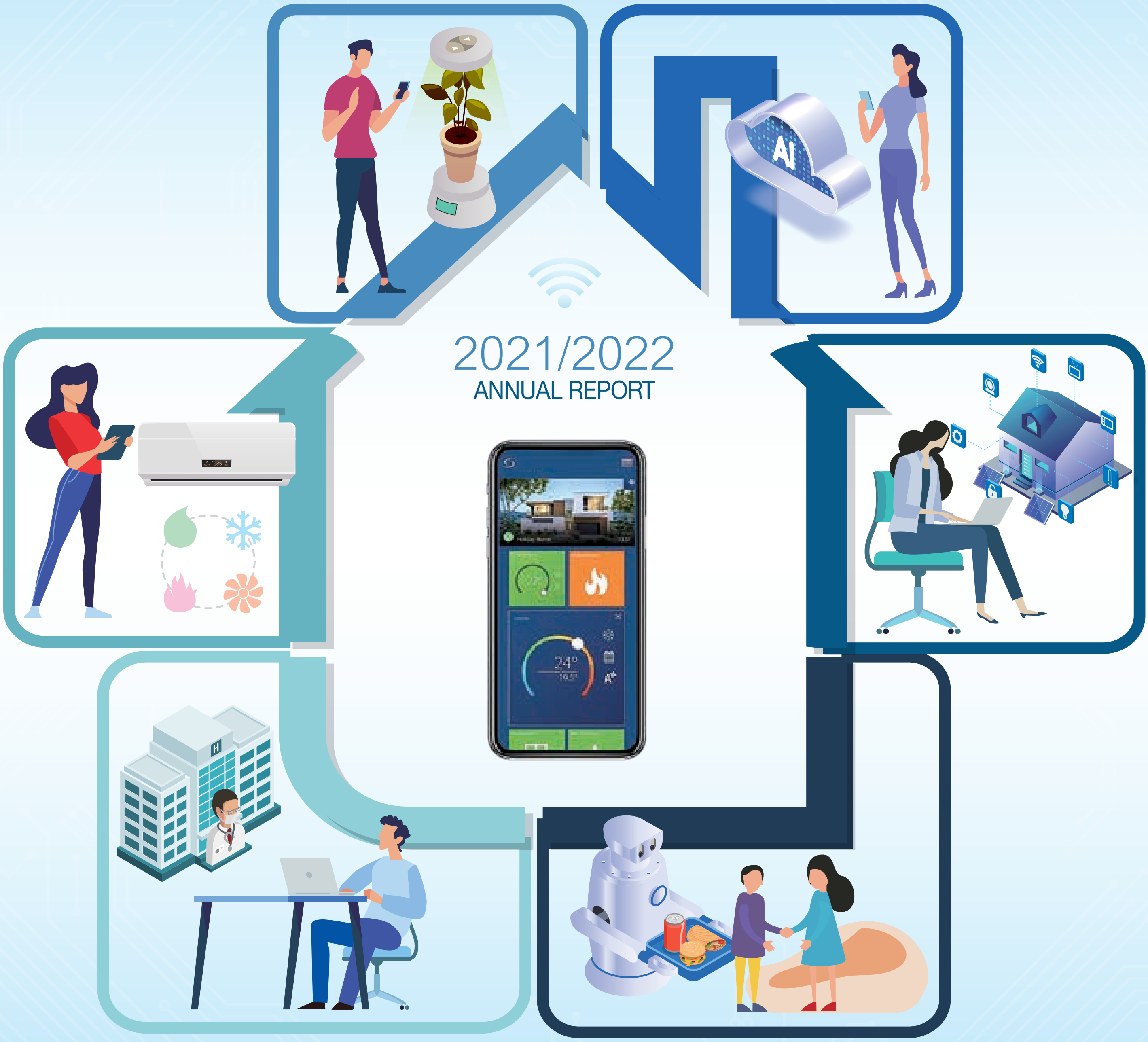
Computime

2021/2022
ANNUAL REPORT



COMPUTIME GROUP LIMITED
金寶通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 320)

