JU TENG INTERNATIONAL HOLDINGS LIMITED
巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3336

2021
ANNUAL REPORT

CONTENTS

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Management Discussion and Analysis	6
Management Profile	14
Report of the Directors	18
Corporate Governance Report	32
Independent Auditor's Report	41
Consolidated Statement of Profit or Loss	46
Consolidated Statement of Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	52
Notes to Financial Statements	54
Five Year Financial Summary	134

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu *(Chairman and Chief Executive Officer)* *(Appointed as Chief Executive Officer on 16 March 2022)*
Mr. Chiu Hui-Chin *(Chief Strategy Officer)* *(Ceased to be Chief Executive Officer and appointed as Chief Strategy Officer on 16 March 2022)*
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh
Mr. Tsui Yung Kwok *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTOR

Mr. Cheng Li-Yen *(Appointed on 16 March 2022)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

COMPANY SECRETARY

Ms. Cheung Lai Yin

AUDIT COMMITTEE

Mr. Cherng Chia-Jiun *(Chairman)*
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

REMUNERATION COMMITTEE

Mr. Cherng Chia-Jiun *(Chairman)*
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

NOMINATION COMMITTEE

Mr. Cheng Li-Yu *(Chairman)*
Mr. Huang Kuo-Kuang
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

CORPORATE GOVERNANCE COMMITTEE

Mr. Yip Wai Ming *(Chairman)*
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

AUDITORS

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank SinoPac
CTBC Bank
DBS Bank
E. Sun Bank
Fubon Bank
Industrial and Commercial Bank of China
KGI Bank
Mega International Commercial Bank
OCBC Wing Hang Bank
Standard Chartered Bank
Taishin Bank
Yuanta Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3311-3312, Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 666 Yin Jia Road
Wujiang Economic Development District
Wujiang District, Suzhou City, Jiangsu Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.irasia.com/listco/hk/juteng

STOCK CODE

3336.HK and 9136.TT

FINANCIAL HIGHLIGHTS

	Notes	2021	2020	Changes
		For the year ended 31 December		
Operating Results:				
Revenue (HK$ million)		**11,283**	10,030	+12.5%
Profit attributable to equity holders of the Company (HK$ million)		**162**	131	+24.4%
Earnings per share				
Basic (HK cents)		**19.2**	15.1	+27.2%
Diluted (HK cents)		**19.1**	14.8	+29.1%
Dividends per share (HK cents)		**8**	10	-20.0%
Profitability Ratio:				
Gross profit margin		**10.7%**	14.3%	-3.6%
Operating profit margin	1	**2.1%**	5.8%	-3.7%
Net profit margin	2	**1.4%**	1.3%	+0.1%
EBITDA (HK$ million)		**1,336**	1,325	+0.8%
Return on equity	3	**2.4%**	2.1%	+0.3%
Liquidity and Capital Ratio:				
Inventory turnover days	4	**95**	98	-3.1%
Trade receivables turnover days	5	**139**	145	-4.1%
Trade and bills payables turnover days	6	**48**	60	-20.0%
Interest coverage	7	**413.8%**	409.2%	+4.6%
Net debt to equity	8	**46.8%**	43.4%	+3.4%
Net cash flows from operating activities (HK$ million)		**709**	584	+21.5%

Notes:

(1) Operating profit margin equals operating profit divided by revenue. Operating profit includes gross profit, net of selling and distribution expenses, and administrative expenses.

(2) Net profit margin equals profit attributable to equity holders of the Company divided by revenue.

(3) Return on equity equals profit attributable to equity holders of the Company divided by the average of the beginning and closing balance of equity attributable to equity holders of the Company.

(4) Inventory turnover days is equal to the closing balance of inventories divided by cost of sales and multiplied by the number of days in the year.

(5) Trade receivables turnover days is equal to the closing balance of trade receivables divided by revenue and multiplied by the number of days in the year.

(6) Trade and bills payables turnover days is equal to the closing balance of trade and bills payables divided by cost of sales and multiplied by the number of days in the year.

(7) Interest coverage ratio equals profit before tax and finance costs divided by finance costs.

(8) Net debt to equity equals net debt divided by net assets. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents.

CHAIRMAN'S STATEMENT

The global PC shipments hit a decade record high

2021 is a year of rebound in the global PC market. According to the latest survey results released by International Data Corporation ("IDC"), a market research organization, the global PC shipment reached 348.8 million units, increasing by 14.8% year-on-year. Due to the outbreak of the new coronavirus pneumonia epidemic (the "Epidemic"), the consumers' demand for remote learning and home office surged, and in turn strengthened the demand for PCs. Despite the slowdown in the second half of the year, the market hit a decade record high for the year. As one of the world's leading notebook computer casing manufacturers, Ju Teng International Holdings Limited (the "Company" or "Ju Teng", and together with its subsidiaries, the"Group") recorded an increase in its business as compared with the same period of last year. During the year ended 31 December 2021, the Group's revenue recorded an increase of 12.5% to approximately HK$11,283 million (2020: approximately HK$10,030 million).

Steady market share, with promising sales of various casings

Notebook computer, 2-in-1 computer, and tablet computer casings continue to support the Group's major revenue and earnings. With many years of deep experience in the casings market, Ju Teng has steadily captured a certain market share, and maintained good and cooperative relations with its major customers, which stabilized its leading position in the industry. Due to the demand for remote office and learning driven by the Epidemic, the shipments of both commercial and educational notebook computers recorded an increase, among which Chromebooks continued to dominate the education market in the first half of the year, which led to a significant growth in the shipments of the Group's plastic casings. The Group will also actively seek orders for metal casings with higher unit prices to maintain the Group's leading position in the market.

Microsoft's Windows 11 operating system with an expect of continued demand for business PCs

The Windows 11 operating system, as the latest-generation operating system, was officially launched by Microsoft in the year. With the official launch of new operating system by Microsoft, it is expected that enterprises and business users will replace their computers with new ones, which is expected to become the growth momentum of the PC market in the coming year, and to offset the decline in the consumption and demand of Chromebooks for educational use, and to drive the increase in the PC shipments. Industry insiders estimated that even if the Epidemic brought under control all over the world in the future, the demand for PCs would continue to grow, and business demand would pick up. Part of such demands has transferred from desktop computers to notebook computers, and notebook computers usually have shorter useful life, which may accelerate the product life cycle.

Adjust its operating strategies according to market changes

Affected by uncertainties such as the global supply chain crisis caused by the Epidemic, the Group will adjust its operating strategies, including expanding and gradually relocating part of its production capacity to Vietnam, so as to offset the impacts of increasing production costs and labor costs in the People's Republic of China. Ju Teng remains prudently optimistic about its development prospects of this industry. While maintaining the sound development of its main business, the Group will seek to optimize its operating strategies to prepare for the future and overcome any changes that may occur in the business environment.

Ju Teng will achieve sound financial development and strive for greater returns for its shareholders by adhering its market-oriented strategies, remaining cautious amidst risks and uncertainties, proactively adjusting its operating strategies, and improving its product portfolios.

Lastly, I would like to take this opportunity to express my sincere gratitude to the Company's shareholders for their continuous trust and support, as well as the unremitting efforts of the Group's employees, which have enabled the Group to maintain sound indicators under the challenging market environment. In the future, the Group will continue to closely monitor and keep up the market trends, enhance its profitability while maintaining business development, and strive for sustainable and substantial returns for its employees and shareholders.

Cheng Li-Yu
Chairman

Hong Kong
16 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Prospects

Since the outbreak of 2019 new coronavirus pneumonia pandemic, the continuous lockdown of cities and towns, remote working and learning in various countries have driven the growth of the global market of personal computers ("PC"). The global PC market ushered in a stronger-than-expected momentum, with the consumers' demand for remote learning and home office continuing to increase, families buying new computers for school children to attend virtual classes, and enterprises also purchasing related equipment for employees working from home. According to the latest survey results released by International Data Corporation ("IDC"), a market research organization, the global PC shipments (including desktop and notebook computers) in 2021 hit a nearly decade record high of 348.8 million units, representing an increase of 14.8% year-on-year and also the highest level of PC shipments since 2012. In the second half of 2021, with the rising vaccination rates in countries all over the world and the entering of the post-pandemic recovery era, there was an indication that the demand in the traditional PC market in many regions began to slow down after reaching the peak in early 2021. According to a report released by Gartner, Inc., another market research organization, the global PC shipments decreased by 5% from the fourth quarter in 2020 to 88.4 million units in the same period of 2021, representing the first slowdown after the six-quarter consecutive growth, especially for Chromebooks, which are mainly used for educational purposes. According to the latest research results of IDC, the Chromebook shipments in the fourth quarter of 2021 dropped by 63.6% as compared with the same period of last year, mainly due to the majority of initial demand for Chromebooks in principal markets such as Europe and the United States having been met, which resulted in a slowdown in overall shipments.

As one of the world's leading notebook computer casing manufacturers, Ju Teng International Holdings Limited (the "Company" or "Ju Teng", and together with its subsidiaries, the "Group") has been actively grasping market opportunities. Notebook computer, 2-in-1 computer, and tablet computer casings remained the Group's major source of revenue. The Group saw a promising improvement in its business as driven by the surge in shipments in the PC market. During the year ended 31 December 2021, the Group's revenue increased by approximately 12.5% to approximately HK$11,283 million (2020: approximately HK$10,030 million). The surge in shipments of Chromebooks in the first half of 2021 also propelled the significant growth in the shipments of plastic casings for the year. As a result, plastic casings, which have lower profit margin than metal casings, accounted for a higher proportion of the Group's sales for the year. In addition, most of the Group's revenue is denominated in United States dollar ("USD"), while production costs and labor costs are denominated in Renminbi ("RMB"). During the year, as the repeated significant appreciation of RMB against USD was observed and the market continued to be affected by issues such as shortage of parts and logistics, the Group recorded a significant increase in production costs and operating costs.

Against the backdrop of uncertainties such as intensified global financial conditions, fluctuating interest rates and changing currency policies of the United States, the Group recorded significant exchange losses due to the appreciation of RMB against USD last year. In view of this, the Group has implemented currency hedging measures in the second half of 2021 to reduce possible exchange losses caused by the fluctuations of USD against RMB. The measures were able to mitigate the impact of exchange losses recorded for the year.

Going forward, the Group will make strategic decisions for resource allocation by expanding and gradually relocating part of its production capacity to Vietnam, so as to take advantage of Vietnam's competitive manufacturing industry, especially in terms of its lower labor costs and enhanced transport infrastructures, and to keep up with trends of the global supply chains.

The market demand for PC is generally expected to develop steadily. In addition, the Windows 11 operating system, as the latest-generation operating system, was officially launched by Microsoft for the year. With the official launch of new operating system by Microsoft, it is expected that enterprises and business users will replace their PC with new ones, which is expected to become the growth momentum of the PC market in the coming year, and to offset the decline in the demand of consumer segment and Chromebooks for educational use, and to drive the increase in the proportion of the Group's metal casing shipments.

Ju Teng remains prudently optimistic about its development prospects of this industry, and will continue to exert further effort on the technology and marketing relating to metal casings, which command higher unit prices than plastic casings, to seize new opportunities in the coming year. While maintaining the sound development of its main business, Ju Teng will seek to optimize its operating strategies to prepare for the future and overcome any changes that may occur in the business environment. While consolidating its internal competencies, Ju Teng will also continue to closely monitor and keep up the market trends, improve its product portfolio and seize future opportunities to increase its market share, maintain stable business development and enhance its profitability, and strive to create better investment returns for its shareholders.

Financial Review

During the year, the demand for notebook computer used for work from home and online learning remained high, resulting in the increase in shipment. As a result, the Group's revenue increased by approximately 12.5% as compared with that of 2020 to approximately HK$11,283 million (2020: approximately HK$10,030 million). The Group's gross profit margin during the year decreased to approximately 10.7% (2020: approximately 14.3%), which was mainly attributable to the higher proportion of shipment for plastic casing products which have relatively lower gross profit margin as compared with that of the metal casing products, and the appreciation of RMB against HKD during the year by approximately 7.2% as compared with that of 2020. Appreciation of RMB against HKD during the year led to an increase in the Group's production costs as most of the Group's production costs are denominated in RMB while most of the Group's revenue is denominated in USD.

During the year, other income and gains of the Group mainly consisted of subsidy income of approximately HK$93 million (2020: approximately HK$71 million), interest income of approximately HK$10 million (2020: approximately HK$9 million), gross rental income of approximately HK$26 million (2020: approximately HK$25 million), write-off of long outstanding other payables and accruals of approximately HK$10 million (2020: approximately HK$2 million) and fair value gains on derivative financial instruments, net (i.e. the forward foreign exchange contracts) of approximately HK$37 million (2020: NIL). Due to the increase in subsidy income, write-off of long outstanding other payables and accruals and fair value gains on derivative financial instruments, net recorded during the year, the Group recorded a substantial increase of approximately 55.0% in other income and gains as compared with that of 2020 to approximately HK$180 million (2020: approximately HK$116 million), accounting for approximately 1.6% (2020: approximately 1.2%) of the Group's revenue.

During the year, the Group recorded an increase of approximately 14.9% in operating costs, including administrative expenses and selling and distribution expenses, as compared with that of 2020 to approximately HK$980 million (2020: approximately HK$853 million). The increase in the operating costs were mainly attributable to the increase in staff costs, import & export charges and transportation expenses. The percentage of operating costs of the Group increased to approximately 8.7% (2020: approximately 8.5%) of the Group's revenue.

During the year, other expenses of the Group mainly consisted of foreign exchange losses (mainly resulting from the translation of trade receivables denominated in USD) of approximately HK$133 million (2020: approximately HK$307 million) arising from the appreciation of the RMB against USD and loss on disposal of items of property, plant and equipment, net of approximately HK$6 million (2020: approximately HK$6 million). Due to the substantial decrease in foreign exchange losses during the year, the Group recorded a substantial decrease of approximately 53.6% in other expenses as compared with that of 2020 to approximately HK$148 million (2020: approximately HK$320 million), accounting for approximately 1.3% (2020: approximately 3.2%) of the Group's revenue.

Finance costs of the Group decreased by approximately 30.9% as compared with that of 2020 to approximately HK$64 million (2020: approximately HK$92 million) for the year, which was mainly attributable to the decrease in loan interest rate. Interest capitalised during the year was approximately HK$10 million (2020: approximately HK$9 million).

The Group's income tax expenses increased to approximately HK$143 million (2020: approximately HK$129 million) for the year, which was mainly attributable to the withholding tax derived from the dividends distribution by the People's Republic of China (the "PRC"or "Mainland China") subsidiary. As deferred tax assets have not been recognised for certain tax losses incurred by certain subsidiaries, the Group's effective tax rate for the year remained at a higher level.

The profit attributable to equity holders of the Company for the year amounted to approximately HK$162 million (2020: approximately HK$131 million). The increase in profit attributable to equity holders of the Company was mainly attributable to the increase in the Group's revenue, increase in other income and gains and decrease in other expenses as discussed above.

Liquidity and Financial Resources

As at 31 December 2021, total bank borrowings of the Group amounted to approximately HK$4,853 million (31 December 2020: approximately HK$4,493 million), representing an increase of approximately 8.0% as compared with that as at 31 December 2020. The Group's bank borrowings were at floating interest rates and included short-term loans with 1-year maturity, 2-year term loans and 5-year syndicated loans. As at 31 December 2021, the Group's bank loans denominated in USD, New Taiwan dollars and RMB were approximately HK$4,431 million (31 December 2020: approximately HK$4,043 million), approximately HK$27 million (31 December 2020: approximately HK$25 million) and approximately HK$395 million (31 December 2020: HK$425 million), respectively.

