May 2022, Left Field Printing Group Limited ("**Left Field**"), an exempted company with limited liability in Bermuda, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited; OPUS Group Pty. Ltd. ("**OPUS**"), a company incorporated in Australia and a wholly-owned subsidiary of Left Field; and Ovato Limited ("**Ovato**"), a company incorporated in Australia, entered into a conditional acquisition agreement ("**Agreement**"), pursuant to which, OPUS has conditionally agreed to acquire, and Ovato has conditionally agreed to sell its book printing business in Australia ("**Target Business**"), (the acquisition transaction referred to as "**Acquisition**"). The Acquisition was completed on 17 June 2022 (the "**Date of Completion**") and since then, the financial results of the Target Business have been consolidated into the consolidated financial statements of Left Field.

The Target Business is located in 168 Cross Keys Road, Salisbury South, SA 5106. Before the Date of Completion, the Target Business was a business unit of Ovato.

### 2.1 Basis of preparation of the Historical Financial Information

Because the Target Business was not historically a single entity and was commingled with Ovato, parent's net investment is shown in lieu of shareholder's equity and in the Historical Financial Information. As at 30 June 2020 and 30 June 2021, parent's net investment represents the cumulative interest of Ovato in the Target Business. Upon the Date of Completion, parent's net investment of A$5,335,000 (i.e. the cumulative interest of Ovato in the Target Business up to 17 June 2022) was acquired by and transferred to Left Field. Thereafter and as at 30 June 2022, parent's net investment represents the cumulative interest of Left Field in the Target Business.

### 2.2 Application of IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Years, the Target Business has consistently applied the accounting policies set out in note 2.3 which conform with IFRSs throughout the Relevant Years.

The Target Business has not applied the following new and amendments to IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| Amendments to IFRS 3 | Reference to the Conceptual Framework[1] |
| Amendments to IFRS 10 and IAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| IFRS 17 | Insurance Contracts[2] |
| Amendments to IFRS 17 | Insurance Contracts[2,4] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to IAS 8 | Definition of Accounting Estimates[2] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2] |
| Amendments to IAS 16 | Property, plant and equipment: Proceeds before Intended Use[1] |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[1] |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018 – 2020[2] |

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Mandatory effective date yet to be determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Except for the amendments to IFRSs mentioned below, the management anticipated that the application of all other new and amendments to IFRSs will have no material impact on the financial statements of the Target Business in the foreseeable future.

**Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"**

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in the financial statements of the Target Business, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If the Target Business chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how the Target Business applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Target Business but may affect the disclosures of the Target Business's significant accounting policies.

**Amendments to IAS 8 "Definition of Accounting Estimates"**

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Target Business develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the financial statements of the Target Business.

**2.3 Summary of significant accounting policies**

**(a) Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

**(b) Property, plant and equipment**

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write-off their costs to their estimated residual value, over their estimated useful lives, using straight-line method, as the following:

| | |
|---|---|
| Plant and equipment | 2-10 years |
| Office furniture and equipment | 5 years |
| Leasehold improvements | 2-5 years or under the lease term whichever is shorter |
| Computer equipment | 3-5 years |

The assets' depreciation methods, estimated residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

**(c) Financial instruments**

***Financial assets***

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Business commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

***Debt instruments***

Subsequent measurement of debt instruments depends on the Target Business' business model for managing the asset and the cash flow characteristics of the asset. The Target Business classifies its debt instruments as measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using effective interest rate method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

***Impairment loss on financial assets***

The Target Business recognises loss allowances for expected credit loss ("**ECL**") on financial assets including trade receivables and bank balances. ECLs are measured on either of the following bases: (1) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Business is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Business in accordance with the contract and all the cash flows that the Target Business expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Business has elected to measure loss allowances for trade receivables using IFRS 9 "Financial Instruments" ("**IFRS 9**") simplified approach and has calculated ECLs based on lifetime ECLs. The Target Business uses practical expedients when estimating lifetime ECLs on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Business considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Business' historical experience and informed credit assessment and including forward-looking information.

The Target Business assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Business considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Business in full, without recourse by the Target Business to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Target Business has reasonable and supportable information to demonstrate that a more lagging credit-impaired criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

***Financial liabilities***

The Target Business classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities, including trade payables, are subsequently measured at amortised cost using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

***Effective interest method***

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

***Derecognition***

The Target Business derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

**(d) Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(e) Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at bank and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Target Business' cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use unless specified in the Historical Financial Information.

**(f) Lease**

***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Target Business assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" ("**IFRS 16**") at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

***The Target Business as a lessee***

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Business allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*Short-term leases*

The Target Business applies the short-term lease recognition exemption to leases of plant and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

*Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Business; and
- an estimate of costs to be incurred by the Target Business in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Target Business is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Business presents right-of-use assets as a separate line item on the statements of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Target Business recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Business uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represent fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Business remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Target Business presents lease liabilities as a separate line item on the statements of financial position.

*Lease modification*

The Target Business accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Business remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Business accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Business allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**(g) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Target Business has a legal or constructive obligation arising as a result of past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(h) Revenue recognition**

In according with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"), revenue from contract with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Business expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Target Business's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Target Business performs; or
- does not create an asset with an alternative use to the Target Business and the Target Business has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

*Sales of goods*

Revenue arising from sales of goods is recognised at a point in time when the goods is transferred and the customer (i.e. publishers) has received the publications, since only by the time the Target Business has a present right to payment for the goods delivered. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days.

The Target Business' contracts with customers from the sale of goods provide customers a volume rebate if the customer purchase more than certain volume of goods in a calendar year. The volume rebates give rise to variable consideration. The Target Business estimated the expected volume rebates using the most likely amount of rebates approach and as a reduction of revenue as the sales are recognised.

*Other income*

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

**(i) Impairment of non-financial assets**

At the end of each reporting period, the Target Business reviews the carrying amounts of property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**(j) Employee benefits**

***(i) Short term obligations***

The liabilities for wages and salaries, including annual leave and long service leave expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

A provision is recognised for an amount expected to be paid under short-term cash bonus or profit sharing plans if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The liabilities of employee benefit obligations are presented as payables in the statements of financial position.

***(ii) Other long-term employee benefit obligations***

The liabilities for long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees rendered the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statements of financial position if the entity does not have any unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

***(iii) Termination benefits***

Termination benefits are payable when employment is terminated by the Target Business before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Target Business recognises termination benefits at the earlier of the following dates: (a) when the Target Business can no longer withdraw the offer of those benefits; and (b) when the entity recognises restructuring costs involving the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

*(iv) Defined contribution schemes*

The Target Business pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target Business has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(k) Borrowing costs**

All borrowing costs are expensed when incurred.

**(l) Income taxes**

The Target Business is a business unit instead of a separate reporting entity, the income tax is borned by the parent of the Target Business. No income tax has been allocated to the Target Business for the purpose of preparation of the Historical Financial Information.

**(m) Related parties**

(a) A person or a close member of that person's family is related to the Target Business if that person:

(i) has control or joint control over the Target Business;

(ii) has significant influence over the Target Business; or

(iii) is a member of key management personnel of the Target Business or the Target Business' parent.

(b) An entity is related to the Target Business if any of the following conditions applies:

(i) The entity and the Target Business are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) The entity or the Target Business is an associate or joint venture of the others (or an associate or joint venture of a member of a group of which the others is a member).

(iii) Both the entity and the Target Business are joint ventures of the same third party.