* For identification purposes only

Computime Group Limited (stock code: 0320) is a global technology and manufacturing company headquartered in Hong Kong, with 15 offices and manufacturing sites in strategic locations around the world. Over the past 40 years, Computime has worked with global brands to deliver meaningful design and manufacturing solutions, as well as to develop and to launch innovative products under its own brand name. Offering more than standard manufacturing services, Computime has established a broad portfolio of solutions. Through bespoke IP and sophisticated R&D, Computime helps its partners to accelerate time-to-market, as well as to launch industry-leading connected products under its SALUS Controls brand. Computime has positioned itself at the forefront of technology, and is emerging as a market leader in the design and manufacturing of IoT and home automation products.

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Corporate Information

Chairman Emeritus

Mr. AUYANG Ho

Directors

Executive Directors

Mr. AUYANG Pak Hong Bernard
(Chairman and Chief Executive Officer)
Mr. WONG Wah Shun

Non-executive Directors

Mr. KAM Chi Chiu, Anthony
Mr. WONG Chun Kong

Independent Non-executive Directors

Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

Authorised Representatives under the Listing Rules

Mr. AUYANG Pak Hong Bernard
Mr. WONG Samuel Wan Kay

Executive Committee

Mr. AUYANG Pak Hong Bernard *(Chairman)*
Mr. WONG Wah Shun

Audit Committee

Mr. LUK Koon Hoo *(Chairman)*
Mr. Patrick Thomas SIEWERT
Mr. KAM Chi Chiu, Anthony
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

Registered Office

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

Head Office and Principal Place of Business

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Website

www.computime.com

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
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P.O. Box 1586,
Gardenia Court,
Camana Bay,
Grand Cayman,
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Hong Kong Branch Share Registrar and Transfer Office

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

Nomination Committee

Mr. AUYANG Pak Hong Bernard *(Chairman)*
Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

Remuneration Committee

Mr. Patrick Thomas SIEWERT *(Chairman)*
Mr. AUYANG Pak Hong Bernard
Mr. LUK Koon Hoo
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

Company Secretary

Mr. WONG Samuel Wan Kay

Investor Relations

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Stock Code

320

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisors

Slaughter & May
Burke, Warren, MacKay & Serritella, P.C.

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Citibank (Hong Kong) Limited
United Overseas Bank Limited, Hong Kong Branch
DBS Bank (Hong Kong) Limited

Chairman's Statement

Dear Stakeholders,

On behalf of the Board of Directors (the "Board") of Computime Group Limited (the "Company" or "Computime"), we are pleased to present you the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2022 ("FY2022" or the "Year").

FY2022 represents another challenging year for the global smart and sustainable living market. The unprecedented disruption caused by COVID-19 has brought major lockdowns and difficulties in production and shipment. The tense relationship between international powers, in the case of China and the United States of America ("US") as well as Ukraine and Russia, have also added further uncertainties to the operating environment. Global supply chain disruption and a surge in raw material prices soon followed suit, which was particularly severe in the last quarter of the financial year, putting cost pressure on most companies and industries worldwide. Meanwhile, the anticipated and aggressive US interest rate hikes are expected to pose further challenges to companies with overseas sales and currency exposure. As a well-established smart innovator, we will continue to be a technology, brand, and manufacturing company that enables and advances smart and sustainable living for everyone. We will take a proactive role in mitigating the risks described above, be agile when dealing with uncertainties, and be financially sound to prepare for what lies ahead.

The Group presented an encouraging performance in terms of its turnover by a double-digit increment by around 16% to approximately HK$4,184.8 million, attributed to our strong sales order during a strong headwind in the general business environment. Various segments of our business continued to show sturdy growth in sales in multiple regions, and such exceptional results proved to be an encouraging driving force for us to sail to the next financial year. Benefited by the strong turnover, it was delighted to announce our sound financial performance marked a favourable return for our shareholders throughout the year.