During the year, the Group's net cash flows from operating activities increased to approximately HK$709 million from approximately HK$584 million in 2020, which was mainly attributable to the decline of magnitude for the increase in inventories and trade receivables. As a result of the purchase of new manufacturing facilities for installation in the new production plant in Suzhou, PRC and the purchase of production machineries to strengthen the environmental protection measures as well as to improve production efficiency, the Group recorded a net cash outflow from investing activities of approximately HK$1,057 million (2020: approximately HK$1,348 million). During the year, due to the drawdown of new bank borrowings, the Group recorded a net cash inflow from financing activities of approximately HK$252 million (2020: approximately HK$519 million). As at 31 December 2021, the Group had cash and bank balances of approximately HK$849 million (31 December 2020: approximately HK$929 million).

As at 31 December 2021, the Group's gearing ratio calculated as total bank borrowings of approximately HK$4,853 million (31 December 2020: approximately HK$4,493 million) divided by total assets of approximately HK$17,249 million (31 December 2020: approximately HK$16,456 million) increased to approximately 28.1% (31 December 2020: approximately 27.3%), which was mainly due to the increase in total bank borrowings as at 31 December 2021 as compared with that as at 31 December 2020.

Financial Ratios

As at 31 December 2021, there was an increase in the Group's inventories of approximately 14.3% to approximately HK$2,620 million (31 December 2020: approximately HK$2,292 million). However, inventory turnover days of the Group during the year decreased to approximately 95 days (2020: approximately 98 days) as the Group imposed tighter inventory control policies.

Trade receivables turnover days of the Group during the year decreased to approximately 139 days (2020: approximately 145 days) due to faster settlements from customers. Trade receivables as at 31 December 2021 increased by approximately 8.1% to approximately HK$4,297 million, as compared with approximately HK$3,976 million as at 31 December 2020.

Trade and bills payables turnover days of the Group during the year decreased to approximately 48 days (2020: approximately 60 days) due to the decrease in purchases of materials in the fourth quarter of 2021 in order to strengthen the control of inventory level. As at 31 December 2021, there was a decrease in the Group's trade and bills payables of approximately 4.7% to approximately HK$1,333 million (31 December 2020: approximately HK$1,400 million).

Pledge of Assets

As at 31 December 2021, certain land and buildings of the Group with a net carrying amount of approximately HK$22 million (31 December 2020: approximately HK$21 million) were pledged to secure banking facilities granted to the Group.

Foreign Exchange Exposure

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of RMB will have adverse effect on the Group's profitability and vice versa. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses arising from the fluctuations in the values of the USD and RMB. During the year, the Group recorded foreign exchange losses of approximately HK$133 million (2020: approximately HK$307 million) and fair value gains on derivative financial instruments, net of approximately HK$37 million (2020: NIL). The management of the Group will continue to monitor the Group's foreign currency risk exposures and adopt prudent measures as appropriate to minimise the adverse effects arising from the foreign currency fluctuations.

Employees

As at 31 December 2021, the Group had approximately 38,000 employees (31 December 2020: approximately 39,000 employees). During the year, the Group recorded staff costs (excluding directors' remuneration) of approximately HK$3,542 million (2020: approximately HK$2,863 million).

The Group's employees are remunerated in line with prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC and the Republic of China (the "ROC") employees with defined contribution pension schemes as required by the applicable laws and regulations of the PRC and ROC.

Capital Commitment

As at 31 December 2021, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of leasehold land, buildings, machinery and office equipment amounted to approximately HK$795 million (31 December 2020: approximately HK$578 million).

Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.

Possible risks and uncertainties

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

(1) Market risk

Casing products are one of the components for notebook computers and handheld devices. With the development of the technologies, notebook computers and handheld devices face the competition from new substitutes, leading to difficulties in the rebound of the market of notebook computers and handheld devices after the downturn in past few years.

Following the principals of market-orientation, the Group will strive to develop new casing products to fulfil the new market opportunities. In the view of the new demand on metal casings with sleek, durable and high-ended features, the Group is continuously exploring any new technologies and materials in production of the metal casings.

(2) Concentration risk on the product types

Casing products for the notebook computers and handheld devices are the major products of Ju Teng. In the past few years, the casing products provided the stable source of the income to the Group. The business development of the Group is therefore highly limited to the saturation of global PC market.

In the view of the concentration risk on the product types, the Group will expand the product mix based on the market trends, improve the grading of the products, focus on new product development and look for any opportunities in the future to widen the sources of the income.

(3) Risk of keen competition arising from the sluggish demand

Sluggish demand on the casing products for the notebook computers result in fierce competition among the industry. Since 2015, due to the downturn of market of notebook computers and handheld devices, the demand on the casing products has become weak. In order to maintain the market, casing manufacturers have lowered the unit price of the casing products, resulting in an adverse impact on the profitability of the industry.

In the view of the keen competition in the industry, the Group will make advancements in equipment, maintain the good quality of the products and expand the product mix in order to gain good reputation among the industry.

(4) Risk of rising labour cost in the PRC

As the factories of the Group are mainly located in the PRC, the increase of labour costs in PRC will adversely affect the profitability of the Group.

In the view of the upward trends on the labour cost, the Group purchased production robots these years in order to increase the production efficiency and reduce the reliance on labour in production to minimize the effects on the rising labour cost in the PRC.

(5) Risk of continuing outbreak of the Epidemic

In case of the continuing outbreak of the Epidemic throughout the world, it will inevitably have certain negative impact on the Group.

In view of this, the management will closely monitor the development of the Epidemic and has initiated contingency measures, including maintaining close communication with various stakeholders (including suppliers, employees, customers, lending banks and shareholders), and strictly manage the available cash flow to minimize the negative effects.

Compliance with Relevant Laws and Regulations

The Group's business is mainly operated by its subsidiaries incorporated or established in the British Virgin Islands, Hong Kong, the Republic of China and the PRC and the Company was incorporated in the Cayman Islands and is a listed company on the Main Board of the Hong Kong Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of the Cayman Islands, British Virgin Islands, Hong Kong, the Republic of China and the PRC.

The Company promotes the culture of adhering to the highest ethical standards of business conduct and commits to comply with all prevailing laws and regulations in all its operating regions. During the year, the Company was not aware of any material non-compliance or breach of the applicable legislation or regulations that have a significant impact on the Group.

Environmental policy

The Group has strong commitment towards environmental protection. The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability. Details of which are disclosed in our Environmental, Social and Governance report, which will be issued separately by the Company.

Product liability

Ju Teng maintains well-established quality inspection procedures to ensure all products to meet quality standards. Products from the production lines are subject to inspection by its quality management department before they are qualified for storage or delivery. The Group has also in place a set of product recall procedures to ensure that customer claims are properly addressed in case of quality issues.

Occupational safety

The Group has formulated occupational safety management system and is in compliance with the Production Safety Law of the PRC and other requirements set out in relevant laws and regulations. The Group also holds educational activities of occupational safety including the publicity of relevant laws and regulations. Moreover, new employees have to receive safety orientation training and special operations staff such as electricians and forklift operators have to be certified. The Group also holds training on safety techniques, responsibilities and systems for staff in various positions from time to time.

Relationships with key stakeholders

The Group's success also depends on the support from its key stakeholders which comprise employees, customers, suppliers and shareholders.

(1) Employees

Diverse staff allows Ju Teng to be flexible on serving customers around the world. Each of the Ju Teng's management members is top talents in the industry, and possesses solid professional backgrounds. They serve as the backbone of the Group's development.

Ju Teng has a comprehensive internal promotion pipeline. To keep up with the market dynamics, it deploys talented executives through a system of human resources assessment, so that each of the staff may leverage its strengths, contribute to the swift growth, and maintain stable operation and flexibilities of the organization.

Ju Teng's culture emphasizes professional division of labour, team spirits and on-site management. Ju Teng pursues increasingly profound qualities and technologies through requirements on discipline and efficiency and maximization of the economies of scale.

The Group has operated a share option scheme since 2005. The purpose of the scheme is to attract and retain eligible and well-performed participants, including employees and any company related person, and to motivate them to strive for future development and expansion of the Group. The scheme serves as an incentive encouraging participants to perform their best in achieving the goals of the Group and allows the participants to enjoy the results of the Group attained through their efforts and contributions. Offering share options to employees is also a way of recognizing employees' contributions. The Group strongly believes that the operation of the scheme can result in a boost in employees' loyalty and cohesiveness.

(2) Customers

The Group's customers are mainly global well-known notebook computer manufacturers and brand owners. They purchased products of the Group by way of a single order on request and therefore, the Group did not enter into any long-term sales contracts with any major customers. The Group has established good and long-term business relationship with the customers, and believe that these customers will continue to place the purchase orders to the Group. Meanwhile, the Group will actively seek for the new customers, in order to minimize the possible negative impact on the Group's business and profitability resulting from the discontinuance of order from any major customer.

(3) Suppliers

Ju Teng holds supply chain management in high regard and strives to select quality suppliers through an open and transparent screening process to achieve mutual benefits. Under the same conditions, priority will be given to suppliers who stick to standard management practices and actively fulfil their social responsibility. In addition, all suppliers must provide their company background and product information for supervision and inspection by the Group. The Group will also review and assess the performance of suppliers annually to decide whether to continue cooperating with them, and such reviews will also be taken into consideration when identifying other suppliers.

(4) Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders of the Company. The Group is committed to fostering business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts, taking into account of capital adequacy levels, liquidity positions and business expansion needs of the Group.

MANAGEMENT PROFILE

Set out below is the biographical details of the Directors and senior management of the Group as at the date of this annual report:

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 63, is the chairman and the chief executive officer of the Group and director of certain subsidiaries of the Group. Mr. Cheng Li-Yu is one of the founders of the Group. Mr. Cheng was appointed as an executive Director on 15 July 2004 and the chief executive officer of the Group on 16 March 2022. Mr. Cheng is responsible for the Group's overall corporate strategy planning, operation management and establishment of the Group's future development direction. Prior to co-founding the Group, Mr. Cheng began his career at San Li Industrial Company Limited which was engaged in spray painting in around 1984. Mr. Cheng is the younger brother of Mr. Cheng Li-Yen, the non-executive Director. Mr. Cheng's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Chiu Hui-Chin (邱輝欽), aged 68, is an executive Director and the chief strategy officer of the Group and director of certain subsidiaries of the Group. He was conferred a Master Degree in Industrial Engineering and Management in National Taipei University of Technology and EMBA in the Graduate Institute of Finance in National Taiwan University. He has more than 35 years of experience in notebook computer, and electronic products business. He joined the Group as executive Director and the chief executive officer of the Group on 1 March 2017. He ceased to be the chief executive officer of the Group and was appointed as the chief strategy officer of the Group on 16 March 2022, responsible for formulating and managing strategies of the Group. Prior to joining the Group, Mr. Chiu was a chief executive officer of Lite-on Technology Corporation, a company listed on the Taiwan Stock Exchange Corporation ("TSEC") until February 2017, and held top management position in various leading international brands and manufacturers of notebook computer, and electronic products. He was a director of Silitech Technology Corporation (stock code: 3311.TT) and Dragonjet Corporation (stock code: 3280.TT), which are listed on the TSEC. Mr. Chiu has also been appointed as an independent director of Syncmold Enterprise Corp. (stock code: 1582.TT), which is listed on the TSEC, since 18 June 2020. Mr. Chiu was the chairman of council of Department of Industrial Engineering and Management Alumnus and council member of China Value Engineering Society (中華民國價值工程學會). Mr. Chiu was also awarded as the outstanding Alumnus of National Taipei University of Technology. Mr. Chiu's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Huang Kuo-Kuang (黃國光), aged 61, is an executive Director and director of certain subsidiaries of the Group. He joined the Group in February 2001 as a member of the Group's senior management and has been responsible for the Group's daily operations and for overseeing the Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd ("Suzhou Dazhi"), since their establishment. He was appointed as senior vice president of Everyday Computer and of Suzhou Dazhi in 2002. He has more than 29 years' experience in the computer industry. Mr. Huang was appointed as an executive Director on 10 June 2005. He is responsible for the planning of the Group's procurement strategy, as well as the execution and guidance of operation management. Mr. Huang's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Lin Feng-Chieh (林豐杰), aged 63, is an executive Director and director of a subsidiary of the Group. He was conferred a Master of Business Administration from University of Leicester in United Kingdom. Mr. Lin was a vice president of the Group and joined the Group in September 2011. He worked at Arima Computer Corporation from 1990 to 2005, during which he served as a senior vice president at the research & development ("R & D") center of notebook computer and was responsible for the leading of the R & D team to carry out development of notebook computer. He worked at Waffer Technology Co., Ltd., as the chief technology officer of the group and a general manager of Taiwan business from 2005 to 2007, during which he was responsible for planning of new technology R & D strategy of the group, and the operating strategic planning and operational management of the Taiwan business. He worked at a US enterprise's Flextronics International Ltd., a computer business group, as a senior director of R & D center of notebook computer from 2007 to 2011, during which he was responsible for the leading of the R & D team to carry out the development of the notebook computer. Mr. Lin was appointed as an executive Director on 1 March 2017. He is currently responsible for monitoring the development of new technology-related businesses of the Group. Mr. Lin's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Tsui Yung Kwok (徐容國), aged 53, is an executive Director, the chief financial officer and director of a subsidiary of the Group. Mr. Tsui was appointed as an executive Director on 10 June 2005. He is responsible for the overall financial management. He holds a master degree in corporate governance and a bachelor degree in business (Accounting). He is also a member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Before joining the Group in August 2004, Mr. Tsui had been the chief financial officer of a Hong Kong listed company and held a senior position in an international accounting firm in Hong Kong. He had over 28 years' experience in accounting and finance. He has been an independent non-executive director of Shenguan Holdings (Group) Limited (stock code: 829) since 19 September 2009, Cabbeen Fashion Limited (stock code: 2030) since 18 February 2013 and Intron Technology Holdings Limited (stock code: 1760) since 22 June 2018. He also served as an independent non-executive director of 361 Degrees International Limited (stock Code: 1361) from 1 September 2012 to 20 May 2019 and SITC International Holdings Company Limited (stock code: 1308) from 10 September 2010 to 18 December 2020. Mr. Tsui's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Non-executive Director

Mr. Cheng Li-Yen (鄭立彥), aged 68, is one of the founders of the Group. He was an executive Director from 10 June 2005 to 1 March 2017, and thereafter he remained as a director of a subsidiary of the Company and a consultant to the Group in relation to the Group's overall management of resource planning, as well as plant expansion, development and construction. He was appointed as the non-executive Director on 16 March 2022. Prior to co-founding the Group, Mr. Cheng began his career at San Li Industrial Company Limited which was engaged in spray painting in around 1990 and later joined the management of Sunrise Plastic Injection Company Limited in around 2000. Mr. Cheng is the elder brother of Mr. Cheng Li-Yu, the chairman and the chief executive officer of the Group. As at the date of this annual report, Mr. Cheng is interested in 303,240,986 ordinary shares of the Company registered in the name of Southern Asia Management Limited, which is wholly-owned by the trustee for the Cheng Family Trust of which Mr. Cheng is one of the discretionary beneficiaries.