(iv) The entity or the Target Business is a joint venture of a third entity and the other is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Business or an entity related to the Target Business.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Business or to the Target Business' parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

**(n) Segment information**

The Target Business identifies operating segments and prepares segment information based on the regular internal financial information reported to the management for their decisions about resources allocation to the Target Business' business components and for their review of the performance of those components.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the Historical Financial Information requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Impairment of receivables**

Impairment of receivables assessment requires a degree of estimation and judgement. The policy for impairment of receivables of the Target Business is based on, where appropriate, the evaluation of risk of default and ECL rates. The Target Business adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting date.

**(ii) Write-down of inventories**

Write-down of inventories assessment requires a degree of estimation and judgement. The level of the write-down is assessed by taking into account the recent sales experience, ageing of inventories and other factors that affect inventory obsolescence.

**(iii) Employee benefits provision**

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## 4 Segment information

Information reported to the management, for the purposes of resource allocation and assessment, focuses on revenue analysis by customers. No other discrete financial information is provided other than the Target Business's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

**Geographical information**

All of the revenue of the Target Business were generated from external customers located in Australia and all of the non-current assets of the Target Business were located in Australia.

**Information about major customers**

Revenue from customers contributing over 10% of the total revenue of the Target Business during of the Relevant Years is as follows:

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Customer A | 5,085 | 5,900 | **5,316** |
| Customer B | * | 4,612 | **4,482** |
| Customer C | 3,774 | * | * |
| Customer D | 3,751 | 4,770 | **6,043** |
| Customer E | 3,483 | 3,431 | * |
| Customer F | * | * | **4,384** |

* Revenue from these customers is less than 10% of the total revenue of the Target Business for the year.

**5 Revenue and other income**

**(a) An analysis of revenue of the Target Business is as follows:**

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| **Revenue from contracts with customers** | | | |
| Sale of goods, recognised at a point in time | 30,784 | 34,316 | **32,717** |

The performance obligation is satisfied upon delivery of the Target Business's products.

The Target Business has applied the practical expedient to its sales of goods and therefore does not disclose information about revenue that the Target Business will be entitled to when it satisfies the remaining performance obligations under the existing contracts for sales of goods that had an original expected duration of one year or less.

**(b) An analysis of other income of the Target Business is as follows:**

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Scrap recoveries | 403 | 306 | **374** |
| Others | 22 | 8 | **3** |
| | 425 | 314 | **377** |

**6 Finance costs**

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Interest on lease liabilities | 577 | 483 | **335** |

**7 Loss before income tax**

Loss before income tax is arrived at after charging/(crediting):

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Cost of inventories recognised as expense | 10,512 | 11,884 | **11,324** |
| Depreciation of property, plant and equipment *(note 11 and included in direct operating costs and administrative expenses)* | 264 | 222 | **196** |
| Depreciation of right-of-use assets *(note 12 and included in direct operating costs and administrative expenses)* | 3,719 | 3,798 | **4,067** |
| Write-off of property, plant and equipment | 12 | 29 | **3** |
| Write-down of inventories | 46 | 17 | **406** |
| Reversal of impairment of trade receivables, net *(note 22(c))* | (3) | (3) | **–** |
| Write-off of trade receivables | 10 | 3 | **–** |
| Employee benefits expense | | | |
| - Salaries, wages and other staff costs | 6,894 | 7,719 | **7,584** |
| - Superannuation *(Note)* | 512 | 518 | **497** |

*Note:* The Target Business contributes to a number of superannuation funds. These funds provide benefits on a cash accumulation basis for employees or their dependents on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. The Target Business' contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to the Target Business' contributions, as specified by the rules of the fund.

**8 Directors' remuneration**

The Target Business did not have any directors during the Relevant Years.

**9 Income tax expense**

The Target Business is a business unit instead of a separate reporting entity, the income tax is borned by the parent of the Target Business. No provision for income tax has been made in the Historical Financial Information during the Relevant Years as explained in the accounting policies set out in note 2.3(l).

**10 Dividend**

No dividend has been paid or declared by the Target Business during the Relevant Years.

**11 Property, plant and equipment**

| | Plant and equipment A$'000 | Office furniture and equipment A$'000 | Leasehold improvements A$'000 | Computer equipment A$'000 | Total A$'000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| As 1 July 2019 | 26,512 | 156 | 3,081 | 2,510 | 32,259 |
| Additions | 57 | – | 9 | 24 | 90 |
| Disposals/write-off | (1,282) | – | – | (12) | (1,294) |
| At 30 June 2020 | 25,287 | 156 | 3,090 | 2,522 | 31,055 |
| Additions | 122 | – | – | 9 | 131 |
| Disposals/write-off | (789) | – | (63) | (400) | (1,252) |
| At 30 June 2021 | 24,620 | 156 | 3,027 | 2,131 | 29,934 |
| Additions | 77 | – | – | 49 | 126 |
| Disposals/write-off | (142) | – | – | (3) | (145) |
| **At 30 June 2022** | **24,555** | **156** | **3,027** | **2,177** | **29,915** |
| Accumulated depreciation: | | | | | |
| At 1 July 2019 | 25,885 | 152 | 2,918 | 2,432 | 31,387 |
| Charge for the year | 140 | 1 | 95 | 28 | 264 |
| Disposals/write-off | (1,282) | – | – | – | (1,282) |
| At 30 June 2020 | 24,743 | 153 | 3,013 | 2,460 | 30,369 |
| Charge for the year | 147 | 1 | 48 | 26 | 222 |
| Disposals/write-off | (789) | – | (34) | (400) | (1,223) |
| At 30 June 2021 | 24,101 | 154 | 3,027 | 2,086 | 29,368 |
| Charge for the year | 169 | 1 | – | 26 | 196 |
| Disposals/write-off | (142) | – | – | – | (142) |
| **At 30 June 2022** | **24,128** | **155** | **3,027** | **2,112** | **29,422** |
| Net carrying value: | | | | | |
| At 30 June 2020 | 544 | 3 | 77 | 62 | 686 |
| At 30 June 2021 | 519 | 2 | – | 45 | 566 |
| **At 30 June 2022** | **427** | **1** | **–** | **65** | **493** |

**12 Right-of-use assets**

| | Leased properties *A$'000* | Leased machinery *A$'000* | Total *A$'000* |
|---|---|---|---|
| Cost: | | | |
| As at 1 July 2019 | 11,153 | – | 11,153 |
| Additions | – | 11,651 | 11,651 |
| As at 30 June 2020 | 11,153 | 11,651 | 22,804 |
| Additions | – | 27 | 27 |
| Modification of lease terms | 2,720 | – | 2,720 |
| Expiration of lease contracts | – | (87) | (87) |
| As at 30 June 2021 | 13,873 | 11,591 | 25,464 |
| Additions | – | 68 | 68 |
| Expiration of lease contracts | – | (76) | (76) |
| **As at 30 June 2022** | **13,873** | **11,583** | **25,456** |
| Accumulated depreciation: | | | |
| As at 1 July 2019 | 10,038 | – | 10,038 |
| Charge for the year | 744 | 2,975 | 3,719 |
| As at 30 June 2020 | 10,782 | 2,975 | 13,757 |
| Charge for the year | 1,052 | 2,746 | 3,798 |
| Expiration of lease contracts | – | (87) | (87) |
| As at 30 June 2021 | 11,834 | 5,634 | 17,468 |
| Charge for the year | 1,360 | 2,707 | 4,067 |
| Expiration of lease contracts | – | (76) | (76) |
| **As at 30 June 2022** | **13,194** | **8,265** | **21,459** |
| Net carrying value: | | | |
| As at 30 June 2020 | 371 | 8,676 | 9,047 |
| As at 30 June 2021 | 2,039 | 5,957 | 7,996 |
| **As at 30 June 2022** | **679** | **3,318** | **3,997** |

| | Year ended 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Expense relating to short-term leases | 21 | 29 | **96** |
| Expense relating to lease of low-value assets, excluding short-term leases of low-value assets | 9 | 9 | **6** |
| Variable lease payments not included in the measurement of lease liabilities | 662 | 605 | **502** |
| Total cash outflow for leases | 4,300 | 5,503 | **5,154** |

During the Relevant Years, the Target Business leased a number of properties and production equipment for its operations. The leases run for an initial period which ranged from 3 to 17 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Business applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the lease maturity analysis of lease liabilities are set out in notes 17 and 22(d).