Computime never stops to look for opportunities to expand its business while developing new technologies. By late December 2021, the Group announced the acquisition of Braeburn Systems LLC ("Braeburn"), an American branded technology and product company focusing on energy-saving technologies and smart heating, ventilation and air-conditioning ("HVAC") controls. The acquisition expanded our branded business-to-business ("B2B") business, and its presence would generate synergies with our existing homemade brand, Salus Controls, turning ourselves into a global brand of smart living.

Braeburn also provided us with a solid foundation for our Software as a Solution ("SaaS") or Platform as a Solution business ("PaaS") development – the way for us to be smarter and more sustainable in the future. To support our SaaS or PaaS development, we also need more product diversity and quality. We strive to improve the functionality of our existing products and introduce new and better products based on our competency in artificial intelligence of things ("AIoT"), sensors, connectivity, Artificial Intelligence ("AI")/Machine Learning ("ML") initiative, human-machine interface, and cloud technologies to expand our ecosystem. Specifically, we made new attempts on new product categories such as electric vehicles ("EV") charging devices and intelligent and energy-saving HVAC products during the Year.

We also need higher agility in our manufacturing solutions to cater to our expanding product ecosystem, which in turn supports our service development. In addition to our well-established production network across China, Malaysia, and Vietnam, we have established our first plant in Mexico during the Year. Our Romania engineering facility is also expected to commence operation in the coming financial year. On the other hand, we have been ramping up our production base in Malaysia in preparation for the eventual market rebound and potential regional disruptions. We are also close to launching the SAP system after a year of development to digitalise and streamline the operation. We believe these developments would strengthen our coverage and supply chain control, allowing us to be more competitive and closer to end markets and become a truly global player in smart and sustainable living.

Apart from improving the product ecosystem and service development, we have also invested significantly in our employees, as we believe human capital would be the most critical element in our sustainable development. During the Year, the Group has adopted a mass scale of work-from-home ("WFH") approach in response to the Government's Prevention and Control of Diseases to minimise the impacts of spreading infectious diseases within the office and safeguard the health of our employees. The Group provides extensive system upgrades and technological support to foster an accessible workplace for all employees working remotely at home. Recognising the remarkable business performance, the Group is committed to providing rewards and recognition to our talents for being professional and creating values for the Company. We are revamping our compensation and benefits program based on individual performance to ensure the package is highly competitive. Meanwhile, we will continue to nurture our future talents in our succession plan – the Next Generation Program, which provides all-rounded support in developing leadership skills and personal advancement skill sets. In the coming year, the Group will initiate the "Proud to be Computime" program to promote further our vision, mission, value, and culture within the company.

Despite suffering from the COVID-19 variants and lockdowns in major cities, we believe the actions above have set the right tone for us to move forward: product diversity and quality, servicing capability, manufacturing excellence, technology development, talent investment, and eventually, delivering smart, customised and interconnected solutions. The growth in revenue and net profit in such a challenging market also offers us ground for optimism.

A new journey may also need a new vision and a new approach. For almost 50 years, the Group has been striving for excellence by crafting a world-class technology, brand, and manufacturing company from an ordinary clock supplier, under the extraordinary leadership of Mr. AUYANG Ho. His leadership and vision were stepping stones to our success today. In April 2022, Mr. AUYANG Ho retired as the chairman of the Board ("Chairman") and was appointed as the Chairman Emeritus in honour of his extensive industry experience and significant contributions to the Group. It is a high standard that he sets. But by inheriting the values and beliefs from him with a new perspective, we will continue to bring new solutions to our customers and realise the Group's potential in technological advancement and smart living.

Computime will focus on our core, including our business, people, mindset, and innovation, and continue our transformation journey as a smart and sustainable living enabler. Meanwhile, we will continue investing in research and development ("R&D") and technologies to develop more innovative, more environmentally friendly, interconnected solutions for our branded partners and end customers.

Appreciation

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to Mr. AUYANG Ho for his endeavor and guidance, as well as to all of our stakeholders, including our esteemed customers, trusted suppliers, valuable investors, and loyal and dedicated employees, for their continuous support and devoted contributions. Based on the solid foundation built in the past, we are committed to moving forward hand-in-hand and creating greater values and sustainable returns for our investors and society.