MANAGEMENT PROFILE

Independent non-executive Directors

Mr. Cherng Chia-Jiun (程嘉君), aged 67, is an independent non-executive Director. He was graduated from the National Chengchi University with a Master's degree in Business Administration and a Bachelor of Science degree in Statistics. Mr. Cherng is currently an independent director of Azion Corporation (stock code: 6148.TT), whose shares are traded on the Taiwan OTC Market and FSP Technology Inc. (stock code: 3015.TT), a company listed on the TSEC (stock code: 3015.TT) respectively. He was also the director and President of Digital United Inc., whose shares are traded on the Taiwan Emerging Market until 16 March 2009. Furthermore, he was appointed as an independent director of BizLink Holding Inc. (stock code: 3665.TT) since July 2021, whose shares are listed on the TSEC. From 1979 to 1998, Mr. Cherng was with the Taiwan based Institute for Information Industry (III), serving in various capacities including general manager of the Network Business Group, director of the Technology Service Group, director of the Market Intelligence Center, and program director of the Technology Research Division. Mr. Cherng was also the director of Zinwell Corporation and the supervisor of AOpen Inc., both of these companies are listed on the TSEC. Mr. Cherng was appointed as an independent non-executive Director on 31 July 2008. Mr. Cherng's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Tsai Wen-Yu (蔡文預), aged 68, is an independent non-executive Director. He obtained his master degree in business administration from the National Chengchi University. He has extensive experience in accounting, taxation and corporate governance. Mr. Tsai is a certified public accountant in Taiwan. He is also the independent director of Maywufa Company Ltd., a company listed on the TSEC. Mr. Tsai was appointed as an independent non-executive Director on 10 June 2005. Mr. Tsai's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Yip Wai Ming (葉偉明), aged 56, is an independent non-executive Director. He has more than 30 years of experience in finance and accounting, and had held senior positions in an international accounting firm, a major European bank and listed companies in Hong Kong. Mr. Yip graduated from the University of Hong Kong with a Bachelor's degree in social sciences and from the University of London with a Bachelor's degree in law. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. He has been appointed as an independent non-executive director of PAX Global Technology Limited (stock code: 327) since December 2010, Far East Horizon Limited (stock code: 3360) since March 2011, Poly Culture Group Corporation Limited (stock code: 3636) since December 2013, Yida China Holdings Limited (stock code: 3639) since June 2014, Huobi Technology Holdings Limited (stock code: 1611) since October 2018 and Peijia Medical Limited (stock code: 9996) since January 2020 (with effect since May 2020). Mr. Yip was appointed as an independent non-executive Director on 25 May 2006. Mr. Yip's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

SENIOR MANAGEMENT

Mr. Huang Cheng-Pin (黃正斌), aged 56, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group. He joined the Group in 2003. Mr. Huang has over 23 years of experience in the banking field and is responsible for the investment planning for the new projects. He also assists the board of Directors in the evaluation of such investment projects as well as the Group's financial planning and funding matters.

Mr. Lee Ming-Kun (李明坤), aged 64, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group, and joined the Group in 2013. Mr. Lee is responsible for management and supervision on new product development and management in the Group.

Mr. Lu Fu-Hsing (呂福興), aged 56, is an assistant to Mr. Cheng Li-Yu, an executive Director and chairman of the Group. He joined the Group in 2003 and is responsible for the human resources planning for the new investment project. He is also responsible for the monitoring and rectification of the matters in relation to the operations and management of the Group.

Mr. Yeh Chih-Yuan (葉志原), aged 56, is a vice president of the Group who joined the Group in 2004 and responsible for the overall operation management of Compal Precision Module (Jiangsu) Company Limited, a non-wholly owned subsidiary of the Group. Mr. Yeh has been working in the plastic product surface coating industry for over 32 years. He is responsible for the production R&D management of the surface coating for the Group's plastic casing products and metal casing products as well as enhancing production efficiency and cost reduction.

Mr. Chu San-Tai (朱三泰), aged 47, is a vice president of the Group who joined the Group in 2003 and is currently responsible for the overall operation management of factories in Neijiang and Chongqing regions. He is also responsible the supervision of the quality assurance department of the Group and the establishment of all quality assurance system certifications and quality control. Mr. Chu has rich experience in quality control, understands the manufacturing process and has strict quality control concept. He monitors the Group's quality control system and set-ups a complete quality control system process.

Mr. Hsieh Min-Ta (謝旻達), aged 45, is an associate vice president of the Group. He joined the Group in 2001, and is responsible for the overall operation management of Juteng Electronics Technology (Taizhou) Co., Ltd, a wholly-owned subsidiary of the Group. Mr. Hsieh is responsible for the planning and production management for the coating process, efficiency improvement and cost reduction.

Mr. Chan Bo-Min (詹博閔), aged 47, is an associate vice president of the Group. He joined the Group in 2004. Mr. Chan has 24 years of experience in electronic product casing operation and production management. He is currently responsible for the overall operation management of factories in Suzhou Wujiang region. Mr. Chan was previously responsible for the Group's overall operation and production management department in order to support the overall planning and management of the Group's production and operation. He also assisted the Group's product sales, sales and marketing, and provided supports for the after-sales services.

Mr. Lee Ming-Yu (李明育), aged 40, is an associate vice president of the Group. He has about 22 years of experience in mold-related process planning and production management. He is responsible for the research and development of the Group's plastic moulds, metal moulds, high-temperature moulds, two-color moulds, etc. and the new technologies, and new product introduction (NPI). Mr. Lee also responsible for the production management of Juteng (Neijiang) Communication Accessory Co., Ltd, a wholly-owned subsidiary of the Group.

Mr. Wang Chun-Hsien (王俊憲), aged 45, is an associate vice president of the Group. He joined the Group in June 2019 and has over 27 years of experience in mould development for the electronic product, production management and mechanism design for the notebook computer. Prior to joining the Group, Mr. Wang was responsible for mechanism design for the notebook computer of Quanta Computer Co., Ltd., a company listed on the TSEC. Mr. Wang is currently responsible for the development and production management of plastic and magnesium-aluminum products of factories in the Chongqing region of the Group.

Mr. Hsiao Chuan-Cheng (蕭全成), aged 48, is the supervisor of the Group. He joined the Group in April 2010 and has over 25 years of experience in plastic parts of notebook computers and electronic products. Mr. Hsiao is currently responsible for the operation and management of Lian-Yi Precision (Zhongshan) Inc., a non-wholly owned subsidiary of the Group.

COMPANY SECRETARY

Ms. Cheung Lai Yin has been appointed as the company secretary of the Company with effect from 31 January 2019. She is a practising solicitor in Hong Kong working at Chiu & Partners, the Company's legal advisers as to Hong Kong laws, in the field of commercial and corporate finance. Ms. Cheung graduated from the University of Hong Kong with a Bachelor of Laws degree.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Ju Teng International Holdings Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Subsidiaries" and together with the Company, the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Details of the business review of the Group for the year ended 31 December 2021 are set out in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this annual report.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2021 and the Group's financial position at 31 December 2021 are set out in the consolidated financial statements on pages 46 to 133 of this annual report.

The Directors recommend the payment of a final dividend of HK8 cents (2020: HK10 cents) per share in respect of the year ended 31 December 2021 to shareholders whose names appear on the register of members of the Company on 20 May 2022 subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

DIVIDEND POLICY

The amount of dividends to be declared by the Company will depend on the Group's results, working capital requirements, cash positions, the provision of relevant laws of the PRC and other factors that the Directors consider relevant from time to time, subject to the availability of the cash and distributable reserves, investment requirement, cashflow and the working capital requirements of the Group. The undistributed profit will be used to finance the continued growth and expansion of the business of the Group.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 134 of this annual report. Such summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2021.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options (the "Share Options") during the year, if any, are set out in notes 28 and 29 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

ISSUE OF SHARES

During the year ended 31 December 2021, the Company did not issue any shares.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, as calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately HK$4,244,167,000.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2021, the Group made charitable contributions of approximately HK$924,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 85% of the revenue for the year and sales to the largest customer amounted to approximately 25% of the revenue for the year ended 31 December 2021. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year ended 31 December 2021. None of the Directors nor any of their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) of the Company had any interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. Cheng Li-Yu *(Chairman and Chief Executive Officer)* (Appointed as Chief Executive Officer on 16 March 2022)
Mr. Chiu Hui-Chin *(Chief Strategy Officer)* (Ceased to be Chief Executive Officer and appointed as Chief Strategy Officer on 16 March 2022)
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh
Mr. Tsui Yung Kwok *(Chief Financial Officer)*

Non-executive Director:

Mr. Cheng Li-Yen (Appointed on 16 March 2022)

Independent non-executive Directors:

Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

REPORT OF THE DIRECTORS

In accordance with article 108(A) of the Company's articles of association, Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang, and Mr. Tsai Wen-Yu will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company. As Mr. Cheng Li-Yen was appointed on 16 March 2022 as an additional Director, in accordance with Article 112 of the Company's articles of association, Mr. Cheng Li-Yen will hold office only until the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election as Director at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from all the three independent non-executive Directors namely, Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Chiu Hui-Chin and Mr. Lin Feng-Chieh, both being executive Directors, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 March 2017, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cheng Li-Yen, being the non-executive Director, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 16 March 2022, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cherng Chia-Jiun, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 31 July 2008, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Tsai Wen-Yu, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 17 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Yip Wai Ming, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement with the Company or any of the Subsidiaries which is not determinable by the Company and the Subsidiary(ies) within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENTS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the senior management of the Group by band during the year ended 31 December 2021 is set out below:

Remuneration bands	Number of senior management
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	5
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	1
	10

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 9 and 10 to the consolidated financial statements, respectively.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in note 35 to the consolidated financial statements, the section headed "Connected transactions and continuing connected transactions" and "Share Award Plan" in this report, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, the holding company of the Company or any of the Company's Subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company which were not contract of service with any Director or any person engaged in full-time employment of the Company were entered into or existed during the year.

CONTRACTS OF SIGNIFICANCE

No contract of significance had been entered into between the Company, or any of the Subsidiaries, and a controlling shareholder (as defined in the Listing Rules) of the Company, or any of its subsidiaries during the year.

No contract of significance for the provision of services to the Group by a controlling shareholder of the Company or any of its subsidiaries was entered into during the year.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2021 and up to the date of this annual report, there was or is permitted indemnity provision (within the meaning in section 469 of the Hong Kong Companies Ordinance) in the articles of association of the Company being in force.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to 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") set out in Appendix 10 to the Listing Rules were as follows:

Name of Directors		Personal Interests	Interests of spouse	Other interests	Total interests	Approximate percentage of the Company's issued share capital
		Long positions Number of ordinary shares of HK$0.1 each (the "Shares") and underlying Shares held under equity derivatives				
Mr. Cheng Li-Yu	Shares	23,408,000	7,064,046	303,240,986 *(Note 1)*	333,713,032	27.81%
Mr. Cherng Chia-Jiun	Shares	210,000	–	–	210,000	0.02%
	Equity Derivatives: Share Options *(Note 2)*	360,000	–	–	360,000	0.03%
					570,000	0.05%
Mr. Chiu Hui-Chin	Shares	5,900,000	–	–	5,900,000	0.49%
	Equity Derivatives: Share Options *(Note 2)*	600,000	–	–	600,000	0.05%
					6,500,000	0.54%
Mr. Huang Kuo-Kuang	Shares	8,285,866	2,300,631	–	10,586,497	0.88%
	Equity Derivatives: Share Options *(Note 2)*	504,000	–	–	504,000	0.04%
					11,090,497	0.92%
Mr. Lin Feng-Chieh	Shares	1,824,000	–	–	1,824,000	0.15%
	Equity Derivatives: Share Options *(Note 2)*	600,000	–	–	600,000	0.05%
					2,424,000	0.20%
Mr. Tsai Wen-Yu	Shares	176,000	–	–	176,000	0.01%
	Equity Derivatives: Share Options *(Note 2)*	360,000	–	–	360,000	0.03%
					536,000	0.04%

Name of Directors		Long positions Number of ordinary shares of HK$0.1 each (the "Shares") and underlying Shares held under equity derivatives Personal Interests	Interests of spouse	Other interests	Total interests	Approximate percentage of the Company's issued share capital
Mr. Tsui Yung Kwok	Shares	6,156,000	–	–	6,156,000	0.51%
	Equity Derivatives: Share Options *(Note 2)*	1,008,000	–	–	1,008,000	0.09%
					7,164,000	0.60%
Mr. Yip Wai Ming	Shares	248,000	–	–	248,000	0.02%
	Equity Derivatives: Share Options *(Note 2)*	288,000	–	–	288,000	0.02%
					536,000	0.04%

Notes:

1. The Shares and the underlying Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was held in the name of East Asia International Trustees Limited as trustee for the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include Mr. Cheng Li-Yu. Mr. Cheng Li-Yu was deemed to be interested in all the Shares in which Southern Asia was interested by virtue of the SFO.

2. The Share Options are regarded for the time being as unlisted physically settled equity derivatives. Details of the Share Options are set out in the section headed "Share Option Scheme" below and note 29 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 29 to the consolidated financial statements, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of the Subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption, i.e. 11 May 2015. Further details are disclosed in note 29 to the consolidated financial statements.

The following share options were outstanding under the Share Option Scheme during the year:

	Number of Share Options									Closing price per Share immediately before the grant date
Name or category of participant	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	
Directors										
Mr. Cherng Chia-Jiun	72,000	–	–	–	–	72,000	3-9-2018	7-11-2018 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	360,000	–	–	–	–	360,000				
Mr. Chiu Hui-Chin	300,000	–	–	–	–	300,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	300,000	–	–	–	–	300,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	600,000	–	–	–	–	600,000				
Mr. Huang Kuo-Kuang	252,000	–	–	–	–	252,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	252,000	–	–	–	–	252,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	504,000	–	–	–	–	504,000				

	Number of Share Options									Closing price per Share immediately before the grant date
Name or category of participant	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	
Mr. Lin Feng-Chieh	300,000	–	–	–	–	300,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	300,000	–	–	–	–	300,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	600,000	–	–	–	–	600,000				
Mr. Tsai Wen-Yu	72,000	–	–	–	–	72,000	3-9-2018	7-11-2018 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	360,000	–	–	–	–	360,000				
Mr. Tsui Yung Kwok	252,000	–	–	–	–	252,000	3-9-2018	7-11-2019 to 31-8-2024	HK$1.48	HK$1.48
	252,000	–	–	–	–	252,000	3-9-2018	7-11-2020 to 31-8-2024	HK$1.48	HK$1.48
	252,000	–	–	–	–	252,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	252,000	–	–	–	–	252,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	1,008,000	–	–	–	–	1,008,000				
Mr. Yip Wai Ming	72,000	–	–	–	–	72,000	3-9-2018	7-11-2019 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2020 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	72,000	–	–	–	–	72,000	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	288,000	–	–	–	–	288,000				

Name or category of participant	Number of Share Options: At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	Closing price per Share immediately before the grant date
Other employees										
In aggregate	88,400	–	–	–	(48,000)	40,400	3-9-2018	7-11-2018 to 31-8-2024	HK$1.48	HK$1.48
	114,400	–	–	–	(48,000)	66,400	3-9-2018	7-11-2019 to 31-8-2024	HK$1.48	HK$1.48
	118,400	–	–	–	(48,000)	70,400	3-9-2018	7-11-2020 to 31-8-2024	HK$1.48	HK$1.48
	15,794,400	–	–	–	(986,000)	14,808,400	3-9-2018	7-11-2021 to 31-8-2024	HK$1.48	HK$1.48
	15,794,400	–	–	–	(988,000)	14,806,400	3-9-2018	7-11-2022 to 31-8-2024	HK$1.48	HK$1.48
	31,910,000	–	–	–	(2,118,000)	29,792,000				
	35,630,000	–	–	–	(2,118,000)	33,512,000				

Notes:

1. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

2. The exercise price is determinable by the Board, but shall not be less than the highest of (i) the closing price of the Shares on the date of the grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of the Shares. The exercise price of the Share Options is subject to adjustment in the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company in accordance with the rules of the Share Option Scheme.

As at the date of this report, (i) the total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme is 92,938,244 Shares, representing approximately 7.7% of the issued share capital of the Company; and (ii) the total number of Shares available for allotment and issue pursuant to the exercise of share options to be granted under the Share Option Scheme is 10% of the total number of Shares in issue on the date of refreshment of scheme limit i.e. 15 May 2019, which is 116,634,244 Shares, representing approximately 9.7% of the issued share capital of the Company.

For further details regarding the Share Option Scheme, please refer to note 29 to the consolidated financial statements.