**13 Inventories**

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Raw materials | 3,171 | 2,729 | **2,935** |
| Work-in-progress | 250 | 359 | **825** |
| | 3,421 | 3,088 | **3,760** |

**14 Trade receivables**

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Trade receivables | 6,521 | 4,733 | **7,287** |
| Less: Provision for impairment | (3) | – | **–** |
| | 6,518 | 4,733 | **7,287** |

Ageing analysis of trade receivables, net of provision based on the invoice date, is as follows:

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| 0 – 30 days | 2,776 | 2,722 | **5,732** |
| 31 – 60 days | 1,835 | 997 | **874** |
| 61 – 90 days | 941 | 578 | **385** |
| 91 – 120 days | 233 | 196 | **112** |
| Over 120 days | 733 | 240 | **184** |
| | 6,518 | 4,733 | **7,287** |

Trade receivables are due within 30 to 90 days from the invoice date.

The management considers that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

As at 30 June 2020, 30 June 2021 and 30 June 2022, the Target Business did not hold any collateral as security or other credit enhancements over its trade receivables balances.

**15 Prepayments and deposit**

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Deposit for inventory | – | 160 | **–** |
| Prepayments *(Note)* | 104 | 19 | **3,129** |
| | 104 | 179 | **3,129** |

*Note:* Pursuant to the Agreement, on 17 June 2022, Left Field made an upfront payment of aggregate amount of A$3,128,000 to Ovato for settlement of future lease payments of certain leased machinery, of which lease liabilities amounted to A$3,725,000 as at 30 June 2022, for the remaining lease terms. Ovato shall pay the lessor the remaining lease payments of those said leased machinery according to the terms of respective lease contracts. The management considers that above settlement arrangement does not discharge the Target Business from the obligation under lease liabilities of A$3,735,000 until Ovato settles related outstanding lease payments with the lessor. The said amount of A$3,725,000 is included in the lease liabilities recognised in the statement of financial position of the Target Business as at 30 June 2022 as a result.

**16 Trade and other payables**

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Trade payables | 3,556 | 980 | **1,186** |
| Accruals | 452 | 323 | **1,579** |
| | 4,008 | 1,303 | **2,765** |

Ageing analysis of trade payables based on invoice date is as follows:

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| 0 – 30 days | 1,679 | 927 | **1,175** |
| 31 – 60 days | 747 | 53 | **11** |
| 61 – 90 days | 419 | – | **–** |
| 91 – 120 days | 418 | – | **–** |
| Over 120 days | 293 | – | **–** |
| | 3,556 | 980 | **1,186** |

Trade payables are non-interest bearing with payment terms of 7 to 60 days.

**17 Lease liabilities**

The present value of future lease payments are analysed as:

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Current | 3,531 | 4,203 | **4,404** |
| Non-current | 6,708 | 4,406 | **58** |
| | 10,239 | 8,609 | **4,462** |

Future lease payments are due as follows:

| | **Minimum lease payments** | **Interest** | **Present value** |
|---|---|---|---|
| | ***A$'000*** | ***A$'000*** | ***A$'000*** |
| As at 30 June 2020 | | | |
| Due within one year | 3,954 | 423 | 3,531 |
| Due more than one year but not exceeding two years | 3,210 | 268 | 2,942 |
| Due in the third to fifth years | 3,768 | 2 | 3,766 |
| | 10,932 | 693 | 10,239 |
| As at 30 June 2021 | | | |
| Due within one year | 4,537 | 334 | 4,203 |
| Due more than one year but not exceeding two years | 4,393 | 11 | 4,382 |
| Due in the third to fifth years | 25 | 1 | 24 |
| | 8,955 | 346 | 8,609 |
| As at 30 June 2022 | | | |
| Due within one year | **4,417** | **13** | **4,404** |
| Due more than one year but not exceeding two years | **44** | **2** | **42** |
| Due in the third to fifth years | **16** | **–** | **16** |
| | **4,477** | **15** | **4,462** |

### 18 Provisions

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| Current | | | |
| Employee benefit liabilities for annual leave and time in lieu | 667 | 701 | **701** |
| Employee benefit liabilities for long service leave | 612 | 661 | **720** |
| Provision for leasehold dilapidations | 198 | – | **199** |
| | 1,477 | 1,362 | **1,620** |
| Non-current | | | |
| Provision for leasehold dilapidations | – | 194 | **–** |
| | 1,477 | 1,556 | **1,620** |

Long service leave in Australia covers all unconditional entitlements where employees have completed the required period of service and where employees are entitled to pro-rata payments in certain circumstances. The amount is classified as current liabilities since the Target Business does not have an unconditional right to defer settlement.

Leasehold dilapidations relate to the estimated cost of reinstatement the leasehold properties to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

### 19 Parent's net investment

The amounts of the Target Business' parent's net investment and the movements therein for the Relevant Years are presented in the statements of changes in parent's net investment.

### 20 Related party transactions and balances

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Business entered into the following transactions with the related party during the Relevant Years:

| **Entity** | **Relationship with the Target Business** | **Nature of transactions** | For the year ended 30 June | | |
|---|---|---|---|---|---|
| | | | 2020 | 2021 | **2022** |
| | | | *A$'000* | *A$'000* | ***A$'000*** |
| Ovato | Parent company | Sales | 23 | 3 | **45** |
| | | Purchases | 752 | 406 | **276** |
| | | Sub-contracting fee | 398 | – | **–** |

**21 Notes supporting statements of cash flows**

**(a) Reconciliation of liabilities arising from financing activities:**

| | **Lease liabilities** *(note 17)* ***A$'000*** |
|---|---|
| At 1 July 2019 | 1,619 |
| Changes from cash flows: | |
| Capital element of lease liabilities paid | (3,031) |
| Interest element of lease liabilities paid | (577) |
| | (3,608) |
| Other change: | |
| New leases entered | 11,651 |
| Finance charges on obligations under lease liabilities *(note 6)* | 577 |
| | 12,228 |
| At 30 June 2020 | 10,239 |
| Changes from cash flows: | |
| Capital element of lease liabilities paid | (4,377) |
| Interest element of lease liabilities paid | (483) |
| | (4,860) |
| Other changes: | |
| New leases entered | 27 |
| Modification of lease terms | 2,720 |
| Finance charges on obligations under lease liabilities *(note 6)* | 483 |
| | 3,230 |
| At 30 June 2021 | 8,609 |
| Changes from cash flows: | |
| Capital element of lease liabilities paid | (4,215) |
| Interest element of lease liabilities paid | (335) |
| | (4,550) |
| Other changes: | |
| New leases entered | 68 |
| Finance charges on obligations under lease liabilities *(note 6)* | 335 |
| | 403 |
| At 30 June 2022 | 4,462 |

**(b) Major non-cash transactions**

The followings are the major non-cash transactions noted during the Relevant Years:

(i) During the year ended 30 June 2020, the Target Business entered into new lease agreements with an independent third party for the use of production equipment. On the date of lease commencement, A$11,651,000 was recognised as additions to right-of-use assets and lease liabilities.