Sincerely,

AUYANG Pak Hong Bernard
Chairman, Chief Executive Officer and Executive Director
Computime Group Limited

Hong Kong, 30 June 2022

Management Discussion and Analysis

Market Overview

The business environment during the Year remained challenging due to several unforeseen factors. The COVID-19 pandemic continued to disrupt the global chain, as another wave of infections has again impacted the supply of raw material, manufacturing, logistics, and consumption activities to a temporary halt. That was particularly severe in the Southeast Asian market. In the case of China, major cities such as Shenzhen and Shanghai have implemented lockdowns to contain the latest wave, putting a pause on most economic activities.

Even though the West largely relaxed its pandemic measures, they faced similar problems. The resumption of consumption drove product demand, yet the surge has further complicated the global and regional supply chain. The escalation of the Ukraine-Russia conflict added fire to the problem, causing significant changes to European trade routes. The supplies of key commodities such as oil and copper were severely disrupted due to geopolitical hostilities. The subsequent price hike has, in turn, put considerable cost pressure on many industries.

With challenges come opportunities. Given that people are forced to spend more time at home, there is a growing emphasis on quality of living, which comes with a rising adoption and spending on household products and services. The stay-at-home economy became the current and the next big trend. Most notably, the smart-living market, where interconnected, environmental-friendly, smart household products are used to form convenient and customised solutions, was increasingly valued. According to the International Data Corporation ("IDC"), the global smart home device market enjoyed a year-on-year ("YoY") growth of 11.7% in 2021. It is expected to maintain a double-digit compound annual growth rate ("CAGR") from 2021 to 2026, presenting significant market opportunities.

Overall, there is a growing sense that uncertainties will become increasingly certain, and market disruptions will likely exert impacts in the short-to-medium term. From a company perspective, it is necessary to adapt to market shocks, upgrade its product and service offering to strengthen its core capability, expand its business and geographical footprints to diversify risks, maintain financial flexibility to prepare for the unexpected, and eventually, transform its business to become more sustainable. In the face of such a dynamic environment, Computime has made great strides during the Year, realigning its positioning to become an advanced, technology-driven, smart-living solutions provider to offer higher value to its customers and shareholders.

Business and Financial Review

The Group performed admirably despite the abovementioned challenges, achieving satisfactory sales performance and notable milestones during the Year. Benefiting from the resilient business performance and sales growth across both of the Group's operating segments, revenue for the Year increased by 16.4% YoY to approximately HK$4,184.8 million as compared HK$3,596.7 million for the year ended 31 March 2021 ("FY2021"). The Group also took active measures to manage the acquisition and rising raw material price and production cost. Hence, the gross profit margin was primarily maintained at 12.8% (FY2021: 13.0%), and gross profit increased to approximately HK$537.3 million (FY2021: HK$465.8 million), in line with the increase in revenue. On expenses, while the Group continued to tap into new markets and invest in product and technology R&D, selling and distribution expenses were able to maintain at a stable level of approximately 2.6% of total revenue (FY2021: 2.5%). Administrative expenses were also well-managed at approximately 8.0% of total revenue (FY2021: 8.1%). Due to the combined effort, profit for the year attributable to owners of the Company recorded a steady increase of approximately 3.5% YoY, from HK$81.4 million last year to HK$84.2 million this year.

The Group was capable of delivering an improvement in earnings per share attributable to owners of the Company (basic) by 0.32 HK cents to 10.01 HK cents (FY2021: 9.69 HK cents). While COVID-19 disruption persists, the Group strongly believes the boost in sales performance is a strong evidence to seize additional market share, expanding our customer bases and order book. Overall, the Group responded swiftly to market changes and managed to alleviate the worst impacts. The satisfactory financial performance during the Year has reflected its operational resilience, increasing market share, and expanding client portfolio and order book in a highly competitive market.