SHARE AWARD PLAN

On 19 May 2017, a trust deed (the "Trust Deed") was entered into between the Company as settlor and Bank of Communications Trustee Limited as trustee (the "Trustee") in relation to the establishment of a trust (the "Trust") and adoption of a share award plan (the "Plan"). The purpose of the Plan is to recognize the contribution by eligible participants under the Plan and to attract suitable personnel for further development of the Group. The Company may make contribution to the Trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Plan, the Company may from time to time at its sole discretion subject to requirements under the Plan, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase Shares in the market at prevailing market price. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Plan.

The Plan is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Plan and the Trust Deed. The Plan does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Plan will remain in force for a period of 30 years since the date of adoption of the Plan. Early termination may be done by the Board.

During the year ended 31 December 2021, no share award has been granted by the Board to any selected participants.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2021, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

		Long positions	
Name of shareholders	**Capacity and nature of interest**	**Number of Shares**	**Approximate percentage of the Company's issued share capital**
Southern Asia	Beneficial owner	303,240,986	25.27%
Shine Century Assets Corp. *(Note 1)*	Interest of controlled corporations	303,240,986	25.27%
East Asia International Trustee Limited *(Note 1)*	Trustee (other than a bare trustee)	303,240,986	25.27%
Ms. Lin Mei-Li *(Note 2)*	Beneficial owner	7,064,046	0.59%
	Interest of spouse	326,648,986	27.22%
		333,713,032	27.81%
Bank of Communications Trustee Limited	Trustee	354,345,774	29.53%

Notes:

1. The Shares and underlying Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was held in the name of East Asia International Trustee Limited as trustee for the Cheng Family Trust. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustee Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO.

2. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2021, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group had conducted the following continuing connected transactions which were required to be disclosed pursuant to Rule 14A.49 of the Listing Rules:

(a) Pursuant to a master sales agreement dated as of 31 December 2008 entered into between Giant Glory International Limited ("Giant Glory"), an indirect wholly-owned subsidiary of the Company (for itself and on behalf of other members of the Group) and Wistron Corporation ("Wistron") (for itself and on behalf of other members of Wistron and its subsidiaries (the "Wistron Group")), on 23 January 2009, the Group agreed to sell the casings for electronic products and related materials manufactured and/or supplied by the Group (the "Products") to the Wistron Group, at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The master sales agreement had subsequently been renewed on 31 October 2011, 10 December 2014 and 27 December 2017, each for a term of three years commencing from the expiry of the then current term. On 17 December 2020, Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of Wistron Group) further entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2021 and ending on 31 December 2023 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK$940,437,000 for the year ended 31 December 2021 (2020: approximately HK$679,768,000).

    Wistron is a substantial shareholder of Mindforce Holdings Limited, a non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

(b) On 1 January 2009, Giant Glory (for itself and on behalf of other members of the Group) and Compal Electronics, Inc. ("Compal") and three of its subsidiaries (for themselves and on behalf of other members of Compal and its subsidiaries (the "Compal Group")) entered into a master sales agreement in relation to the sales of the Products by the Group to the Compal Group at prices to be determined from time to time by the Group and Compal (for itself and on behalf of the other members of the Compal Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The price of the Products shall be payable by the Compal Group to the Group in arrears ranging from 45 to 120 days' credit period by transferring to the Group's bank account. The master sales agreement had subsequently been renewed on 15 November 2011, 30 December 2014 and 27 December 2017, each for a term of three years commencing from the expiry of the then current term. On 17 December 2020, Giant Glory (for itself and on behalf of other members of the Group) and Compal and eight of its subsidiaries (for themselves and on behalf of other members of Compal Group) further entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2021 and ending on 31 December 2023 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Compal Group amounted to approximately HK$2,858,180,000 for the year ended 31 December 2021 (2020: approximately HK$1,919,813,000).

Compal is a substantial shareholder of Wah Yuen Technology Holding Limited, a non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions disclosed in (a) and (b) above undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed in (a) and (b) above by the Group in accordance with the Listing Rules and confirming the matters as stated in Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

The related party transactions set out in note 35 to the consolidated financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and such transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the issue of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

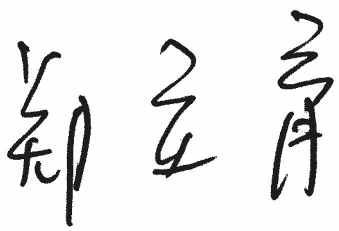
AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2021.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD



Cheng Li-Yu
Chairman
Hong Kong
16 March 2022

CORPORATE GOVERANCE REPORT

CORPORATE GOVERANCE PRACTICES

Ju Teng International Holdings Limited (the "Company") continues to devote much effort on formulating and implementing sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") that were in effect during the year ended 31 December 2021. The Company and its corporate governance committee (the "CG Committee") periodically review its corporate governance practices to ensure its continuous compliance with the CG Code. The Company had complied with the code provisions of the CG Code for the year ended 31 December 2021. This Corporate Governance Report has been produced with reference to the then applicable requirements under the Listing Rules and the CG Code that were in effect for the year ended 31 December 2021 and has not reflected the amendments to the Listing Rules and the CG Code that took effect from 1 January 2022.

BOARD OF DIRECTORS

The Group is led by and controlled through the Board, which was constituted by a combination of five executive Directors and three independent non-executive Directors during the year ended 31 December 2021, and with the addition of a non-executive Director appointed on 16 March 2022.

The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

During the year ended 31 December 2021, the roles and duties of the chairman of the Board and the chief executive officer were held by separate individuals in order to ensure a balance of power and authority and preserve a balanced judgement of views. Mr. Cheng Li-Yu took up the role of chairman of the Board and provided leadership of the Group and was responsible for the effective functioning and leadership of the Board, whereas Mr. Chiu Hui-Chin was the chief executive officer of the Company, focusing on the Group's business development and daily management and operations generally. With effect from 16 March 2022, Mr. Cheng Li-Yu assumed both roles as the chairman of the Board and the chief executive officer of the Company. The Board believes that having the same individual in both roles as chairman of the Board and the chief executive officer of the Company allows the Group to be managed under a consistent leadership and the overall strategy of the Group could be more effectively formulated and executed. The Board will continue to review the management structure from time to time and shall make necessary changes when appropriate.

Independent non-executive Directors have been instrumental in ensuring independent views and input are available to the Board. The independent non-executive Directors have been appointed by the Company for a term of two years commencing from the date of their respective appointment renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, and until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in Rule 3.13 of the Listing Rules.

All Directors are subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company has adopted and applied a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2021. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2021.

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

During the year ended 31 December 2021, there was no family relationship between any of the Directors, nor were there any financial, business or other material or relevant relationships among the members of the Board. Among members of the Board as at the date of this annual report, Mr. Cheng Li-Yu, the chairman and the chief executive officer of the Group, and Mr. Cheng Li-Yen, the non-executive Director who was appointed on 16 March 2022, are siblings.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Pursuant to code provision A.1.1 (now C.5.1) of the CG Code, the Board should meet regularly for at least four times a year. Special meetings of the Board will be convened if the situation requires so. During the year ended 31 December 2021, the Board convened a total of six Board meetings (exclusive of meetings of Board committees held during the year) and one general meeting, i.e. the annual general meeting. The individual attendance record of the Directors (except Mr. Cheng Li-Yen who was appointed on 16 March 2022) at board meetings and general meeting of the Company is tabulated as follows:

	Board meeting		General meeting	
Name of Directors	Number of meeting held	Number of meeting attended	Number of meeting held	Number of meeting attended
Executive Directors				
Mr. Cheng Li-Yu *(Chairman)*	6	6	1	1
Mr. Chiu Hui-Chin	6	6	1	1
Mr. Huang Kuo-Kuang	6	6	1	0
Mr. Lin Feng-Chieh	6	6	1	0
Mr. Tsui Yung Kwok	6	6	1	1
Independent non-executive Directors				
Mr. Cherng Chia-Jiun	6	6	1	0
Mr. Tsai Wen-Yu	6	6	1	0
Mr. Yip Wai Ming	6	5	1	1

Board committee meeting will be convened as and when necessary.

For the individual attendance record of the Directors at meetings of the CG Committee, nomination committee, audit committee and remuneration committee of the Board, please refer to the paragraphs headed "Corporate Governance Committee", "Nomination Committee", "Audit Committee and Accountability" and "Remuneration Committee", respectively, of this corporate governance report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 (now C.1.4) of the CG Code, the Company would arrange and fund suitable continuous professional development opportunities for Directors to develop and refresh their knowledge and skills. During the year ended 31 December 2021, the Company has arranged, and each of the Directors (except Mr. Cheng Li-Yen who was appointed on 16 March 2022) has attended training seminar provided by a law firm.

COMMITTEES OF THE BOARD

As at 31 December 2021, the Board had four Board committees, namely, the CG Committee, the nomination committee (the "Nomination Committee"), the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"), for overseeing various aspects of the Company's affairs.

Each of the Board committees has been established with written terms of reference that state its authority and duties, which are available on the website of the Company and the Hong Kong Stock Exchange. Accordingly, the Board committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Please refer to the respective terms of reference for each of the Board committees for their practices, procedures and arrangements in conducting meetings.

CORPORATE GOVERNANCE COMMITTEE

The Company has established the CG Committee on 1 April 2012 with written terms of reference adopted in compliance with the CG Code. The CG Committee currently consists of five members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Yip Wai Ming is the chairman of the CG Committee.

The CG Committee is mainly responsible for keeping the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The CG Committee shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to enhance and to ensure a high standard of corporate governance practice in the Group. The CG Committee shall review and monitor the training and continuous professional development of Directors and senior management and shall review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The CG Committee reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

The CG Committee convened one meeting during the year ended 31 December 2021 to review the policies and practices on corporate governance of the Group. The individual attendance record of each member of the CG Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Yip Wai Ming *(Chairman)*	1	1
Mr. Cheng Li-Yu	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 1 April 2012 with written terms of reference adopted in compliance with the CG Code. The Nomination Committee currently consists of five members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cheng Li-Yu is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and diversity of perspectives experience) of the Board at least annually and making recommendation to the Board for any proposed changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; making recommendations to the Board on various matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer of the Company; and making recommendations to the Board on the policy concerning the diversity of Board members, and the measurable objectives for implementing such policy.

The Board has adopted written policy for the nomination of new director. In evaluating and selecting any candidate for directorship, the criteria to be taken into account when considering the suitability of a candidate shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of its responsibilities.

The Board has adopted procedures for nomination of new director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Board will consider and, if thought fit, approve the appointment of the new director by way of board meeting or written resolution. To ensure a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed director will be provided with a comprehensive, tailored and formal induction on the first occasion of his appointment.

The Nomination Committee convened one meeting during the year ended 31 December 2021 to review the structure and composition of the Board, review the policy on board diversity adopted by the Board (the "Board Diversity Policy") and monitor the progress on achieving the measurable objectives (the "Measurable Objectives") set out in the Board Diversity Policy. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Cheng Li-Yu *(Chairman)*	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Huang Kuo-Kuang	1	1

The Company and the Nomination Committee periodically review the Board Diversity Policy, and monitor the progress on achieving the Measurable Objectives which are set for implementing diversity on the Board. The Board Diversity Policy endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. For the year ended 31 December 2021, the Company has achieved the following Measurable Objectives that the Board has set for implementing the Board Diversity Policy:

(a) To ensure the appropriate proportion of the independent non-executive Directors and the executive Directors in order to maintain the independence of the Board. In particular, at least one-third of the number of members of the Board shall be independent non-executive Directors;

(b) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;

(c) To ensure at least one-third of the members of the Board shall have attained bachelor's degree or higher level of education;

(d) To ensure at least one-third of the members of the Board were or currently are director(s) of listed companies (including Hong Kong and other regions) other than the Company;

(e) To ensure Board has members coming from different cultural backgrounds (including Hong Kong and Taiwan); and

(f) To ensure the age distribution of the members of the Board comprised of people from at least two decades.

The Company recognises the importance of gender diversity and recruits employees at all levels based on merits and regardless of gender in order to ensure there is a pipeline of male and female potential successors to the Board and the senior management. The Company will ensure at least one female Director will be appointed by 31 December 2024.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, announcements regarding the inside information and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make the above assessments.

The Company has established the Audit Committee on 17 June 2005 with written terms of reference adopted in compliance with the CG Code. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. Mr. Cherng Chia-Jiun is the chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's risk management and internal control systems including the adequacy of resources, qualifications and experience of the Company's staff of accounting and financial reporting function and their training programmes and budget.

This committee is responsible for making recommendations to the Board for (i) the appointment, reappointment or removal of the external auditors, (ii) reviewing and monitoring the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with the Listing Rules and other applicable standards and (iii) reviewing the financial information of the Group. During the year ended 31 December 2021, the Audit Committee met with the external auditors to review and approve the audit plans. It also reviewed the Group's annual results of 2020 and interim results of 2021 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee convened a total of five meetings during the year ended 31 December 2021. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meetings held	Number of meetings attended
Mr. Cherng Chia-Jiun *(Chairman)*	5	5
Mr. Tsai Wen-Yu	5	5
Mr. Yip Wai Ming	5	5

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 17 June 2005 with written terms of reference adopted in compliance with the CG Code. The Remuneration Committee currently consists of five members, namely, Mr. Cherng Chia-Jiun, Mr. Tsai-Wen Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cherng Chia-Jiun is the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and the remuneration, bonuses and welfare benefits for the executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. During the year ended 31 December 2021, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and senior management.

The Remuneration Committee convened one meeting during the year ended 31 December 2021. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meetings held	Number of meetings attended
Mr. Cherng Chia-Jiun *(Chairman)*	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

AUDITORS' REMUNERATION

During the year, the audit and non-audit fees payable/paid to Ernst & Young, the auditors of the Group, was made up of an audit fee of HK$4,300,000 and non-audit service fees of approximately HK$1,729,000, respectively. The non-audit service fees mainly comprised tax compliance, agreed-upon procedures on interim results and certain other agreed-upon procedures.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2021.

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 31 December 2021.

COMPANY SECRETARY

All Directors are entitled to the company secretary services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board Meeting.

The company secretary is also in charge of preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be minuted in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolution and minutes will be sent to Directors for their records.

With effect from 31 January 2019, Ms. Cheung Lai Yin of Chiu & Partners, an external service provider, has been appointed by the Company as the company secretary. Her primary contact person at the Company is Mr. Tsui Yung Kwok (an executive Director of the Company). According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board is responsible for ensuring that sound and effective internal control systems are maintained within the Group. The Company has procedures and internal controls for the handling and dissemination of inside information. In practice, when employees of the Group become aware of any information which they consider as potential inside information, they would keep such matters confidential and report to the designated personnel of the Company, who would then consider whether it is necessary to pass such information to the Board for the purpose of considering and deciding whether such information constitutes inside information and whether disclosure by way of an announcement is required.

The Group had hired independent professionals to perform a review on the system of internal control of the Group to ensure that the financial and operational functions, compliance control, asset management and risk management functions are in place and functioning effectively. With reference to the assessment of the independent professionals, the Directors and the Audit Committee conducted regular review of the internal control system maintained by the Group including the financial, operational and compliance controls and risk management functions during the year ended 31 December 2021 and were satisfied that it is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The Directors will continue to engage external independent professionals to review the Group's internal control systems and will continue to review the need for setting up an internal audit function.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS POLICY

The Company enhances investor relations and communications through various channels. Information of the Company shall be communicated to the shareholders of the Company and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meeting and other meetings that may be convened, during which the Directors and designated senior management will attend the meeting and respond to requests for information and queries from the shareholders of the Company and the investment community. The Chairman of the Board and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting and to answer any question if necessary. The Board has reviewed the implementation of the shareholders' communications policy and is satisfied that it has been effective for the Board to understand the views and opinion of the shareholders through the available channels.

Shareholders are encouraged to attend the annual general meeting of the Company. Notice of the annual general meeting and related papers shall be sent to shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such documents shall be also made available on the Company's website (http://www.irasia.com/listco/hk/juteng) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Shareholders of the Company and the investor community may also contact the Company via email at the email address of the Company at ir@juteng-intl.com.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(a) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(b) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@juteng-intl.com.