(ii) During the year ended 30 June 2021, the Target Business renewed its lease agreements for the use of leased properties and equipment which were accounted for as lease modification. On the date of lease modification, A$2,747,000 was recognised as additions to right-of-use assets and lease liabilities.

(iii) During the year ended 30 June 2022, the Target Business entered into new lease agreements with an independent third party for the use of production equipment. On the date of lease commencement, A$68,000 was recognised as additions to right-of-use assets and lease liabilities.

**22 Financial risk management**

The Target Business is exposed through its operations to financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Target Business' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Target Business. The Target Business uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks, and ageing analysis for credit risk.

**(a) Foreign exchange risk**

The Target Business is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than its functional currency. The currencies in which transactions of the Target Business are primarily denominated are A$ and Great British Pound ("**GBP**"). Management evaluates their foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum.

The carrying amount of the Target Business's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

| | **As at 30 June** | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| **Assets** | | | |
| GBP | 1,638 | 857 | **1,594** |

***Sensitivity Analysis***

Based on this exposure above, the following table indicates the change in the loss of the Target Business for each of years ended 30 June 2020, 2021 and 2022 and parent's net investment of the Target Business as at 30 June 2020, 30 June 2021 and 30 June 2022 that would arise if GBP weakened by 10% or strengthened by 5% with all other variables held constant. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

| | **Increase (decrease) in foreign exchange rates** | **(Decrease) increase in loss** *A$'000* | **Increase (decrease) in parent's net investment** *A$'000* |
|---|---|---|---|
| 2020 | | | |
| GBP | 5% | (82) | 82 |
| | (10%) | 164 | (164) |
| 2021 | | | |
| GBP | 5% | (43) | 43 |
| | (10%) | 86 | (86) |
| 2022 | | | |
| GBP | 5% | (80) | 80 |
| | (10%) | 159 | (159) |

**(b) Interest rate risk**

Interest rate risk arises both where payments of floating interest are made and where the Target Business has fixed interest rate borrowings compared to the market. The Target Business monitors the current market rates and evaluates on an ongoing basis whether to borrow at fixed or floating rates with the objective of minimising interest payable.

The Target Business' main interest rate risk arises from cash at bank. Cash at bank at variable rates expose the Target Business to interest rate risk. As at each of the reporting period, the Target Business has no interest bearing liabilities issued at floating rate.

No sensitivity analysis on interest rate risk is presented as the management consider the overall interest rate risk is insignificant as the fluctuation of the interest rates on bank balances is minimal.

**(c) Credit risk**

The Target Business is exposed to credit risk in relation to its bank balances and trade receivables. The carrying amounts of each class of the above financial assets represent the Target Business' maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from bank balances, the Target Business only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions.

The Target Business is exposed to concentration of credit risk on trade receivables from top 5 customers accounted for approximately 59%, 57% and 68% of total receivables as at 30 June 2020, 30 June 2021 and 30 June 2022 respectively.

The Target Business continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Target Business reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Target Business since prior years and are considered to have been effective in limiting the Target Business' exposure to credit risk to a desirable level.

The Target Business always measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECL also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

The Target Business recognised lifetime ECLs for trade receivables based on the ageing of customers collectively as follows:

| | Weighted average lifetime expected credit loss | Gross carrying amount *A$'000* | Lifetime expected credit loss *A$'000* | Net carrying amount *A$'000* | Credit-impaired |
|---|---|---|---|---|---|
| As at 30 June 2020 | | | | | |
| Collective assessment | | | | | |
| Not past due | 0% | 5,517 | – | 5,517 | No |
| Past due: | | | | | |
| 1 – 30 days | 0% | 140 | – | 140 | No |
| 31 – 60 days | 0% | – | – | – | N/A |
| 61 – 90 days | 0% | 62 | – | 62 | No |
| Over 90 days | 0.003% | 802 | 3 | 799 | No |
| | | 6,521 | 3 | 6,518 | |
| As at 30 June 2021 | | | | | |
| Collective assessment | | | | | |
| Not past due | 0% | 4,231 | – | 4,231 | No |
| Past due: | | | | | |
| 1 – 30 days | 0% | 259 | – | 259 | No |
| 31 – 60 days | 0% | 3 | – | 3 | No |
| 61 – 90 days | 0% | – | – | – | N/A |
| Over 90 days | 0% | 240 | – | 240 | No |
| | | 4,733 | – | 4,733 | |
| As at 30 June 2022 | | | | | |
| Collective assessment | | | | | |
| Not past due | **0%** | **6,727** | **–** | **6,727** | **No** |
| Past due: | | | | | |
| 1 – 30 days | **0%** | **195** | **–** | **195** | **No** |
| 31 – 60 days | **0%** | **135** | **–** | **135** | **No** |
| 61 – 90 days | **0%** | **47** | **–** | **47** | **No** |
| Over 90 days | **0%** | **183** | **–** | **183** | **No** |
| | | **7,287** | **–** | **7,287** | |

The following table shows the movements in lifetime ECL that has been recognised for trade receivables under simplified approach.

| | Lifetime ECL (not credit-impaired) | | | Lifetime ECL (credit-impaired) | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | **2022** | 2020 | 2021 | **2022** | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** | *A$'000* | *A$'000* | ***A$'000*** | *A$'000* | *A$'000* | ***A$'000*** |
| At 1 July | 6 | 3 | **–** | – | – | **–** | 6 | 3 | **–** |
| Impairment losses reversed | (3) | (3) | **–** | – | – | **–** | (3) | (3) | **–** |
| At 30 June | 3 | – | **–** | – | – | **–** | 3 | – | **–** |

**(d) Liquidity risk**

Liquidity risk represents the Target Business' ability to meet its contractual obligations. The Target Business evaluates its liquidity requirements on an ongoing basis using cash flow forecasting. In general, the Target Business generates sufficient cash flows from its operating activities and holds and retains cash to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities at the reporting date:

| | Carrying amount | Total contractual undiscounted cash flows | Within 1 year or on demand | More than 1 year but less than 5 years |
|---|---|---|---|---|
| | *A$'000* | *A$'000* | *A$'000* | *A$'000* |
| As at 30 June 2020 | | | | |
| Non-derivative financial liabilities | | | | |
| Trade payables | 3,556 | 3,556 | 3,556 | – |
| Lease liabilities | 10,239 | 10,932 | 3,954 | 6,978 |
| | 13,795 | 14,488 | 7,510 | 6,978 |
| As at 30 June 2021 | | | | |
| Non-derivative financial liabilities | | | | |
| Trade payables | 980 | 980 | 980 | – |
| Lease liabilities | 8,609 | 8,955 | 4,537 | 4,418 |
| | 9,589 | 9,935 | 5,517 | 4,418 |
| As at 30 June 2022 | | | | |
| Non-derivative financial liabilities | | | | |
| Trade payables | **1,186** | **1,186** | **1,186** | **–** |
| Lease liabilities | **4,462** | **4,477** | **4,417** | **60** |
| | **5,648** | **5,663** | **5,603** | **60** |