During the Year, the Group continued its commitment to enabling and advancing smart and sustainable living for all through its two key operating segments, namely the Smart Solutions ("SS") segment and Contract Manufacturing Services ("CMS") segment, providing premium products and value-added solutions to its worldwide customers. Revenue for the SS segment was approximately HK$1,281.4 million (FY2021: HK$1,092.3 million), representing an increase of 17.3% YoY, mainly due to an increase in order attributable to the growing awareness of household energy-saving among consumers. As for the CMS segment, the Group recorded a segment revenue of approximately HK$2,903.5 million (FY2021: HK$2,504.4 million), a YoY increase of 15.9%, attributable to the strong order demand from our customers across the entire Year. Our branded business, Salus Controls, delivered a strong performance in the Year despite intensifying market competition, attributable to the increasing adoption of efficient, energy-saving household products within the European market.

In response to the severe global material shortage, the Group has strategically increased inventory holding of critical components to ensure on-time order fulfillment and delivery. During the Year, the Group recorded an increase in inventories, from HK$739.2 million as at 31 March 2021 to approximately HK$935.9 million as at 31 March 2022. Along with our strong sales growth versus the same period last year, the Group's trade receivables experienced an increase of HK$94.8 million, from HK$404.4 million as at 31 March 2021 to HK$499.2 million as at 31 March 2022.

The Group also made a conscious effort to maintain a healthy financial position despite acute global supply chain disruption and market volatility. As at 31 March 2022, the Group had cash and bank balances and time deposit with an original maturity of three months or less when acquired of HK$301.8 million (2021: HK$582.1 million). The Group also maintained a relatively healthy gearing ratio of 40.8% (2021: 21.8%), calculated based on the net debt divided by the equity attributable to owners of the Company plus net debt. Net debt is the sum of interest-bearing bank borrowings, trade and bills payables, and other payables and accrued liabilities, minus cash and bank balances and time deposits with an original maturity of three months or less when acquired. The ample financial reserve would enable the Group to remain flexible in the face of operating challenges.

Operationally, FY2022 marked a landmark year for Computime's transformation journey in becoming a leading technology, brand, and manufacturing company and an enabler of smart and sustainable living. The Group took proactive measures surrounding improvement and diversification, focusing on product and technology R&D to enhance the capability, SaaS and PaaS development, and regional market penetration to diversify business risk, manufacturing footprint expansion to support product and service development, as well as financial stability to maintain business agility.

In terms of product upgrade and diversification, the Group continued to invest in R&D during the Year, particularly in core technologies, including Internet of Things ("IoT"), sensors and connectivity, Cloud SaaS and PaaS solutions, AI and ML, as well as human-machine interfacing. By incorporating the latest technological development into new and existing product categories, Computime could expand its product portfolio, improve its product functionality, boost client stickiness, and drive customer revenue contributions. During the Year, the Group has explored new product categories, such as EV charging devices and smart HVAC products with energy-saving functions.

The Group has taken a significant step towards sustainability through the purchase of an additional interest in Braeburn, an American branded technology and product company focusing on energy-saving technologies and smart HVAC controls by acquiring an additional 62.9998% of the membership interests at a consideration of US$10.3 million in December 2021. As at 31 March 2022, the Group had an accumulated total of 90% of the membership interests in Braeburn. Given its unique positioning and capability, the acquisition is expected to broaden our client reach and product portfolio, increase our regional market penetration, expand our branded B2B business, drive our economies of scale, and most importantly, strengthen our servicing capability so that we can provide customers with better solutions and user experience. These, in turn, would support our new business initiatives, boosting our financial performance and providing business visibility and sustainability in the long run.

The Group expects Braeburn to further strengthen our market position in the North American region and diversify our geographical and customers concentration risks. Founded in 2001, Braeburn has more than 20 years of experience and accumulated extensive network resources, including a solid sales and marketing team, extensive locations of local distributor, and supporting warehouses in North America. Pairing with our home branded business, Salus North America, the two together would share a similar business model as well as technological platform, able to create synergies better to serve our customers with an expanded product catalogue, create sales and marketing synergies through integration, and achieve bundling or upselling in the field of smart HVAC. These eventually would drive our customer acquisition, retention, and profitability as we further penetrate the market.