(c) The EGM shall be held within two months after the deposit of such Requisition.

(d) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

(a) Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

(b) Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@juteng-intl.com.

(c) Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

(a) To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@juteng-intl.com.

(b) The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong branch share registrar and upon confirmation by the Hong Kong branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

(c) The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

    (i) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

    (ii) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

EY 安永

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ju Teng International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 133, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Assessment of inventory provision	
As at 31 December 2021, the net carrying value of the Group's inventories amounted to HK$2,620,078,000. The assessment of inventory provision is based on the estimated net realisable value of inventories, which requires significant management judgements and estimates. Management considers various factors, including the conditions and ageing of inventories, sales pattern and selling prices of inventories, market demand and the Group's future plan of usage and sale of inventories. Management's provision assessment involves a high level of judgements and estimates, and is subject to uncertainty due to rapid changes of the notebook and tablet computer market. Related disclosures about inventories are included in notes 4 and 18 to the consolidated financial statements.	Our audit procedures included, among others, evaluating management's assessment methodology based on the Group's circumstances, and evaluating the inputs and assumptions applied by management in performing the provision assessment by reviewing the ageing, the historical usage and sales patterns, the post year-end usage, sales and selling prices, of selected samples of inventories.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kwong Ka Yan.

Ernst & Young

Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

16 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	6	**11,282,979**	10,029,519
Cost of sales		**(10,070,265)**	(8,594,772)
Gross profit		**1,212,714**	1,434,747
Other income and gains	6	**180,197**	116,245
Selling and distribution expenses		**(224,161)**	(155,537)
Administrative expenses		**(756,298)**	(697,522)
Other expenses		**(148,455)**	(320,079)
Finance costs	7	**(63,802)**	(92,332)
PROFIT BEFORE TAX	8	**200,195**	285,522
Income tax expense	11	**(142,646)**	(128,503)
PROFIT FOR THE YEAR		**57,549**	157,019
Attributable to:			
Equity holders of the Company		**162,396**	130,506
Non-controlling interests		**(104,847)**	26,513
		57,549	157,019
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
– Basic (HK cents)		**19.2**	15.1
– Diluted (HK cents)		**19.1**	14.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
PROFIT FOR THE YEAR		**57,549**	157,019
OTHER COMPREHENSIVE INCOME/(EXPENSES)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**356,114**	823,270
Other comprehensive expenses that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Change in fair value	21	**(5,460)**	(2,515)
Income tax effect	17	**1,246**	509
		(4,214)	(2,006)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**351,900**	821,264
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**409,449**	978,283
Attributable to:			
Equity holders of the Company		**450,470**	803,599
Non-controlling interests		**(41,021)**	174,684
		409,449	978,283

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,169,862**	7,858,301
Right-of-use assets	15(a)	**685,825**	664,566
Goodwill	16	**52,488**	52,488
Deferred tax assets	17	**69,806**	68,091
Prepayments for acquisition of property, plant and equipment		**43,315**	183,072
Equity investment designated at fair value through other comprehensive income	21	**18,879**	24,218
Total non-current assets		**9,040,175**	8,850,736
CURRENT ASSETS			
Inventories	18	**2,620,078**	2,292,404
Trade receivables	19	**4,297,352**	3,975,767
Prepayments, deposits and other receivables	20	**364,050**	370,295
Derivative financial instruments	25	**3,680**	–
Pledged and restricted bank balances	22	**74,744**	38,311
Cash and cash equivalents	22	**848,600**	928,674
Total current assets		**8,208,504**	7,605,451
CURRENT LIABILITIES			
Trade and bills payables	23	**1,333,045**	1,399,513
Other payables and accruals	24	**2,337,001**	2,106,296
Lease liabilities	15(b)	**1,416**	2,155
Tax payable		**68,286**	128,023
Derivative financial instrument	25	**216**	–
Interest-bearing bank borrowings	26	**3,554,599**	3,061,696
Total current liabilities		**7,294,563**	6,697,683
NET CURRENT ASSETS		**913,941**	907,768
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,954,116**	9,758,504

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**1,298,055**	1,430,951
Deferred income	27	**47,329**	46,894
Lease liabilities	15(b)	**581**	1,180
Deferred tax liabilities	17	**60,450**	61,696
Total non-current liabilities		**1,406,415**	1,540,721
Net assets		**8,547,701**	8,217,783
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	**120,001**	120,001
Reserves	30	**6,722,132**	6,351,193
		6,842,133	6,471,194
Non-controlling interests		**1,705,568**	1,746,589
Total equity		**8,547,701**	8,217,783

Cheng Li-Yu
Director

Huang Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

		Attributable to equity holders of the Company											
	Notes	Issued capital HK$'000 (Note 28)	Share premium account HK$'000 Note (c)	Shares held under share award plan HK$'000 Note (c)	Employee share-based compensation reserve HK$'000 Note (c)	Statutory reserve fund HK$'000 Notes (a),(c)	Exchange fluctuation reserve HK$'000 Note (c)	Retained profits HK$'000 Note (c)	Fair value reserve HK$'000 Note (c)	Other reserves HK$'000 Notes (b),(c)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020		116,634	85,267	(632,706)	102,764	256,202	(465,718)	6,079,737	10,455	323,963	5,876,598	1,571,905	7,448,503
Profit for the year		–	–	–	–	–	–	130,506	–	–	130,506	26,513	157,019
Other comprehensive income/(expenses) for the year:													
Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	(2,006)	–	(2,006)	–	(2,006)
Exchange differences on translation of foreign operations		–	–	–	–	–	675,099	–	–	–	675,099	148,171	823,270
Total comprehensive income/(expenses) for the year		–	–	–	–	–	675,099	130,506	(2,006)	–	803,599	174,684	978,283
Issue of shares in connection with the exercise of share options	28	3,367	102,652	–	(56,193)	–	–	–	–	–	49,826	–	49,826
Purchase of shares under the share award plan		–	–	(178,330)	–	–	–	–	–	–	(178,330)	–	(178,330)
Dividend received under the share award plan		–	–	29,770	–	–	–	–	–	–	29,770	–	29,770
Share-based compensation arrangements	29	–	–	–	6,365	–	–	–	–	–	6,365	–	6,365
Transfer from retained profits		–	–	–	–	203,569	–	(203,569)	–	–	–	–	–
2019 final dividend		–	–	–	–	–	–	(116,634)	–	–	(116,634)	–	(116,634)
At 31 December 2020		120,001	187,919	(781,266)	52,936	459,771	209,381	5,890,040	8,449	323,963	6,471,194	1,746,589	8,217,783

	Note	Attributable to equity holders of the Company											
		Issued capital	Share premium account	Shares held under share award plan	Employee share-based compensation reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Fair value reserve	Other reserves	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 28)	Note (c)	Note (c)	Note (c)	Notes (a),(c)	Note (c)	Note (c)	Note (c)	Notes (b),(c)			
At 1 January 2021		120,001	187,919	(781,266)	52,936	459,771	209,381	5,890,040	8,449	323,963	6,471,194	1,746,589	8,217,783
Profit for the year		-	-	-	-	-	-	162,396	-	-	162,396	(104,847)	57,549
Other comprehensive income/(expenses) for the year:													
Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	(4,214)	-	(4,214)	-	(4,214)
Exchange differences on translation of foreign operations		-	-	-	-	-	292,288	-	-	-	292,288	63,826	356,114
Total comprehensive income/(expenses) for the year		-	-	-	-	-	292,288	162,396	(4,214)	-	450,470	(41,021)	409,449
Dividend received under the share award plan		-	-	35,435	-	-	-	-	-	-	35,435	-	35,435
Share-based compensation arrangements	29	-	-	-	5,035	-	-	-	-	-	5,035	-	5,035
Transfer from retained profits		-	-	-	-	60,944	-	(60,944)	-	-	-	-	-
2020 final dividend		-	-	-	-	-	-	(120,001)	-	-	(120,001)	-	(120,001)
At 31 December 2021		120,001	187,919	(745,831)	57,971	520,715	501,669	5,871,491	4,235	323,963	6,842,133	1,705,568	8,547,701

Notes:

(a) In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Mainland China"), the Company's subsidiaries established in the PRC are required to transfer a certain percentage of their profit after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital.

(b) The other reserves comprise capital reserve which represents profits of the Company's subsidiaries capitalised during the prior years and other capital reserve.

(c) These reserve accounts comprise the consolidated reserves of HK$6,722,132,000 (2020: HK$6,351,193,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**200,195**	285,522
Adjustments for:			
Finance costs	7	**63,802**	92,332
Interest income	6	**(10,495)**	(9,440)
Write-off of long outstanding trade payables	6	**–**	(173)
Write-off of long outstanding other payables and accruals	6	**(9,699)**	(2,373)
Depreciation of property, plant and equipment	8	**1,053,492**	931,341
Depreciation of right-of-use assets	8	**18,016**	16,114
Loss on disposal of items of property, plant and equipment, net	8	**6,473**	6,095
Impairment/(reversal of impairment) of trade receivables	8	**(1,602)**	3,174
Write-off/(write-back) of trade receivables	8	**4,976**	(425)
Provision/(reversal of provision) for inventories, net	8	**(19,480)**	156,445
Fair value gains on derivative financial instruments, net	8	**(37,488)**	–
Recognition of deferred income		**–**	(14,045)
Equity-settled share option expenses	29(a)	**5,035**	6,365
		1,273,225	1,470,932
Increase in inventories		**(239,660)**	(647,924)
Increase in trade receivables		**(215,765)**	(614,400)
Decrease/(increase) in prepayments, deposits and other receivables		**15,613**	(146,351)
Movement in derivative financial instruments		**34,038**	–
Increase/(decrease) in trade and bills payables		**(98,015)**	267,209
Increase in other payables and accruals		**207,844**	508,542
Cash generated from operations		**977,280**	838,008
PRC income tax paid		**(178,760)**	(159,765)
PRC income tax refund		**15,759**	–
Overseas income tax paid		**(2,966)**	(2,857)
Withholding tax paid		**(38,867)**	–
Interest received		**10,495**	9,440
Interest paid		**(73,596)**	(100,859)
Net cash flows from operating activities		**709,345**	583,967

	Notes	2021 HK$'000	2020 HK$'000
Net cash flows from operating activities		**709,345**	583,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(998,911)**	(1,070,178)
Additions of right-of-use assets		**(19,720)**	(92,995)
Proceeds from disposal of items of property, plant and equipment		**41,823**	3,119
Increase in pledged and restricted bank balances		**(36,433)**	(4,487)
Increase in prepayments for acquisition of property, plant and equipment		**(43,315)**	(183,072)
Net cash flows used in investing activities		**(1,056,556)**	(1,347,613)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,860,608**	2,566,869
Repayment of bank loans		**(1,521,553)**	(1,830,240)
Dividend paid		**(120,001)**	(116,634)
Proceeds from issue of shares in connection with the exercise of share options	28	**–**	49,826
Purchase of shares held under the share award plan		**–**	(178,330)
Dividend received under the share award plan		**35,435**	29,770
Principal portion of lease payments		**(2,316)**	(2,106)
Net cash flows from financing activities		**252,173**	519,155
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(95,038)**	(244,491)
Cash and cash equivalents at beginning of year		**928,674**	1,142,072
Effect of foreign exchange rate changes, net		**14,964**	31,093
CASH AND CASH EQUIVALENTS AT END OF YEAR		**848,600**	928,674
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**848,600**	928,674
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**848,600**	928,674

1. CORPORATE AND GROUP INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of casings for notebook computer and handheld devices. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Best Alliance Holding Inc. ^	British Virgin Islands ("BVI")/ The Republic of China (The "ROC")	US$52,600,000 Ordinary	100%	Investment holding
Giant Glory International Limited	Samoa/ROC	US$49,777,419 Ordinary	100%	Investment holding
Everyday Computer Components (Suzhou) Co., Ltd. *	PRC	US$52,500,000	100%	Manufacture and sale of casings
Suzhou Dazhi Communication Accessory Co., Ltd. *	PRC	US$148,500,000	100%	Manufacture and sale of casings
Ju Teng (Neijiang) Communication Accessory Co., Ltd. *	PRC	US$101,000,000 (2020: US$99,000,000)	100%	Manufacture and sale of casings
Tri-Great International Limited	Samoa/ROC	US$1,000,000 Ordinary	100%	Sale of casings and related materials
Gi Li Co., Ltd.	ROC	NT$105,000,000 Ordinary	100%	Sale of casings and related materials
Grand Develop Investments Limited	Hong Kong	HK$1 Ordinary	100%	Provision of general administrative and support services
Mindforce Holdings Limited ("Mindforce")	BVI/ROC	US$75,101,000 Ordinary	71%	Investment holding
WIS Precision (Kunshan) Co., Ltd. *	PRC	US$25,000,000	71%	Manufacture and sale of casings

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
WIS Precision (Taizhou) Co., Ltd. *	PRC	US$69,800,000	71%	Manufacture and sale of casings
Dynamic Apex Limited (formerly known as "Dynamic Apex Macao Commercial Offshore Limited")	Macau	MOP100,000	100%	Sale of casings and related materials
Fullerton Ltd.	Samoa/ROC	US$31,749,800 Ordinary	71%	Investment holding and sale of computer equipment and peripherals
Lian-Yi Precision (Zhongshan) Inc. *	PRC	US$33,400,000	71%	Manufacture and sale of computer equipment and peripherals
Wah Yuen Technology Holding Limited ("Wah Yuen")	Mauritius/ROC	US$261,758,240 Ordinary	59.28%	Investment holding
Hong Ya Technology Corp.	ROC	NT$475,577,800 Ordinary	59.28%	Manufacture and sale of casings
Compal Precision Module China Holdings Ltd.	Mauritius/ROC	US$236,267,926 Ordinary	59.28%	Investment holding and sale of casings and related materials
Compal Precision Module (Jiangsu) Company Limited *	PRC	US$420,000,000 (2020: US$410,000,000)	59.28%	Manufacture and sale of casings
Compal Electronic Technology (Chongqing) Co., Ltd. *	PRC	US$60,000,000	59.28%	Manufacture and sale of casings
Jiang Su Inoac Juteng Polymer Co., Ltd. *	PRC	US$6,000,000	81.46%	Manufacture and sale of materials

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Issued and paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
Wujiang Dading Precision Mould Co., Ltd. *	PRC	US$80,000,000	100%	Manufacture and sale of casings
Tasun (Chongqing) Electronic Technology Co., Ltd. *	PRC	US$90,000,000	100%	Manufacture and sale of casings
Dongxu Juteng Electronic Material (Jurong) Co. Ltd. *	PRC	US$1,000,000	51%	Manufacture and sale of materials
He Li Cheng Electronic Material (Chong Qing) Co. Ltd. *	PRC	US$700,000	51%	Manufacture and sale of materials
Juteng Electronic Technology (Taizhou) Co., Ltd. *	PRC	US$180,000,000 (2020: US$165,000,000)	100%	Manufacture and sale of casings

* Registered as wholly-foreign-owned enterprises under the PRC law

^ Directly held by the Company

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and an equity investment designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. Since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 38 to the financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[1]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to HKAS 8	*Definition of Accounting Estimates*[3]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon their initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its financial performance and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the lease terms or 5 to 10 years
Machinery	5 to 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other items of property, plant and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Properties	1 to 5 years
Motor vehicles	3 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office properties and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the relevant government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees employed by the Group's subsidiary in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme under the Labor Pension Act (the "Act") for its employees employed by the Group's subsidiary in the ROC. Based on the Act, the Group's monthly contribution to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labour pension accounts at the Bureau of Labor Insurance.