**(e) Fair values**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**23 Summary of financial assets and liabilities by category**

The following table shows the carrying amount of the Target Business' financial assets and liabilities:

| | As at 30 June | | |
|---|---|---|---|
| | 2020 | 2021 | **2022** |
| | *A$'000* | *A$'000* | ***A$'000*** |
| **Financial assets** | | | |
| Financial assets measured at amortised cost | | | |
| – Trade receivables | 6,518 | 4,733 | **7,287** |
| – Cash and bank balances | 1 | 1 | **15** |
| | 6,519 | 4,734 | **7,302** |
| **Financial Liabilities** | | | |
| Financial liabilities measured at amortised cost | | | |
| – Trade payables | 3,556 | 980 | **1,186** |
| Lease liabilities | 10,239 | 8,609 | **4,462** |
| | 13,795 | 9,589 | **5,648** |

**24 Event after the end of the reporting period**

There have been no material events subsequent to the Relevant Years, which require adjustment or disclosure in accordance with IFRSs.

## SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Business in respect of any period subsequent to 30 June 2022 and up to the date of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE BUSINESS

The following is the management discussion and analysis of the Business for the years ended 30 June 2020, 2021 and 2022.

The following management discussion and analysis should be read in conjunction with the financial information of the Business as set out in Appendix II to this circular.

## BUSINESS REVIEW

The Business is principally engaged in book printing activities in Australia and is located at 168 Cross Keys Road, Salisbury South, SA 5106. Prior to the Acquisition Completion, the Business was a business unit of Ovato.

## REVENUE

Revenue of the Business is arising from provision of digital and offset book printing, being mainly, but not exclusively, the printing of read-for-pleasure books and other ancillary business services. In identifying these operating segments, management follows the information provided to the chief operating decision maker of the Business which relates to major customers and geographic information.

Revenue of the Business decreased by approximately A$1.6 million or approximately 4.7% from approximately A$34.3 million for the year ended 30 June 2021 to approximately A$32.7 million for the year ended 30 June 2022. The drop in revenue was mainly attributable to one of the top ten customers had decided not to renew the contract from beginning of 2021. Such impact was partly offset by the continuous strong local printing demand for quicker turnaround times and saving of shipping costs as a result of the global logistics disruption due to COVID-19.

Revenue of the Business increased by approximately A$3.5 million or approximately 11.5% from approximately A$30.8 million for the year ended 30 June 2020 to approximately A$34.3 million for the year ended 30 June 2021. More revenue was recorded for the year ended 30 June 2021 mainly due to the rebound of printing demand for read-for-pleasure books. There was a dampening trend of printing spending from various publishers since early 2020 as COVID-19 related government restrictions first came into force in Australia.

## DIRECT OPERATING COSTS AND GROSS PROFIT

Direct operating costs of the Business consisted primarily of the costs of raw materials included but not limited to paper, plates, ink and other printing consumables, direct labour costs, amortisation of right-of-use assets, depreciation of property, plant and equipment and other production overheads.

Gross profit of the Business was calculated by subtracting the direct operating costs from revenue. Gross profit margin is calculated as gross profit divided by revenue.

Gross profit of the Business decreased by approximately A$1.1 million or approximately 23.2% from approximately A$4.9 million for the year ended 30 June 2021 to approximately A$3.8 million for the year ended 30 June 2022, mainly driven by the decrease in revenue hence less consumption on raw materials. The gross profit margin dropped to approximately 11.5% for the year ended 30 June 2022 from approximately 14.3% for the year ended 30 June 2021. The deterioration of the gross profit margin was mainly due to the price increases in raw materials for the year ended 30 June 2022 and the occurrence of some direct operating costs, such as amortisation and depreciation, repair and maintenance and direct labour basic wages, which were fixed costs that do not change with the change in revenue.

Gross profit of the Business increased by approximately A$0.8 million or approximately 19.4% from approximately A$4.1 million for the year ended 30 June 2020 to approximately A$4.9 million for the year ended 30 June 2021, mainly driven by the increase in revenue hence increased consumption of raw materials. The gross profit margin for the year ended 30 June 2021, as compared to the year ended 30 June 2020, remained relatively stable.

## OTHER INCOME

Other income of the Business generally consisted of the sales of scrap materials arising from the production process such as scrap paper and obsolete plates and other sundry income which did not fall into the principal activities.

Other income of the Business for the three years ended 30 June 2022 amounted approximately A$0.4 million, A$0.3 million and A$0.4 million, respectively, remained relatively stable.

## SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Business consisted primarily of freight charges for delivery of printed products to customers.

Selling and distribution expenses of the Business decreased by approximately A$0.1 million or approximately 8.5% from approximately A$1.5 million for the year ended 30 June 2021 to approximately A$1.4 million for the year ended 30 June 2022. Such reduction was in line with the reduction in revenue for the year ended 30 June 2022 as well as less demand for intrastate delivery since the unsuccessful renewal of one of the top ten customer contracts in early 2021.

Despite the revenue increased by 11.5% from approximately A$30.8 million for the year ended 30 June 2020 to approximately A$34.3 million for the year ended 30 June 2021, selling and distribution expenses of the Business remained at approximately A$1.5 million for the years ended 30 June 2021 and 2020, respectively. This was mainly attributable to the improvement of delivery scheduling as a result of implementation of cost control measures.

## ADMINISTRATIVE EXPENSES

Administrative expenses mainly consisted of salaries, wages, other staff costs and superannuation of administrative staff; amortisation of right-of-use assets; depreciation of property, plant and equipment and the corporate recharging costs on various functional expenses such as management, IT, human resources, treasury and finance.

Administrative expenses of the Business decreased by approximately A$0.6 million or approximately 14.1% from approximately A$4.0 million for the year ended 30 June 2021 to approximately A$3.4 million for the year ended 30 June 2022, which was mainly driven by the reduction of corporate recharging costs on various functional expenses by Ovato.

Administrative expenses of the Business increased by approximately A$0.4 million or approximately 10.1% from approximately A$3.6 million for the year ended 30 June 2020 to approximately A$4.0 million for the year ended 30 June 2021, which was a result of the increased amortisation of right-of-use assets as well as the increased administrative staff costs.

## FINANCE COSTS

Finance costs of the Business mainly comprised of interest portion on lease liabilities in accordance with applicable accounting standards.

Finance costs of the Business decreased by approximately A$0.2 million or approximately 30.6% from approximately A$0.5 million for the year ended 30 June 2021 to approximately A$0.3 million for the year ended 30 June 2022. Such decrease was mainly due to the late payment interest charges in respect of machine lease arrangement for the year ended 30 June 2021 and there were no such penalty charges for the year ended 30 June 2022 as well as the reduction of lease liabilities.

Finance costs of the Business decreased by approximately A$0.1 million or approximately 16.3% from approximately A$0.6 million for the year ended 30 June 2020 to approximately A$0.5 million for the year ended 30 June 2021, which was attributable to the reduction of lease liabilities.

## INCOME TAX EXPENSE

The Business is a business unit instead of a separate reporting entity, the income tax obligation is borne by the parent of the Business. Therefore, no provision or liability for income tax has been recognised in the relevant periods.