Braeburn's existing application platform, BlueLink Connect, has acted as the technological infrastructure for users to control household appliances and collect user behaviour. Supported by our intelligent platforms in robotics, smart irrigation, smart home, and building and energy management, this would also allow us to provide intelligent, customised, and value-added services, essentially diversifying our revenue streams and boosting our margins in the longer term.

Expanding and improving the product portfolio also laid the foundation for the Group's SaaS or PaaS development. By consolidating Braeburn's installer and customer APP and technology platform with the Group's extensive product portfolio and capability in AIoT, the Group is currently working on offering platform solutions on applications such as smart irrigation, robotics, and smart home construction, providing customised controls and value-added management solutions to its branded partners and end customers. The move will also expand the Group's business scope, diversify its revenue streams, and achieve economies of scale amid limited visibility in the near future.

To support its servicing and geographical development and satisfy its customers' growing order demand, the Group has also put significant effort into diversifying and expanding our global manufacturing footprint. In addition to its China presence, the Group has steadily grown to the Asia Pacific with sites in Malaysia and Vietnam. During the Year, the Group also established its first manufacturing plant in Mexico and laid the foundation for the development of a Center of Excellence (an engineering centre) in Romania to streamline its R&D further and improve its quality control in the European market, as well as to be more agile and closer to end markets.

To better manage the rapidly expanding manufacturing capability, reduce human capital dependence, and achieve more significant economies of scale, the Group also continuously devoted considerable effort to system upgrades during the Year, with the migration to the SAP system on the pipeline. The system is on track for an official launch very shortly, empowering the Group to pursue a new age of smart manufacturing and management excellence.

Outlook

Factors such as the COVID-19 pandemic, inflation, Ukraine-Russia conflict, and supply chain disruption are unlikely to be resolved soon. Under such an environment, it is expected that the operating environment will continue to be challenging and uncertain. Transforming its business model and adjusting its approach would be crucial for Computime to maintain competitiveness and go one step further.

Computime will continue to be devoted to enabling and advancing smart and sustainable living for users as our top priority. In the future, the Group will continue to invest in new technologies and platforms, including AI, ML, AIoT, robotics, cloud computing, and more, to integrate such technologies into its products to better realise the potential of Computime's total smart solutions and explore the SaaS income streams, ultimately improving its margins through offerings in security service, AI-powered HVAC services, and surveillance camera recording.

On Braeburn, the Group will continue to leverage its extensive distribution network and APP resources to increase market coverage and enhance its SaaS and PaaS capabilities. The Group is also committed to expanding its manufacturing excellence by exploring other locations in addition to Mexico and ramping up its existing production bases in China, Vietnam, and Malaysia. In support of the above measures, the Group will keep a stringent control on cash flow to better fuel its future development and transformation.

Despite all the uncertainties, Computime will continue to leverage its core competencies and technical know-how, forging towards the vision of becoming a premium smart living enabler to create higher values for its stakeholders.

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a sound financial and liquidity position in the Year. As at 31 March 2022, the Group maintained cash and bank balances of HK$347,727,000 (2021: HK$591,203,000), which included cash and bank balances of HK$301,758,000 (2021: HK$570,196,000), and nil time deposits with original maturity of three months or less when acquired (2021: HK$11,868,000) and restricted deposits of HK$45,969,000 (2021: HK$9,139,000) for issuance of bank acceptance notes. The Group held cash and bank balance of HK$132,682,000 (2021: HK$153,927,000) denominated in Renminbi ("RMB"). The remaining balance was mainly denominated in United States dollars ("US dollars"), HK dollars or Euro ("EUR"). Overall, the Group maintained a robust current ratio of 1.4 times (as at 31 March 2021: 1.8 times).

As at 31 March 2022, total interest-bearing bank borrowings were HK$285,923,000 (2021: HK$83,454,000), comprising mainly bank loans repayable within one year. The majority of these borrowings were denominated either in US dollars, HK dollars or EUR (2021: US dollars or EUR) and the interest rates applied were primarily subject to floating rate terms.