Share-based payments

The Company operates share option schemes and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control, or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (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 the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group 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 marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities, derivative financial instrument and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand 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 repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Transfer of assets

Where the Group receives non-monetary assets transferred from its customers or equivalent and the Group has to provide ongoing access to a supply of goods or services, the related assets are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss as revenue over the expected useful lives of the relevant assets by equal annual instalments, while a deferred income account is credited and is released to the statement of profit or loss as revenue over the expected useful life of the relevant asset.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts 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 Group expects to be entitled in exchange for those goods or services.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast market conditions (such as global shipments of personal computers and gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast market conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Write-down of inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management considers various factors, including the conditions and ageing of inventories, sales pattern and selling prices of inventories, market demand and the Group's future plan of usage and sale of inventories. Management reassesses the estimation at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories carried as assets in the consolidated statement of financial position as at 31 December 2021 was HK$2,620,078,000 (2020: HK$2,292,404,000), details of which are set out in note 18 to the financial statements.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Withholding taxes

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

In estimating the withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on factors which include the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of casings for notebook computer and handheld devices. For management purposes, the Group operates in one business unit based on its casing products, and has one reportable operating segment.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(i) Revenue from external customers:

	2021 **HK$'000**	2020 HK$'000
The PRC, excluding Hong Kong	**11,076,119**	9,884,929
The ROC	**95,023**	89,218
Others	**111,837**	55,372
	11,282,979	10,029,519

The revenue information above is based on the locations where the products are delivered to the customers.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(ii) Non-current assets:

	2021 **HK$'000**	2020 HK$'000
The PRC, excluding Hong Kong	**8,762,564**	8,587,760
The ROC	**187,718**	167,752
Others	**1,208**	2,915
	8,951,490	8,758,427

The non-current asset information above, excluding an equity investment designated at fair value through other comprehensive income and deferred tax assets, is based on the locations of the assets.

Information about major customers

Revenues of approximately HK$2,858,180,000, HK$2,783,533,000, HK$1,673,722,000 and HK$1,394,933,000 for the year ended 31 December 2021 were derived from sales to four major groups of customers, the revenue from each of which accounted for 10% or more of the Group's revenue.

Revenues of approximately HK$3,004,469,000, HK$1,919,813,000, HK$1,503,889,000 and HK$1,316,667,000 for the year ended 31 December 2020 were derived from sales to four major groups of customers, the revenue from each of which accounted for 10% or more of the Group's revenue.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers		
Sale of casings for notebook computer and handheld devices	**11,282,979**	10,029,519

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 HK$'000	2020 HK$'000
Geographical markets		
The PRC, excluding Hong Kong	**11,076,119**	9,884,929
The ROC	**95,023**	89,218
Others	**111,837**	55,372
	11,282,979	10,029,519
Timing of revenue recognition		
Goods transferred at a point in time	**11,282,979**	10,029,519

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of casings for notebook computer and handheld devices	**39,436**	41,151

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligation

Sale of casings for notebook computer and handheld devices

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 120 days from delivery.

	2021 HK$'000	2020 HK$'000
Other income and gains		
Interest income	**10,495**	9,440
Subsidy income#	**93,372**	71,102
Compensation income	**984**	7,627
Gross rental income	**26,248**	24,643
Reversal of impairment of trade receivables	**1,602**	–
Write-back of trade receivables	**–**	425
Write-off of long outstanding trade payables	**–**	173
Write-off of long outstanding other payables and accruals	**9,699**	2,373
Fair value gains on derivative financial instruments, net		
– Realised gains	**34,038**	–
– Unrealised gains	**3,450**	–
Others	**309**	462
	180,197	116,245

Various government subsidies have been received for enterprises engaged in businesses in Mainland China for promoting the manufacturing industry. There are no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank loans	**73,493**	100,696
Interest on lease liabilities	**103**	163
Total interest expense on financial liabilities not at fair value through profit or loss	**73,596**	100,859
Less: Interest capitalised	**(9,794)**	(8,527)
	63,802	92,332

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold*		**10,070,265**	8,594,772
Auditor's remuneration		**4,300**	4,060
Depreciation of property, plant and equipment	14	**1,053,492**	931,341
Depreciation of right-of-use assets	15(a)	**18,016**	16,114
Lease payments not included in the measurement of lease liabilities	15(c)	**3,565**	2,209
Provision/(reversal of provision) for inventories, net**		**(19,480)**	156,445
Impairment/(reversal of impairment) of trade receivables*****	19	**(1,602)**	3,174
Write-off/(write-back) of trade receivables*****		**4,976**	(425)
Employee benefit expense (excluding directors' remuneration – note 9):			
Wages and salaries, bonuses, allowances and welfare		**3,388,184**	2,730,216
Equity-settled share option expenses		**4,324**	5,123
Pension scheme contributions (defined contribution scheme)******		**149,023**	127,761
		3,541,531	2,863,100
Gross rental income on owner-occupied properties and machinery		**(26,248)**	(24,643)
Less: Direct operating expenses arising from rental-earning owner-occupied properties and machinery		**4,943**	4,986
Net rental income		**(21,305)**	(19,657)
Loss on disposal of items of property, plant and equipment, net***		**6,473**	6,095
Fair value gains on derivative financial instruments, net****			
– Realised gains		**(34,038)**	–
– Unrealised gains		**(3,450)**	–
Foreign exchange losses, net***		**132,823**	306,541

8. PROFIT BEFORE TAX *(continued)*

* Cost of inventories sold includes HK$4,338,578,000 (2020: HK$3,734,715,000) relating to depreciation, employee benefit expense, and provision/(reversal of provision) for inventories, net, which are also included in the total amounts disclosed above for each of these types of expenses.

** Included in "Cost of sales" on the face of the consolidated statement of profit or loss.

*** Included in "Other expenses" on the face of the consolidated statement of profit or loss.

**** Included in "Other income and gains" on the face of the consolidated statement of profit or loss.

***** Write-off of trade receivables and impairment of trade receivables are included in "Other expenses" on the face of the consolidated statement of profit or loss. Write-back of trade receivables and reversal of impairment of trade receivables are included in "Other income and gains" on the face of the consolidated statement of profit or loss.

****** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$'000	2020 HK$'000
Fees	**594**	594
Other emoluments:		
Salaries, allowances and benefits in kind	**9,170**	9,056
Performance related bonuses	**863**	1,529
Share-based payments	**711**	1,242
Pension scheme contributions	**35**	34
	10,779	11,861
	11,373	12,455

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair values of such options, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' and chief executive's remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees and share-based payment expenses paid to independent non-executive directors during the year were as follows:

2021

Name of director	Fees HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Mr. Cherng Chia-Jiun	**198**	**45**	**243**
Mr. Tsai Wen-Yu	**198**	**45**	**243**
Mr. Yip Wai Ming	**198**	**45**	**243**
	594	**135**	**729**

2020

Name of director	Fees HK$'000	Share-based payments HK$'000	Total remuneration HK$'000
Mr. Cherng Chia-Jiun	198	79	277
Mr. Tsai Wen-Yu	198	79	277
Mr. Yip Wai Ming	198	79	277
	594	237	831

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021						
Mr. Cheng Li-Yu*	**–**	**991**	**71**	**–**	**–**	**1,062**
Mr. Huang Kuo-Kuang	**–**	**886**	**–**	**153**	**17**	**1,056**
Mr. Chiu Hui-Chin*	**–**	**3,731**	**311**	**56**	**–**	**4,098**
Mr. Lin Feng-Chieh	**–**	**1,866**	**466**	**214**	**–**	**2,546**
Mr. Tsui Yung Kwok	**–**	**1,696**	**15**	**153**	**18**	**1,882**
	–	**9,170**	**863**	**576**	**35**	**10,644**
2020						
Mr. Cheng Li-Yu	–	812	68	–	–	880
Mr. Huang Kuo-Kuang	–	912	65	266	16	1,259
Mr. Chiu Hui-Chin*	–	3,724	931	105	–	4,760
Mr. Lin Feng-Chieh	–	1,862	465	369	–	2,696
Mr. Tsui Yung Kwok	–	1,746	–	265	18	2,029
	–	9,056	1,529	1,005	34	11,624

* Mr. Chiu Hui-Chin is the chief executive officer of the Company. Subsequent to the end of the reporting period, on 16 March 2022, Mr. Chiu Hui–Chin has ceased to be the chief executive officer of the Company and his annual salary has adjusted from HK$3,731,000 to HK$198,000; and Mr. Cheng Li-Yu has been appointed as the chief executive officer of the Company.

During the year ended 31 December 2021, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration. During the year ended 31 December 2020, Mr. Cheng Li-Yu, a director and the chairman of the Group, agreed to waive the remuneration of HK$135,000.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2020: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither directors nor chief executive of the Company are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,114**	1,366
Performance related bonuses	**3,530**	2,153
Equity-settled share option expenses	**1,005**	1,039
Pension scheme contributions	**49**	33
	6,698	4,591

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$2,000,001 to HK$2,500,000	**2**	2
HK$2,500,001 to HK$3,000,000	**1**	–
	3	2

Share options were granted under the share option scheme of the Company to the non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2021 **HK$'000**	2020 HK$'000
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	**155,043**	153,032
Underprovision in prior years	**9,719**	11,211
Current – Overseas		
Charge for the year	**11,635**	9,472
Overprovision in prior years	**(33,904)**	(43,004)
Deferred tax (note 17)	**153**	(2,208)
Total tax charge for the year	**142,646**	128,503

11. INCOME TAX *(continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates, ranging from 12% to 25% (2020: 16.5% to 25%), for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

2021

	Hong Kong HK$'000	Macau HK$'000	The PRC, excluding Hong Kong and Macau HK$'000	Overseas HK$'000	Total HK$'000
Profit/(loss) before tax	(24,486)	52,543	167,065	5,073	200,195
Tax at the statutory tax rate	(4,040)	6,305	41,766	1,015	45,046
Preferential tax rates	–	–	(11,406)	–	(11,406)
Effect of withholding tax at 10% on the distributed profit of a PRC subsidiary	–	–	38,867	–	38,867
Adjustments in respect of current tax of previous periods	–	–	9,719	(33,904)	(24,185)
Income not subject to tax	(299)	–	(38,534)	(363)	(39,196)
Expenses not deductible for tax	4,339	–	33,570	1,693	39,602
Tax losses not recognised	–	–	83,850	–	83,850
Temporary differences not recognised	–	–	–	9,290	9,290
Others	–	–	778	–	778
Tax charge/(credit) at the Group's effective rate	–	6,305	158,610	(22,269)	142,646

11. INCOME TAX *(continued)*

2020

	Hong Kong HK$'000	The PRC, excluding Hong Kong HK$'000	Overseas HK$'000	Total HK$'000
Profit/(loss) before tax	(33,543)	358,436	(39,371)	285,522
Tax at the statutory tax rate	(5,535)	89,609	(7,874)	76,200
Preferential tax rates	–	(17,655)	–	(17,655)
Adjustments in respect of current tax of previous periods	–	11,211	(43,004)	(31,793)
Income not subject to tax	(399)	(12,175)	(1,036)	(13,610)
Expenses not deductible for tax	5,934	43,765	3,965	53,664
Tax losses not recognised	–	47,153	–	47,153
Temporary differences not recognised	–	–	14,417	14,417
Others	–	127	–	127
Tax charge/(credit) at the Group's effective rate	–	162,035	(33,532)	128,503

11. INCOME TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law being effective on 1 January 2008, the income tax is unified at 25% for all enterprises in Mainland China.

According to Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission issued in April 2020, enterprises set up in the western region in the PRC with major businesses falling within the Catalogue of Encouraged Industries in the Western Region are entitled to a reduced corporate income tax ("CIT") rate of 15%.

Juteng (Neijiang) Communication Accessory Co., Ltd., which is a subsidiary of the Company in the Sichuan province, and Tasun (Chongqing) Electronic Technology Co., Ltd. and Compal Electronic Technology (Chongqing) Co., Ltd., which are subsidiaries of the Company in the Chongqing city, were entitled to enjoy the 15% CIT preferential rate as their major businesses fall within the Catalogue of Encouraged Industries in the Western Region.

Macau Complementary Tax is calculated at 12% of the estimated assessable profit for a subsidiary in Macau.

12. DIVIDENDS

	2021 **HK$'000**	2020 HK$'000
Proposed final – HK8 cents (2020: HK10 cents) per ordinary share	**96,001**	120,001

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$162,396,000 (2020: HK$130,506,000) and the weighted average number of 845,662,671 (2020: 862,413,185) ordinary shares in issue excluding shares held under the share award plan during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$162,396,000 (2020: HK$130,506,000). The weighted average number of ordinary shares used in the calculation is 845,662,671 (2020: 862,413,185) ordinary shares in issue excluding shares held under the share award plan during the year, as used in the basic earnings per share calculation, and the weighted average number of 3,968,729 (2020: 17,449,328) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021							
At 1 January 2021:							
Cost	4,832,762	8,020	9,522,906	1,596,102	12,903	534,507	16,507,200
Accumulated depreciation and impairment	(1,881,853)	(2,911)	(5,490,036)	(1,265,846)	(8,253)	–	(8,648,899)
Net carrying amount	2,950,909	5,109	4,032,870	330,256	4,650	534,507	7,858,301
At 1 January 2021, net of accumulated depreciation and impairment	2,950,909	5,109	4,032,870	330,256	4,650	534,507	7,858,301
Additions	8,373	1,474	95,428	48,084	1,112	1,037,306	1,191,777
Transfers	5,544	–	678,301	93,316	146	(777,307)	–
Disposals/write-off	(125)	–	(37,442)	(3,782)	(94)	(6,853)	(48,296)
Depreciation provided during the year	(215,447)	(625)	(590,724)	(245,479)	(1,217)	–	(1,053,492)
Exchange realignment	79,974	313	102,181	20,125	131	18,848	221,572
At 31 December 2021, net of accumulated depreciation and impairment	2,829,228	6,271	4,280,614	242,520	4,728	806,501	8,169,862
At 31 December 2021:							
Cost	4,981,612	9,957	10,129,750	1,715,443	14,083	806,501	17,657,346
Accumulated depreciation and impairment	(2,152,384)	(3,686)	(5,849,136)	(1,472,923)	(9,355)	–	(9,487,484)
Net carrying amount	2,829,228	6,271	4,280,614	242,520	4,728	806,501	8,169,862

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020							
At 1 January 2020:							
Cost	4,400,721	7,544	8,368,894	1,362,442	10,169	288,844	14,438,614
Accumulated depreciation and impairment	(1,571,881)	(2,219)	(4,683,146)	(999,419)	(7,415)	–	(7,264,080)
Net carrying amount	2,828,840	5,325	3,685,748	363,023	2,754	288,844	7,174,534
At 1 January 2020, net of accumulated depreciation and impairment	2,828,840	5,325	3,685,748	363,023	2,754	288,844	7,174,534
Additions	9,372	291	57,025	27,119	1,485	1,050,177	1,145,469
Transfers	132,704	–	608,840	91,001	1,035	(833,580)	–
Disposals/write-off	(11)	–	(5,039)	(1,377)	(79)	(2,708)	(9,214)
Depreciation provided during the year	(198,799)	(638)	(531,531)	(199,550)	(823)	–	(931,341)
Exchange realignment	178,803	131	217,827	50,040	278	31,774	478,853
At 31 December 2020, net of accumulated depreciation and impairment	2,950,909	5,109	4,032,870	330,256	4,650	534,507	7,858,301
At 31 December 2020:							
Cost	4,832,762	8,020	9,522,906	1,596,102	12,903	534,507	16,507,200
Accumulated depreciation and impairment	(1,881,853)	(2,911)	(5,490,036)	(1,265,846)	(8,253)	–	(8,648,899)
Net carrying amount	2,950,909	5,109	4,032,870	330,256	4,650	534,507	7,858,301

As at 31 December 2021, certain of the Group's land and buildings with a net carrying amount of approximately HK$22,227,000 (2020: HK$21,140,000) situated in the ROC were pledged to secure general banking facilities granted to the Group (note 26).