## LOSS FOR THE YEARS

The net loss of the Business increased by approximately A$0.2 million or approximately 31.1% from approximately A$0.8 million for the year ended 30 June 2021 to approximately A$1.0 million for the year ended 30 June 2022, which was mainly due to the reduction in revenue hence gross profit by approximately A$0.9 million but partly offset by the improvement of administrative expenses by approximately A$0.6 million for the year ended 30 June 2022.

The net loss of the Business decreased by approximately A$0.3 million or approximately 33.1% from approximately A$1.1 million for the year ended 30 June 2020 to approximately A$0.8 million for the year ended 30 June 2021, which was attributable to the improved trading result for the year ended 30 June 2021.

## LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Total Assets and Total Liabilities

As at 30 June 2020, 30 June 2021 and 30 June 2022, the total assets of the Business were amounted to approximately A$19.8 million, A$16.6 million and A$18.7 million, respectively.

As at 30 June 2020, 30 June 2021 and 30 June 2022, the total liabilities of the Business were amounted to approximately A$15.7 million, A$11.5 million and A$8.8 million, respectively.

### Current Assets and Current Liabilities

The current assets of the Business consisted primarily of inventories, trade receivables, prepayments and deposits and amounts due from the parent. The current liabilities of the Business consisted primarily of trade and other payables, lease liabilities and provision.

As at 30 June 2020, the current assets and current liabilities of the Business were approximately A$10.0 million and approximately A$9.0 million, respectively. The net current assets of the Business were approximately A$1.0 million.

As at 30 June 2021, the current assets and current liabilities of the Business were approximately A$8.0 million and approximately A$6.9 million, respectively. The net current assets of the Business were approximately A$1.1 million.

As at 30 June 2022, the current assets and current liabilities of the Business were approximately A$14.2 million and approximately A$8.8 million, respectively. As at 30 June 2021, the net current liabilities of the Business were approximately A$5.4 million.

### Bank and other Borrowings

As at 30 June 2020, 2021 and 2022, there were no bank and other borrowings under the name of the Business. All the bank and other borrowings were under the parent entity.

## CHARGE OF ASSETS

As at 30 June 2020 and 2021, Ovato obtained the chattel mortgage facility and Australian dollar receivables financing facility from Scottish Pacific Business Finance Pty Ltd. Such facilities were secured by the joint guarantee and the charge of certain assets over Ovato and its subsidiaries, which included the trade receivables and property, plant and equipment of the Business.

As at 30 June 2022, there were no charges over the assets of the Business.

## CONTINGENT LIABILITIES

As at 30 June 2020, 2021 and 2022, the Business did not have any significant contingent liabilities.

## CAPITAL EXPENDITURE

For the years ended 30 June 2020, 2021 and 2022, the Business acquired property, plant and equipment at approximately A$0.1 million, A$0.1 million and $0.1 million, respectively. The purchases during the year were financed by the parent of the Business.

## EMPLOYMENT AND REMUNERATION POLICIES

For the years ended 30 June 2020, 2021 and 2022, the Business had 72, 69 and 67 full-time employees, respectively. For the years ended 30 June 2020, 2021 and 2022, the staff costs were approximately A$7.4 million, A$8.2 million and A$8.1 million, respectively.

The remuneration packages of the Business's employees are maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Business' salary, bonus and over-time payments system. Other employees' fringe and welfare benefits include retirement benefits, occupational injury insurance and other miscellaneous items.

## FOREIGN EXCHANGE EXPOSURE

The Business is exposed to foreign currency risk primarily from where the Business has firm commitments or highly probable forecast transactions for receipts and payments that are to be settled in foreign currencies, or where the price is dependent on foreign currencies other than its functional currency. The currencies in which transactions primarily denominated are A$, United States dollar and Great British Pound ("**GBP**"). As at 30 June 2020, 2021 and 2022, foreign exchange risks on financial assets were mainly denominated in GBP.

Management evaluates the Business' foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum. The Business may in certain circumstances use forward exchange contracts to hedge its foreign currency risk. When used, the contracts would normally have maturities of less than one year at reporting date. The Business does not hold or issue financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

## SIGNIFICANT INVESTMENTS

For the years ended 30 June 2020, 2021 and 2021, the Business does not have any material investments.

## MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 30 June 2020, 2021 and 2022, the Business has not completed any material acquisition or disposal.

The Business did not have any plans to acquire material investments or capital assets after the Acquisition in the financial year 2022.

## TREASURY POLICY AND HEDGING ARRANGEMENT

For the years ended 30 June 2020, 2021 and 2022, the Business follow the treasury policy or hedging policy of Ovato which included, but not limited to, does not trade in derivatives that are not used in hedging the underlying business exposure of the economic entity and all hedging is undertaken through Ovato's central treasury operation and is in accordance with the approved policies.

As at 30 June 2022 and the Latest Practicable Date, the Business did not have any foreign currency hedging policies. The management of the Business will continue to access its foreign exchange risk exposure and consider adopting prudent measures as appropriate.

## CAPITAL COMMITMENTS

As at 30 June 2020, 2021 and 2022, the Business did not have any capital commitments.

## GEARING RATIO

As at 30 June 2020, 2021 and 2022, the gearing ratios of the Business were 79.5%, 69.2% and 47.3% respectively. The gearing ratio is defined as total liabilities divided by total assets.

## PROSPECTS

With the continuously strong demand in local book printing in Australia, the Business management team expects to identify opportunities for synergies within its book printing division of the Enlarged Group to better service the read-for-pleasure market. Focus on managing the ongoing and sustained cost increases across all areas of the Enlarged Group as the management team navigates the challenges of supply constraints and labour shortages in the domestic operating environment. The management considers that the Acquisition is an important milestone for the its future development and will benefit the operation of the Enlarged Group in the long run.

## A. INTRODUCTION

The following unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules and for the purpose of illustrating the effect of the acquisition of assets, liabilities and the Business and subscription of the Convertible Note, as if the Acquisition and the Subscription had taken place on 30 June 2022.

As the Acquisition and the Subscription had been completed on 17 June 2022, the assets and liabilities of the Business have been consolidated to the interim financial information of the Group ("**Interim Financial Information**") and the subscription of the Convertible Note had been recognised as financial assets at fair value through profit or loss as set out in the published interim report of the Company for the six months ended 30 June 2022. Thus, in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, no additional adjustment is prepared to illustrate the effect of the Acquisition and Subscription.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 extracted from the published interim report of the Group for the period ended 30 June 2022 which has been published on the website of the Stock Exchange and the website of the Company, as if the Acquisition and the Subscription had been completed on 30 June 2022.