As at 31 March 2022, total equity attributable to owners of the Company amounted to HK$1,386,401,000 (2021: HK$1,398,410,000). The Group had a net balance of total cash and bank balances less total interest-bearing bank borrowings of HK$61,804,000 (2021: HK$507,749,000).

Treasury Policies

The Group is exposed to foreign exchange risk through sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies involved are primarily US dollars, RMB, EUR and Great British Pound ("GBP"). As at 31 March 2022, the Group had outstanding foreign currency forward contracts to sell EUR6.0 million buy US dollars (2021: sell EUR5.8 million buy US dollars), and sell GBP4.0 million buy US dollars (2021: sell GBP9.5 million buy US dollars). These forward contracts were entered into for managing the foreign exchange risk. The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimise the relevant exposures.

Capital Expenditure and Commitments

During the Year, the Group incurred total capital expenditures of approximately HK$166,867,000 (2021: HK$186,160,000) for additions to leasehold land, property, plant and equipment as well as for deferred expenditure associated with the development of new products.

As at 31 March 2022, the Group had capital commitments contracted but not provided for of HK$33,295,000 (2021: HK$16,686,000), mainly for the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 March 2022, the Group did not have any significant contingent liabilities (2021: Nil).

Charges on Assets

The Group undertakes to the bank that short term bank deposits of HK$46.0 million have to be maintained with the respective bank during the life of certain bills payables.

Employee Information

As at 31 March 2022, the Group had a total of 4,900 full-time employees (2021: 5,100 full-time employees). Total staff costs for the Year amounted to HK$687,189,000 (2021: HK$665,819,000). Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company currently has a share option scheme (which was adopted on 14 September 2016 ("2016 Scheme") following the expiry of the old share option scheme on 15 September 2016 ("2006 Scheme")) under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. Up to the date of this report, 8,000,000 share options remained outstanding under the 2006 Scheme and 2,000,000 share options remained outstanding under the 2016 Scheme.

Profile of Chairman Emeritus, Directors, Senior Management and Company Secretary

Chairman Emeritus

AUYANG Ho, aged 90

Mr. AUYANG Ho ("Mr. AUYANG") was an executive director ("Executive Director"), Chairman, chairman of both the executive committee ("Executive Committee") and nomination committee ("Nomination Committee") and a member of the remuneration committee ("Remuneration Committee") of the Company until 13 April 2022. He is now a director of Computime International Limited, a subsidiary of the Company. Besides, Mr. AUYANG is a director and a shareholder of Solar Power Group Limited, the controlling shareholder of the Company. He is the father of Mr. AUYANG Pak Hong Bernard ("Mr. Bernard AUYANG"), an Executive Director, Chairman and the chief executive officer of the Company ("Chief Executive Officer"). Mr. AUYANG co-founded the Group in 1974. He graduated from the South China Institute of Technology (now known as the South China University of Technology), where he studied structural engineering. Mr. AUYANG has more than 50 years of experience in manufacturing operations, product management and development in the electronics industry. Prior to founding the Group, Mr. AUYANG was an engineer in the Ministry of Railways of the People's Republic of China. During the period from April 1965 to January 1973, he worked in the group of The Hong Kong Chiap Hua Manufactory Company, (1947) Limited (now known as "Chiaphua Limited") (this group is hereinafter referred to as "Chiap Hua Group"). He had served as an assistant plant manager of the extrusion plant for The Hong Kong Chiap Hua Manufactory Company (1947) Limited from April 1965 to December 1970. From January to September 1970, he acted as a project manager for International Containers Limited (a company formed by Chiap Hua Group and another party and has now been dissolved) and was responsible for supervising and co-ordinating the setting-up of a new manufacturing plant and all the facilities. In September 1970, he was formally promoted as the plant manager of International Containers Limited and held the position until he left Chiap Hua Group in January 1973. Mr. AUYANG then formed the Group and under his leadership, the Group received The Chinese Manufacturers' Association of Hong Kong New Product Award in 1976. Mr. AUYANG has been instrumental in spearheading the Group's expansion and has secured many key customers since 1980.