As at 31 December 2021, the application of property ownership certificates for certain buildings with a net book value of HK$47,227,000 (2020: HK$186,695,000) was still in progress. In the opinion of the directors, the risk of the Group for not being able to obtain the legal titles for the relevant land and buildings is low and the Group will continue to pursue and discuss with the Ministry of Land and Resources of the PRC for the final settlement and complete the ownership registration of the buildings.

15. LEASES

The Group as a lessee

The Group has lease contracts for certain of its properties, machinery, motor vehicles and office equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 3 months and 60 months (2020: between 2 months and 36 months), while motor vehicles generally have lease terms of 3 years. Machinery and office equipment generally have lease terms of 12 months or less and/or are individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Properties HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2020	541,505	4,523	168	546,196
Additions	92,995	707	–	93,702
Depreciation charge	(13,972)	(2,035)	(107)	(16,114)
Exchange realignment	40,782	–	–	40,782
As at 31 December 2020 and 1 January 2021	**661,310**	**3,195**	**61**	**664,566**
Additions	**19,720**	**630**	**323**	**20,673**
Depreciation charge	**(15,709)**	**(2,196)**	**(111)**	**(18,016)**
Exchange realignment	**18,592**	**10**	**–**	**18,602**
As at 31 December 2021	**683,913**	**1,639**	**273**	**685,825**

As at 31 December 2021, the Group did not pledge any interest in land to secure banking facilities granted to the Group (2020: Nil).

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**3,335**	4,724
New leases	**953**	707
Accretion of interest recognised during the year	**103**	163
Payments	**(2,419)**	(2,269)
Exchange realignment	**25**	10
At 31 December	**1,997**	3,335
Analysed into:		
Current portion	**1,416**	2,155
Non-current portion	**581**	1,180

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**103**	163
Depreciation charge of right-of-use assets	**18,016**	16,114
Expense relating to short-term leases (included in administrative expenses)	**3,455**	2,092
Expense relating to leases of low-value assets (included in administrative expenses)	**110**	117
Total amount recognised in profit or loss	**21,684**	18,486

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

15. LEASES *(continued)*

The Group as a lessor

The Group leases part of its factory and machinery under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$26,248,000 (2020: HK$24,643,000), details of which are included in note 6 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**25,657**	24,795
After one year but within two years	**23,460**	21,057
After two years but within three years	**23,160**	20,119
After three years but within four years	**20,846**	19,959
After four years but within five years	**21,462**	20,245
After five years	**100,800**	118,978
	215,385	225,153

16. GOODWILL

	HK$'000
Cost and net carrying amount at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**52,488**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the manufacture and sale of notebook computer casings cash-generating unit for impairment testing.

The recoverable amount of the manufacture and sale of notebook computer casings cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a five-year financial forecast approved by management. The discount rate applied to the cash flow projections is 16% (2020: 16%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2020: 2.6%).

Assumptions were used in the value in use calculation of the manufacture and sale of notebook computer casings cash-generating unit for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecasted gross margins – The basis used to determine the value assigned to the forecasted gross margins is the average gross margins achieved in the year immediately before the forecast year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the relevant unit.

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the cash-generating unit's recoverable amount to fall below its carrying amount.

17. DEFERRED TAX

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$'000	Government subsidies HK$'000	Total HK$'000
Gross deferred tax assets at 1 January 2020	56,149	5,505	61,654
Deferred tax credited to the statement of profit or loss during the year (note 11)	–	2,208	2,208
Exchange realignment	3,738	491	4,229
Gross deferred tax assets at 31 December 2020 and 1 January 2021	**59,887**	**8,204**	**68,091**
Deferred tax charged to the statement of profit or loss during the year (note 11)	**–**	**(153)**	**(153)**
Exchange realignment	**1,638**	**230**	**1,868**
Gross deferred tax assets at 31 December 2021	**61,525**	**8,281**	**69,806**

The Group had tax losses arising in Mainland China of approximately HK$959,527,000 (2020: HK$663,033,000) that will expire in one to five years for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments arising from revaluation of an equity investment designated at fair value through other comprehensive income HK$'000	Withholding tax HK$'000	Total HK$'000
Gross deferred tax liabilities at 1 January 2020	450	1,755	60,000	62,205
Deferred tax credited to equity during the year	–	(509)	–	(509)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	**450**	**1,246**	**60,000**	**61,696**
Deferred tax credited to equity during the year	**–**	**(1,246)**	**–**	**(1,246)**
Gross deferred tax liabilities at 31 December 2021	**450**	**–**	**60,000**	**60,450**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by the Company's subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

17. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,871,970,000 (2020: HK$3,220,631,000) as at 31 December 2021. In the opinion of the directors, the Company is able to control the timing of the reversal of the temporary difference and, accordingly, the Group has taken into consideration, among others, the probability the temporary difference being reversed in the foreseeable future, and recognised for withholding taxes that would be payable in the foreseeable future on distribution of unremitted earnings by the Company's subsidiaries established in Mainland China in respect of earnings generated.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Production materials	**354,997**	533,468
Work in progress	**850,942**	830,029
Finished goods	**1,128,015**	674,690
Moulds and consumable tools	**286,124**	254,217
	2,620,078	2,292,404

19. TRADE RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Trade receivables	**4,300,833**	3,980,850
Impairment	**(3,481)**	(5,083)
	4,297,352	3,975,767

The general credit terms of the Group range from 60 days to 120 days. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances.

19. TRADE RECEIVABLES *(continued)*

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 3 months	**2,780,363**	2,704,435
4 to 6 months	**1,487,320**	1,078,759
7 to 12 months	**29,669**	192,573
	4,297,352	3,975,767

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**5,083**	1,909
Impairment/(reversal of impairment) (note 8)	**(1,602)**	3,174
At end of year	**3,481**	5,083

As at 31 December 2021, the decrease in loss allowance was due to the decrease in trade receivables which were past due for 4 to 6 months.

As at 31 December 2020, the increase in loss allowance was due to the increase in trade receivables which were past due for 4 to 6 months.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

19. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due			
	Current	**1 to 3 months**	**4 to 6 months**	**7 to 12 months**	**Total**
Expected credit loss rate	**0.06%**	**0.02%**	**7.19%**	**0%**	**0.08%**
Gross carrying amount (HK$'000)	**3,486,466**	**796,583**	**17,105**	**679**	**4,300,833**
ECLs (HK$'000)	**2,092**	**159**	**1,230**	**–**	**3,481**

As at 31 December 2020

		Past due			
	Current	1 to 3 months	4 to 6 months	7 to 12 months	Total
Expected credit loss rate	0.07%	0.02%	8.56%	0%	0.13%
Gross carrying amount (HK$'000)	3,299,099	650,487	30,894	370	3,980,850
ECLs (HK$'000)	2,309	130	2,644	–	5,083

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**60,606**	81,560
Deposits and other receivables	**303,444**	288,735
	364,050	370,295

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. The ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2021 and 31 December 2020, the ECLs were assessed to be minimal.

21. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
Equity investment designated at fair value through other comprehensive income		
Overseas listed equity investment, at fair value		
Paragon Technologies Co., Ltd.	**18,879**	24,218

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

During the year ended 31 December 2021, the gross loss in respect of the Group's equity investment designated at fair value through other comprehensive income recognised in other comprehensive income amounted to HK$5,460,000 (2020: HK$2,515,000).

In the opinion of the directors, the equity investment designated at fair value through other comprehensive income is not expected to be realised within 12 months after the end of the reporting period. Accordingly, the investment is classified as a non-current asset in the consolidated statement of financial position.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$14,987,000.

22. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash and bank balances, including time deposits with original maturity less than 3 months	**923,344**	966,985
Less: Pledged and restricted bank balances	**(74,744)**	(38,311)
Cash and cash equivalents	**848,600**	928,674

Renminbi ("RMB") is not a freely convertible currency in Mainland China and the remittance of funds out of Mainland China is subject to the exchange restriction imposed by the PRC government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. At the end of the reporting period, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in Mainland China or the ROC amounted to approximately HK$282,548,000 (2020: HK$424,847,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days.

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 3 months	**1,093,965**	1,144,505
4 to 6 months	**215,514**	238,825
7 to 12 months	**14,361**	10,047
Over 1 year	**9,205**	6,136
	1,333,045	1,399,513

24. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Deferred income (note 27)	**898**	873
Contract liabilities#	**32,483**	39,436
Other payables##	**695,853**	657,391
Compensation income received in advance	**726,350**	550,658
Accruals	**881,417**	857,938
	2,337,001	2,106,296

\# Contract liabilities represent receipts in advance from customers for the sale of goods. The contract liabilities as at 1 January 2020 amounted to HK$41,151,000. The decrease in contract liabilities in 2021 and 2020 was mainly due to a decrease in advances received from customers in relation to the sales of goods at the end of the year.

\## Other payables are non-interest-bearing.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2021	
	Assets HK$'000	Liabilities HK$'000
Forward currency contracts	**3,680**	216

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rate fluctuations. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives, net, amounting to HK$37,488,000 (2020: Nil) were credited to the statement of profit or loss during the year ended 31 December 2021.

26. INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Syndicated bank loans	**1.32**	**2022**	**137,245**	–	–	–
Other bank loans	**0.38-2.72**	**2022**	**3,417,354**	0.70-2.58	2021	3,061,696
			3,554,599			3,061,696
Non-current						
Syndicated bank loans	**1.32**	**2023-2025**	**1,235,203**	1.45	2022-2025	1,364,528
Other bank loans	**1.13-1.26**	**2023-2027**	**62,852**	1.40-3.19	2022-2027	66,423
			1,298,055			1,430,951
			4,852,654			4,492,647

	2021 HK$'000	2020 HK$'000
Repayable:		
Within one year	**3,554,599**	3,061,696
In the second year	**313,204**	196,108
In the third to fifth years, inclusive	**984,061**	1,232,598
Beyond five years	**790**	2,245
	4,852,654	4,492,647

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) the pledge of certain of the Group's land and buildings situated in the ROC, which had a net carrying value at the end of the reporting period of HK$22,227,000 (2020: HK$21,140,000); and

(ii) corporate guarantees executed by the Company to the extent of HK$3,190,318,000 (2020: HK$3,334,658,000) as at the end of the reporting period.

(b) The Group's bank loans with carrying amounts of HK$4,430,816,000 (2020: HK$4,042,987,000), HK$27,057,000 (2020: HK$25,019,000) and HK$394,781,000 (2020: HK$424,641,000) are denominated in United States dollars ("US$"), New Taiwan dollars ("NT$") and RMB, respectively.

27. DEFERRED INCOME

	Note	2021 HK$'000	2020 HK$'000
Deferred income related to the government subsidies for acquisition of assets	(i)	**48,227**	47,767
Current portion (note 24)		**(898)**	(873)
Non-current portion		**47,329**	46,894

Note:

(i) Deferred income represented government subsidies relating to acquisition of assets received by certain of the Group's subsidiaries in Mainland China.

28. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,200,008,445 (2020: 1,200,008,445) shares of HK$0.1 each	**120,001**	120,001

28. SHARE CAPITAL *(continued)*

Shares *(continued)*

A summary of movements in the Company's share capital and share premium account is as follows:

	Number of shares in issue of HK$0.1 each	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2020	1,166,342,445	116,634	85,267	201,901
Issue of shares in connection with the exercise of share options (note (i))	33,666,000	3,367	46,459	49,826
Transfer from employee share-based compensation reserve	–	–	56,193	56,193
At 31 December 2020, 1 January 2021 and 31 December 2021	**1,200,008,445**	**120,001**	**187,919**	**307,920**

Note:

(i) During the year ended 31 December 2020, the Company issued a total of 33,666,000 shares at an exercise price of HK$1.48 per share pursuant to the exercise of options granted under the share option scheme of the Company, resulting in the issue of 33,666,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$49,826,000. A total of HK$56,193,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options granted are included in note 29 to the financial statements.

29. EQUITY COMPENSATION PLANS

(a) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group and participants who have contributed or may contribute to the development and growth of the Group.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the daily quotation sheet on the Hong Kong Stock Exchange on the date of the offer of the share options; and (ii) the average of the closing prices of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, no share options were granted or cancelled by the Company under the Scheme and no share options were expired.

29. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The following share options were outstanding under the Scheme during the year:

	2021 Weighted average exercise price HK$ per share	2021 Number of options	2020 Weighted average exercise price HK$ per share	2020 Number of options
At 1 January	**1.48**	**35,630,000**	1.48	73,448,000
Exercised	**–**	**–**	1.48	(33,666,000)
Forfeited	**1.48**	**(2,118,000)**	1.48	(4,152,000)
At 31 December	**1.48**	**33,512,000**	1.48	35,630,000

The weighted average closing share price at the date of exercise for share options exercised during the year ended 31 December 2020 was HK$2.43 per share.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021 Number of options	Exercise price* HK$ per share	Exercise period
184,400	**1.48**	**7-11-2018 to 31-8-2024**
534,400	**1.48**	**7-11-2019 to 31-8-2024**
538,400	**1.48**	**7-11-2020 to 31-8-2024**
16,128,400	**1.48**	**7-11-2021 to 31-8-2024**
16,126,400	**1.48**	**7-11-2022 to 31-8-2024**
33,512,000		

2020 Number of options	Exercise price* HK$ per share	Exercise period
232,400	1.48	7-11-2018 to 31-8-2024
582,400	1.48	7-11-2019 to 31-8-2024
586,400	1.48	7-11-2020 to 31-8-2024
17,114,400	1.48	7-11-2021 to 31-8-2024
17,114,400	1.48	7-11-2022 to 31-8-2024
35,630,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

29. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The Group recognised a share option expense of HK$5,035,000 (2020: HK$6,365,000) during the year ended 31 December 2021 in respect of share options granted/replaced in the prior years.

The total of 33,666,000 share options exercised during the year ended 31 December 2020 resulted in the issue of 33,666,000 ordinary shares of the Company and new share capital of HK$3,367,000 and share premium of HK$46,459,000 (before issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had 33,512,000 share options outstanding under the Scheme, representing approximately 2.8% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 33,512,000 additional ordinary shares of the Company and additional share capital of HK$3,351,000 and share premium of HK$46,247,000 (before issue expenses).

(b) Share award plan

The board of directors approved the adoption of the new share award plan (the "Share Award Plan") with effect from 19 May 2017. The purpose of the Share Award Plan is to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of shares and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. The vesting period of the awarded shares is determined by the board of directors.

Under the Share Award Plan, a total of 77,162,000 shares of the Company were purchased by Bank of Communications Trustee Limited (the "Trustee") during the year ended 31 December 2020. As at 31 December 2021, a total of 354,345,774 (2020: 354,345,774) shares were held by the Trustee under the Share Award Plan.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the prior and current years are presented in the consolidated statement of changes in equity on pages 50 and 51 of the financial statements.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Wah Yuen and its subsidiaries ("Wah Yuen Group")	**40.72%**	40.72%
Mindforce and its subsidiaries ("Mindforce Group")	**29%**	29%

	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Wah Yuen Group	**(81,837)**	39,688
Mindforce Group	**(33,844)**	(22,233)
Accumulated balances of non-controlling interests at the reporting date:		
Wah Yuen Group	**1,486,263**	1,509,668
Mindforce Group	**120,810**	150,680

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Wah Yuen Group HK$'000	Mindforce Group HK$'000
2021		
Revenue	**3,724,365**	**1,403,490**
Total expenses	**(3,925,339)**	**(1,520,196)**
Loss for the year	**(200,974)**	**(116,706)**
Total comprehensive expenses for the year	**(61,617)**	**(102,359)**
Current assets	**3,728,105**	**887,242**
Non-current assets	**2,544,293**	**779,271**
Current liabilities	**(2,606,793)**	**(1,093,667)**
Non-current liabilities	**(25,857)**	**(156,368)**
Net cash flows from/(used in) operating activities	**(34,723)**	**329,185**
Net cash flows used in investing activities	**(352,266)**	**(20,397)**
Net cash flows from/(used in) financing activities	**351,715**	**(307,061)**
Net increase/(decrease) in cash and cash equivalents	**(35,274)**	**1,727**

	Wah Yuen Group HK$'000	Mindforce Group HK$'000
2020		
Revenue	3,048,661	2,283,274
Total expenses	(2,951,195)	(2,359,941)
Profit/(loss) for the year	97,466	(76,667)
Total comprehensive income/(expenses) for the year	424,673	(38,802)
Current assets	3,513,987	1,278,236
Non-current assets	2,426,655	808,717
Current liabilities	(2,216,252)	(926,244)
Non-current liabilities	(25,365)	(641,871)
Net cash flows from/(used in) operating activities	(108,846)	121,030
Net cash flows used in investing activities	(425,040)	(16,394)
Net cash flows from/(used in) financing activities	258,829	(102,165)
Net increase/(decrease) in cash and cash equivalents	(275,057)	2,471

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$953,000 (2020: HK$707,000) and HK$953,000 (2020: HK$707,000), respectively, in respect of lease arrangements for its properties and motor vehicles (2020: properties).