The Unaudited Pro Forma Financial Information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of the Acquisition and the Subscription that are (i) directly attributable to the Acquisition and the Subscription on 30 June 2022 and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its nature, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group, as enlarged by the Acquisition and the Subscription, that would have been attained had the Acquisition and the Subscription been completed on 30 June 2022. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition and the Subscription been completed as of 30 June 2022.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

## B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

| | The Group as at 30 June 2022 | Pro Forma adjustment | Unaudited Pro Forma Financial Information for the Enlarged Group as at 30 June 2022 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 1)* | *(Note 2)* | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 34,614 | | 34,614 |
| Right-of-use assets | 35,301 | | 35,301 |
| Deferred tax assets | 16,525 | | 16,525 |
| Deposits paid for acquisition of property, plant and equipment | 798 | | 798 |
| Loan receivables | 33,579 | | 33,579 |
| Financial assets at fair value through profit or loss | 12,598 | 683 | 13,281 |
| Goodwill | 15,169 | | 15,169 |
| Total non-current assets | 148,584 | | 149,267 |
| **CURRENT ASSETS** | | | |
| Inventories | 65,145 | | 65,145 |
| Trade receivables | 103,870 | | 103,870 |
| Other receivables, deposits and prepayments | 5,941 | | 5,941 |
| Current tax recoverable | 1,337 | | 1,337 |
| Loan receivables | 16,147 | | 16,147 |
| Cash and cash equivalents | 29,790 | | 29,790 |
| Total current assets | 222,230 | | 222,230 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 41,285 | | 41,285 |
| Lease liabilities | 8,241 | | 8,241 |
| Provisions | 35,185 | | 35,185 |
| Total current liabilities | 84,711 | | 84,711 |
| **NET CURRENT ASSETS** | 137,519 | | 137,519 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | 286,103 | | 286,786 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 9,643 | | 9,643 |
| Provisions | 2,404 | | 2,404 |
| Deferred tax liabilities | 5,203 | | 5,203 |
| Total non-current liabilities | 17,250 | | 17,250 |
| **NET ASSETS** | 268,853 | | 269,536 |

## B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*Notes:*

1. The unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022, which has been extracted from the interim report of the Group for the six months ended 30 June 2022 dated 30 August 2022 and published 14 September 2022 (the "**Interim Report**"). As the Acquisition and the Subscription has been completed on 17 June 2022, the Business has been consolidated into the unaudited condensed consolidated statement of financial position of the Group and the Subscription has been recognised as financial assets at fair value through profit or loss. For the adjustments related to the Acquisition, please refer to Note 20 on page 23 of the Interim Report.

2. The adjustment represents the reversal of fair value loss of Convertible Note as at 30 June 2022. On 21 July 2022, Ovato announced the appointment of Voluntary Administrators. The Group recognised loss on financial assets at fair value through profit or loss in the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2022 of approximately HK$683,000. As the information was related to future events or decisions after the Acquisition and the Subscription, the recognition of fair value loss of Convertible Note was reversed.

3. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group and the Business entered into subsequent to 30 June 2022 for the purpose of preparation of the unaudited pro forma financial information. In particular, in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, no adjustment is prepared to illustrate the effect of the followings:

   On 19 September 2022, the Group entered into the agreement of Ovato to the Convertible Note Split and the transfer of the Convertible Note with principal amount of Australia Dollar ("**A$**") 2.0 million (equivalent to approximately Hong Kong dollars ("**HK$**") 10.6 million). OPUS disposed the Convertible Note with principal value of A$2.0 million (equivalent to approximately HK$10.6 million) to Mr. Lau for a consideration of A$2.0 million settled by way of cash, pursuant to the Convertible Note Disposal. On the same day, OPUS and Mr. Lau completed the Convertible Note Split and the Convertible Note Disposal.

Had the completion of Convertible Note Split and the Convertible Note Disposal been taken into account, the Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2022 after completion of Convertible Note Split and the Convertible Note Disposal would have been further adjusted as shown in the following table.

| | **The Group as at 30 June 2022** | **Pro Forma adjustment** | **Completion of Convertible Note Split** | **Completion of Convertible Note Disposal** | **Unaudited Pro Forma Financial Information for the Enlarged Group as at 30 June 2022 after completion of Convertible Note Split and the Convertible Note Disposal** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | *(Note 3(a))* | *(Note 3(b))* | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 34,614 | | | | 34,614 |
| Right-of-use assets | 35,301 | | | | 35,301 |
| Deferred tax assets | 16,525 | | | | 16,525 |
| Deposits paid for acquisition of property, plant and equipment | 798 | | | | 798 |
| Loan receivables | 33,579 | | | | 33,579 |
| Financial assets at fair value through profit or loss | 12,598 | 683 | (75) | (10,540) | 2,666 |
| Goodwill | 15,169 | | | | 15,169 |
| Total non-current assets | 148,584 | | | | 138,652 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 65,145 | | | | 65,145 |
| Trade receivables | 103,870 | | | | 103,870 |
| Other receivables, deposits and prepayments | 5,941 | | | | 5,941 |
| Current tax recoverable | 1,337 | | | | 1,337 |
| Loan receivables | 16,147 | | | | 16,147 |
| Cash and cash equivalents | 29,790 | | | 10,540 | 40,330 |
| Total current assets | 222,230 | | | | 232,770 |

| | The Group as at 30 June 2022 | Pro Forma adjustment | Completion of Convertible Note Split | Completion of Convertible Note Disposal | Unaudited Pro Forma Financial Information for the Enlarged Group as at 30 June 2022 after completion of Convertible Note Split and the Convertible Note Disposal |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | *(Note 3(a))* | *(Note 3(b))* | |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 41,285 | | | | 41,285 |
| Lease liabilities | 8,241 | | | | 8,241 |
| Provisions | 35,185 | | | | 35,185 |
| Total current liabilities | 84,711 | | | | 84,711 |
| **NET CURRENT ASSETS** | 137,519 | | | | 148,059 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | 286,103 | | | | 286,711 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease liabilities | 9,643 | | | | 9,643 |
| Provisions | 2,404 | | | | 2,404 |
| Deferred tax liabilities | 5,203 | | | | 5,203 |
| Total non-current liabilities | 17,250 | | | | 17,250 |
| **NET ASSETS** | 268,853 | | | | 269,461 |

(a) The adjustment represents the result of substantial modification of financial assets if the Convertible Note Split had been completed on 30 June 2022 which the cash flows of the original financial assets and the modified financial assets are substantially different. The Convertible Note of A$2.5 million (equivalent to approximately HK$13.3 million) was derecognised in its entirely and two new Convertible Note of A$2.0 million (equivalent to approximately HK$10.6 million) and A$0.5 million (equivalent to approximately HK$2.6 million) were initially recognised as financial assets at fair value through profit or loss.

(b) The adjustment represents the derecognition of financial assets as if the Convertible Note Disposal has been completed on 30 June 2022. The Convertible Note with carrying amount of A$2.0 million (equivalent to approximately HK$10.6 million) was disposed to Mr. Lau for a consideration of A$2.0 million (equivalent to approximately HK$10.6 million) settled by cash.

4. For the purpose of the Unaudited Pro Forma Financial Information, the amount denominated in A$ are converted into HK$ at the exchange rate of A$1: HK$5.3 on 30 June 2022. No representation is made that the A$ amounts have been, could have been or may be converted to or vice versa, at that rate.