(b) Changes in liabilities arising from financing activities

2021

	Lease liabilities HK$'000	**Interest-bearing bank borrowings HK$'000**
At 1 January 2021	**3,335**	**4,492,647**
Changes from financing cash flows	**(2,316)**	**339,055**
New leases	**953**	**–**
Accretion of interest recognised during the year	**103**	**–**
Interest paid classified as operating cash flows	**(103)**	**–**
Foreign exchange movement	**25**	**20,952**
At 31 December 2021	**1,997**	**4,852,654**

2020

	Lease liabilities HK$'000	Interest-bearing bank borrowings HK$'000
At 1 January 2020	4,724	3,774,847
Changes from financing cash flows	(2,106)	736,629
New leases	707	–
Accretion of interest recognised during the year	163	–
Interest paid classified as operating cash flows	(163)	–
Foreign exchange movement	10	(18,829)
At 31 December 2020	3,335	4,492,647

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	**3,668**	2,372
Within financing activities	**2,316**	2,106
	5,984	4,478

33. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

34. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Buildings	**236,872**	349,964
Machinery and office equipment	**220,588**	228,173
Leasehold land	**337,061**	–
Total capital commitments	**794,521**	578,137

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2021 HK$'000	2020 HK$'000
Lease payments paid to:			
Ms. Cheng Shao-Wen	(i)	**26**	25
Mr. Cheng Yung-Kang	(ii)	**26**	25
禾涎股份有限公司 (formerly known as 禾涎有限公司) ("禾涎")	(iii)	**148**	41
Depreciation of the right-of-use assets:			
Ms. Cheng Shao-Wen	(i)	**121**	115
Mr. Cheng Yung-Kang	(ii)	**35**	33
禾涎	(iii)	**159**	127
Ms. Lin Mei-Li	(iv)	**63**	61
Interest expenses on the lease liabilities:			
Ms. Cheng Shao-Wen	(i)	**2**	5
Mr. Cheng Yung-Kang	(ii)	**1**	2
禾涎	(iii)	**3**	6
Ms. Lin Mei-Li	(iv)	**1**	3

Notes:

(i) Ms. Cheng Shao-Wen is the daughter of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties. In addition to the lease payments for the short-term lease to Ms. Cheng Shao-Wen, the Group entered into an agreement with Ms. Cheng Shao-Wen on 1 January 2020 to lease an office for terms of 2 years at rates mutually agreed between the relevant parties. At 31 December 2021, there were no right-of-use asset and lease liability upon the expiration of the agreement during the year. At 31 December 2020, right-of-use asset of approximately HK$117,000 and lease liability of approximately HK$119,000 were recognised in respect of such lease.

(ii) Mr. Cheng Yung-Kang is the son of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties. In addition to the lease payments for the short-term lease to Mr. Cheng Yung-Kang, the Group entered into an agreement with Mr. Cheng Yung-Kang on 1 January 2020 to lease a staff quarter for terms of 2 years at rates mutually agreed between the relevant parties. At 31 December 2021, there were no right-of-use asset and lease liability upon the expiration of the agreement during the year. At 31 December 2020, right-of-use asset of approximately HK$34,000 and lease liability of approximately HK$34,000 were recognised in respect of such lease.

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: *(continued)*

Notes: *(continued)*

(iii) During the year ended 31 December 2021, Ms. Cheng Shao-Wen and Mr. Cheng Yung-Kang are the directors of 禾涎. Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu, a director of the Company, Ms. Cheng Shao-Wen and Mr. Cheng Yung-Kang are the shareholders of 禾涎. During the year ended 31 December 2020, Mr. Cheng Yung-Kang was the director and shareholder of 禾涎. The rentals were determined at rates mutually agreed between the relevant parties. In addition to the lease payments for the short-term lease to 禾涎, the Group entered into an agreement with 禾涎 on 1 March 2020 to lease an office for terms of 1 year and 10 months at rates mutually agreed between the relevant parties. At 31 December 2021, there were no right-of-use asset and lease liability upon the expiration of the agreement during the year. At 31 December 2020, right-of-use asset of approximately HK$154,000 and lease liability of approximately HK$156,000 were recognised in respect of such lease.

(iv) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties. The Group entered into an agreement with Ms. Lin Mei-Li on 1 January 2020 to lease an office for terms of 2 years at rates mutually agreed between the relevant parties. At 31 December 2021, there were no right-of-use asset and lease liability upon the expiration of the agreement during the year. At 31 December 2020, right-of-use asset of approximately HK$62,000 and lease liability of approximately HK$62,000 were recognised in respect of such lease.

The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group (excluding directors' remuneration):

	2021 **HK$'000**	2020 HK$'000
Short term employee benefits	**12,068**	9,433
Employee share-based compensation expenses	**1,764**	3,237
Total compensation paid to key management personnel	**13,832**	12,670

Further details of directors' emoluments are included in note 9 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost HK$'000	Financial asset at fair value through profit or loss – mandatorily designated as such HK$'000	Equity investment designated at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income	–	–	18,879	18,879
Trade receivables	4,297,352	–	–	4,297,352
Financial assets included in prepayments, deposits and other receivables	118,847	–	–	118,847
Derivative financial instruments	–	3,680	–	3,680
Pledged and restricted bank balances	74,744	–	–	74,744
Cash and cash equivalents	848,600	–	–	848,600
	5,339,543	3,680	18,879	5,362,102

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2021 *(continued)*

Financial liabilities

	Financial liability at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	–	1,333,045	1,333,045
Financial liabilities included in other payables and accruals	–	711,385	711,385
Derivative financial instrument	216	–	216
Interest-bearing bank borrowings	–	4,852,654	4,852,654
Lease liabilities	–	1,997	1,997
	216	6,899,081	6,899,297

2020

Financial assets

	Financial assets at amortised cost HK$'000	Equity investment designated at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income	–	24,218	24,218
Trade receivables	3,975,767	–	3,975,767
Financial assets included in prepayments, deposits and other receivables	126,505	–	126,505
Pledged and restricted bank balances	38,311	–	38,311
Cash and cash equivalents	928,674	–	928,674
	5,069,257	24,218	5,093,475

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2020 *(continued)*

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,399,513
Financial liabilities included in other payables and accruals	685,714
Interest-bearing bank borrowings	4,492,647
Lease liabilities	3,335
	6,581,209

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Financial assets				
Equity investment designated at fair value through other comprehensive income:				
Overseas listed equity investment, at fair value	**18,879**	24,218	**18,879**	24,218
Derivative financial instruments	**3,680**	–	**3,680**	–
	22,559	24,218	**22,559**	24,218
Financial liability				
Derivative financial instrument	**216**	–	**216**	–

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, pledged and restricted bank balances, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2021 and 31 December 2020 were assessed to be insignificant.

The fair value of the listed equity investment was based on a quoted market price.

The Group enters into derivative financial instruments with various counterparties, principally with creditworthy banks with no recent history of default. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values. As at 31 December 2021, the mark-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income:				
Overseas listed equity investment	18,879	–	–	18,879
Derivative financial instruments	–	3,680	–	3,680
	18,879	3,680	–	22,559

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income:				
Overseas listed equity investment	24,218	–	–	24,218

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: *(continued)*

Liability measured at fair value

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instrument	–	**216**	–	**216**

The Group did not have any financial liabilities measured at fair value as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, pledged and restricted bank balances, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade and bills payables and other payables and accruals, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3.3 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations denominated in US$ with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate of the United States dollar, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2021		
United States dollar	**50**	**(22,154)**
United States dollar	**(50)**	**22,154**
2020		
United States dollar	50	(20,215)
United States dollar	(50)	20,215

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables, certain cash and cash equivalents, and interest-bearing bank borrowings in currencies other than the functional currencies of the Group's operating subsidiaries. The Group uses derivative financial instruments to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

Since most of the Group's revenue is denominated in US$ and most of the Group's expenses are denominated in RMB, the appreciation of RMB has negative effects on the Group's profitability.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2021		
If US$ strengthens against RMB	**3.08**	**100,182**
If US$ weakens against RMB	**(3.08)**	**(100,182)**
2020		
If US$ strengthens against RMB	8.87	294,982
If US$ weakens against RMB	(8.87)	(294,982)

Credit risk

The carrying amount of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers.

The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 86% (2020: 85%) of the Group's trade receivables at the end of the reporting period. The loss allowance for impairment of trade receivables was based upon a review of the expected collectability of all trade receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2021

	12-month ECLs	Lifetime ECLs	
	Stage 1 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	4,300,833	4,300,833
Financial assets included in prepayments, deposits and other receivables			
– Normal**	118,847	–	118,847
Pledged and restricted bank balances			
– Not yet past due	74,744	–	74,744
Cash and cash equivalents			
– Not yet past due	848,600	–	848,600
	1,042,191	4,300,833	5,343,024

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs	
	Stage 1 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	3,980,850	3,980,850
Financial assets included in prepayments, deposits and other receivables			
– Normal**	126,505	–	126,505
Pledged and restricted bank balances			
– Not yet past due	38,311	–	38,311
Cash and cash equivalents			
– Not yet past due	928,674	–	928,674
	1,093,490	3,980,850	5,074,340

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

		2021		
	On demand or within 1 year HK$'000	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**1,333,045**	**–**	**–**	**1,333,045**
Lease liabilities	**1,447**	**597**	**–**	**2,044**
Financial liabilities included in other payables and accruals	**711,385**	**-**	**–**	**711,385**
Interest-bearing bank borrowings	**3,581,408**	**1,332,955**	**793**	**4,915,156**
	5,627,285	**1,333,552**	**793**	**6,961,630**

		2020		
	On demand or within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	1,399,513	–	–	1,399,513
Lease liabilities	2,242	1,197	–	3,439
Financial liabilities included in other payables and accruals	685,714	–	–	685,714
Interest-bearing bank borrowings	3,098,374	1,487,105	2,286	4,587,765
	5,185,843	1,488,302	2,286	6,676,431

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual equity investment classified as an equity investment designated at fair value through other comprehensive income (note 21) as at 31 December 2021. The Group's listed investment is listed on the Taiwan Stock Exchange (the "TSEC") and valued at the quoted market price at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting periods, and its respective highest and lowest points during the year were as follows:

	31 December 2021	**High/low 2021**	31 December 2020	High/low 2020
ROC – TSEC Weighted Index	**18,219**	**18,291/14,720**	14,733	14,760/8,524

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the equity investment designated at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

	Carrying amount of equity investment HK$'000	**Increase/ (decrease) in equity price %**	**Increase/ (decrease) in equity* HK$'000**
2021			
Investment listed in:			
ROC – Equity investment at fair value through other comprehensive income	**18,879**	**32.76**	**6,185**
	18,879	**(32.76)**	**(6,185)**
2020			
Investment listed in:			
ROC – Equity investment at fair value through other comprehensive income	24,218	48.56	11,761
	24,218	(48.56)	(11,761)

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in United States dollars. The interest rates of certain of these instruments are based on the LIBOR with a tenor of three months or six months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract

- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)

- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

	2021 **HK$'000**	2020 HK$'000
Non-derivative financial liabilities – carrying amount:		
Interest-bearing bank borrowings		
– United States dollar LIBOR	**781,559**	901,956

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is calculated as the total bank borrowings divided by the total assets. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
Total bank borrowings	**4,852,654**	4,492,647
Total non-current assets	**9,040,175**	8,850,736
Total current assets	**8,208,504**	7,605,451
Total assets	**17,248,679**	16,456,187
Gearing ratio	**28%**	27%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,078,893**	1,074,411
CURRENT ASSETS		
Due from subsidiaries	**4,370,340**	4,370,934
Prepayments, deposits and other receivables	**427**	394
Restricted bank balances	**40,498**	5,114
Cash and cash equivalents	**2,705**	4,841
Total current assets	**4,413,970**	4,381,283
CURRENT LIABILITIES		
Due to a subsidiary	**1,810,882**	1,685,879
Other payables and accruals	**5,673**	5,307
Total current liabilities	**1,816,555**	1,691,186
NET CURRENT ASSETS	**2,597,415**	2,690,097
Net assets	**3,676,308**	3,764,508
EQUITY		
Issued capital	**120,001**	120,001
Reserves (note)	**3,556,307**	3,644,507
Total equity	**3,676,308**	3,764,508

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Shares held under share award plan HK$'000	Employee share-based compensation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2020	85,267	(632,706)	102,764	316,058	3,995,208	3,866,591
Total comprehensive expenses for the year	–	–	–	–	(9,714)	(9,714)
Issue of shares in connection with the exercise of share options	102,652	–	(56,193)	–	–	46,459
Purchase of shares under the share award plan	–	(178,330)	–	–	–	(178,330)
Dividend received under the share award plan	–	29,770	–	–	–	29,770
Share-based compensation arrangements	–	–	6,365	–	–	6,365
2019 final dividend	–	–	–	–	(116,634)	(116,634)
At 31 December 2020 and 1 January 2021	**187,919**	**(781,266)**	**52,936**	**316,058**	**3,868,860**	**3,644,507**
Total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(8,669)**	**(8,669)**
Dividend received under the share award plan	**–**	**35,435**	**–**	**–**	**–**	**35,435**
Share-based compensation arrangements	**–**	**–**	**5,035**	**–**	**–**	**5,035**
2020 final dividend	**–**	**–**	**–**	**–**	**(120,001)**	**(120,001)**
As 31 December 2021	**187,919**	**(745,831)**	**57,971**	**316,058**	**3,740,190**	**3,556,307**

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 3.3 to the financial statements. The amount will be (i) transferred to the share premium account when the related options are exercised; (ii) transferred to retained profits should the related options expire; or (iii) credited to the statement of profit or loss should the related options be forfeited.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2022.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**11,282,979**	10,029,519	8,916,007	9,072,101	7,751,797
PROFIT BEFORE TAX	**200,195**	285,522	328,522	337,913	262,515
Income tax expense	**(142,646)**	(128,503)	(116,608)	(137,569)	(95,163)
PROFIT FOR THE YEAR	**57,549**	157,019	211,914	200,344	167,352
Attributable to:					
Equity holders of the Company	**162,396**	130,506	145,913	138,660	76,929
Non-controlling interests	**(104,847)**	26,513	66,001	61,684	90,423
	57,549	157,019	211,914	200,344	167,352

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**17,248,679**	16,456,187	14,113,916	14,810,212	15,635,760
TOTAL LIABILITIES	**(8,700,978)**	(8,238,404)	(6,665,413)	(7,186,410)	(7,287,375)
NON-CONTROLLING INTERESTS	**(1,705,568)**	(1,746,589)	(1,571,905)	(1,546,454)	(1,600,709)
	6,842,133	6,471,194	5,876,598	6,077,348	6,747,676