*The following is the text extracted from the independent reporting accountants' assurance report in respect of the Unaudited Pro Forma Financial Information prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*

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

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**To the directors of Left Field Printing Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Left Field Printing Group Limited and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group as at 30 June 2022 and related notes as set out on pages 1 to 6 of Appendix IV of the circular dated 23 November 2022 (the "**Circular**") issued by the Company in connection with the acquisition of book printing business and assets (the "**Acquisition**") and subscription of convertible note (the "**Subscription**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 1 to 6 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition and Subscription on the Group's financial position as at 30 June 2022 as if the Acquisition and the Subscription had taken place on 30 June 2022. As part of this process, information about the Group's assets and liabilities has been extracted by the directors of the Company from the Group's unaudited consolidated financial statements for the period ended 30 June 2022, on which no auditor's report or review report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

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

**Our Independence and Quality Control**

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited**
Certified Public Accountants
Au Yiu Kwan
Practicing Certificate Number P05018

Hong Kong, 23 November 2022

## 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 Group. 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. DISCLOSURE OF INTERESTS

### (i) Directors' and chief executives' interests and short positions in securities

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

***(a) Long Position in the shares of the Company***

| Name of Directors | Personal Interests | Trust Interests | Beneficiary of a Trust Interests | Corporate Interests | Total Interests | Percentage to the issued share capital of the Company |
|---|---|---|---|---|---|---|
| | (Shares) | (Shares) | (Shares) | (Shares) | (Shares) | (%) |
| Mr. Lau Chuk Kin *(Note 1)* | 9,803,278 | Nil | Nil | 313,048,997 | 322,852,275 | 64.74 |
| Mr. Richard Francis Celarc *(Note 2)* | Nil | 7,533,039 | 5,955,780 | 11,523,168 | 25,011,987 | 5.01 |
| Mr. Paul Antony Young *(Note 3)* | Nil | Nil | Nil | 4,382,967 | 4,382,967 | 0.88 |

*Notes:*

1. Mr. Lau is deemed to be interested in 322,852,275 Shares through his personal interests and corporate interests. Of 313,048,997 corporate interests, 296,396,954 Shares, 16,133,457 Shares and 518,586 Shares are beneficially owned through Bookbuilders BVI Limited ("**Bookbuilders BVI**"), City Apex Ltd. ("**City Apex**") and ER2 Holdings Limited ("**ER2 Holdings**"), respectively. Bookbuilders BVI is wholly-owned subsidiary of 1010 Group Limited ("**1010 Group**") and 1010 Group is a wholly-owned subsidiary of Lion Rock. Lion Rock is held directly by City Apex, ER2 Holdings and Mr. Lau as to 33.52%, 1.08% and 11.22% respectively. City Apex is owned as to 77.00% by ER2 Holdings. ER2 Holdings is owned as to 69.76% by Mr. Lau. By virtue of Part XV of the SFO, Mr. Lau is deemed to be interested the said Shares.

2. Mr. Richard Francis Celarc ("**Mr. Celarc**") is deemed to be interested in 25,011,987 Shares, which comprise (i) 33,117 Shares held by Navigator Australia Limited (as the custodian for the Richard Celarc Family Trust); (ii) 11,523,168 Shares held by D.M.R.A. Property Pty Limited, a company wholly-owned by Mr. Celarc; (iii) 7,533,039 Shares held by the Richard Celarc Family Trust by virtue of Mr. Celarc being the trustee; and (iv) 5,922,663 Shares held by Ligare Superannuation Nominees Pty Ltd as the trustee for Ligare Staff Superannuation Fund of which both Mr. Celarc and his wife are the only members of the superannuation fund.

3. Mr. Paul Antony Young ("**Mr. Young**") is deemed to be interest in 4,382,967 Shares through Clapsy Pty Ltd, a company owned as to 50.00% and 50.00% by Mr. Young and his wife Mrs. Lorraine Young.

***(b) Long Position in the shares of Lion Rock***

| **Name of Director** | **Personal Interests** (Shares) | **Corporate Interests** (Shares) | **Total Interests** (Shares) | **Percentage to the issued share capital of Lion Rock** (%) |
|---|---|---|---|---|
| Mr. Lau Chuk Kin *(Note)* | 86,401,906 | 266,432,717 | 352,834,623 | 45.82 |

*Note:*

Of 266,432,717 shares of Lion Rock which Mr. Lau is deemed to be interested, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex and ER2 Holdings respectively. As at the Latest Practicable Date, ER2 Holdings was the ultimate holding company of City Apex. Mr. Lau owned 69.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares of Lion Rock pursuant to Part XV of the SFO.

***(c) Shares award of Lion Rock during the reporting period***

| **Name of Director** | **Outstanding at 30.6.2022** | **Granted during the period** | **Vested during the period** | **Cancelled/ lapsed during the period** | **Outstanding at the Latest Practicable Date** |
|---|---|---|---|---|---|
| Mr. Lau Chuk Kin | 200,000 | – | – | – | 200,000 |
| Mr. Richard Francis Celarc | 200,000 | – | – | – | 200,000 |
| Ms. Tang Tsz Ying | 1,288,000 | – | – | – | 1,288,000 |

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

**(ii) Substantial Shareholders' interests and short positions in Shares, underlying shares and debentures**

As at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company, being 5% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| | Nature of interest | | | |
|---|---|---|---|---|
| **Name of shareholder** | **Beneficial Owner** (Shares) | **Interest in controlled corporation** (Shares) | **Total Interests** (Shares) | **Percentage to the issued share capital of the Company** (%) |
| ER2 Holdings *(Note)* | 518,586 | 312,530,411 | 313,048,997 | 62.78 |
| City Apex *(Note)* | 16,133,457 | 296,396,954 | 312,530,411 | 62.67 |
| Lion Rock *(Note)* | Nil | 296,396,954 | 296,396,954 | 59.44 |
| 1010 Group *(Note)* | Nil | 296,396,954 | 296,396,954 | 59.44 |
| Bookbuilders BVI *(Note)* | 296,396,954 | Nil | 296,396,954 | 59.44 |

*Note:*

Bookbuilders BVI is a wholly owned subsidiary of 1010 Group and an indirect wholly owned subsidiary of Lion Rock. Lion Rock was owned as to 33.52%, 1.08% and 11.22% by City Apex, ER2 Holdings and Mr. Lau, respectively. ER2 Holdings was the holding company of City Apex and deemed to be interested in the said Shares pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares, underlying Shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 3. COMPETING BUSINESS

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors and their respective close associates had any business which competes or may compete, either directly or indirectly, with the business of the Group.

## 4. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any interest, either directly or indirectly, in any asset which has been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Group to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party.

## 7. LITIGATION

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

## 8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the date of this circular:

(i) the Acquisition Agreement;

(ii) the Subscription Agreement;

(iii) a deed of assignment, novation and amendment dated 1 April 2022 and entered into between OPUS, Scottish Pacific Business Finance Pty Ltd ("**ScotPac**"), Scottish Pacific (BFS) Pty Ltd, Ovato and its guarantors in respect of the Loans, namely the acquisition of a chattel mortgage loan by OPUS from ScotPac and grant of additional loans by OPUS to Ovato; and

(iv) a sale and purchase agreement dated 19 September 2022 and entered into between OPUS and Mr. Lau in respect of the Convertible Note Disposal.

## 9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or has given opinion or advice which is contained in this circular:

| Name | Qualification |
|---|---|
| Baker Tilly Hong Kong Limited | Certified Public Accountants |
| BDO Limited | Certified Public Accountants |

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letters and/or references to their name in the form and context in which they appear.

## 10. MISCELLANEOUS

(i) The company secretary of the Company is Ms. Tang Tsz Ying, who is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia.

(ii) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(iii) The head office and principal place of business of the Company in Hong Kong is at Level 11 East Wing, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

(iv) 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, Wan Chai, Hong Kong.

(v) The English text of this circular shall prevail over the Chinese text.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.leftfieldprinting.com) and the Stock Exchange (www.hkexnews.hk) for a period of fourteen days from the date of this circular:

(i) the accountants' report of the Business, the text of which is set out in Appendix II to this circular;

(ii) the report from BDO Limited in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV to this circular;

(iii) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix;

(iv) the written consent referred to in the paragraph headed "9. EXPERTS AND CONSENTS" in this appendix; and

(v) this circular.