Directors

Executive Directors

AUYANG Pak Hong Bernard, aged 54

Mr. Bernard AUYANG is an Executive Director and the Chief Executive Officer, he is a son of Mr. AUYANG, the Chairman Emeritus. Bringing with him over 30 years of experience in the general management and the corporate industry, Mr. Bernard AUYANG also serves as the chairman of both of the Executive Committee and the Nomination Committee and a member of the Remuneration Committee.

Mr. Bernard AUYANG has been the chairman of a Hong Kong based investment firm; and was a chief executive officer of a brand and technology company focusing on innovative communication and outdoor products. He is also a director of CUHK Medical Centre Limited, as well as a member of its executive committee, and the chairman of both of the business development committee and the IT committee.

Mr. Bernard AUYANG was an independent non-executive director, the chairman of the remuneration committee and a member of both of the audit committee and the nomination committee of Lever Style Corporation, a company listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 1346) from 12 October 2019 to 2 May 2022. He was also an outside director, the chairman of both of the nomination committee and the compensation committee of Sumida Corporation, a company listed on the Tokyo Stock Exchange, First Session (stock code: 6817) from 20 March 2013 to 25 March 2022.

Mr. Bernard AUYANG was a recipient of the Young Industrialist Awards of Hong Kong in 1999 and was named the Hong Kong Young Industrial Ambassador in 2002. He was also the past international chairman of the Young Presidents' Organization, a global network of young chief executives, for the year 2014 to 2015. Mr. Bernard AUYANG is currently a council member of St. Paul's Co-educational College, a member of the advisory board of the Institute of Chinese Studies and a member of the committee of Overseers of Wu Yee Sun College of The Chinese University of Hong Kong, and a court member of the Hong Kong University of Science and Technology.

Mr. Bernard AUYANG obtained a Bachelor of Arts magna cum laude in East Asian Studies and Economics from Harvard University in the US in 1991.

WONG Wah Shun, aged 59

Mr. WONG ("Mr. Kent WONG") is an Executive Director and the president of the Group and serves as a member of the Executive Committee. Having over 30 years of experience in the electronic industry focusing on product development, manufacturing, distribution and brand development, he was the chief executive officer of the Branded Business in VTech Telecommunication before leaving the company in 2008, after 19 years working with them. Afterwards, he worked in companies with renowned brands on product and technology sides at a senior executive level, notably including being the president of Salus Solutions of the Group in the year of 2009.

Mr. Kent WONG is a Chartered Engineer and a member of the Institution of Engineering and Technology (IET). He earned a Master's degree in Engineering Management from City University of Hong Kong, a Master's degree in Engineering from the University of Warwick, a Master's degree in Business Administration from the University of Strathclyde and an Executive Master's degree in Business Administration from the Kellogg-HKUST. He also holds 3 invention patents in the United States Patent and Trademark Office.

Non-executive Directors

KAM Chi Chiu, Anthony, aged 60

Mr. KAM is a non-executive director ("Non-executive Director") and a member of the audit committee ("Audit Committee") of the Company. Mr. KAM is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. He holds a Master's degree in Mathematics from the University of Oxford in the United Kingdom. He is qualified as a chartered accountant in London and currently practices as a certified public accountant in Hong Kong. Mr. KAM was appointed as a Non-executive Director in September 2006.

WONG Chun Kong, aged 61

Mr. WONG Chun Kong ("Mr. CK WONG") is a Non-executive Director. He is a solicitor of the High Court of Hong Kong. Mr. CK WONG was educated in both Hong Kong and England. He has substantial experience in civil litigation and deals mainly in commercial, personal injuries, banking and administrative law litigation, corporate acquisition, cross-border joint ventures etc. He had served as a Deputy Adjudicator of the Small Claims Tribunal of Hong Kong Special Administrative Region (the "HKSAR") in 1998 and as an Adjudicator of the Registration of Persons Tribunal of HKSAR during the period from March 2005 to February 2011. He was also a panel member of the Municipal Services Appeals Board of HKSAR during period from January 2009 to December 2014. He is now a Chief Adjudicator of the Registration of Persons Tribunal of HKSAR. Mr. CK WONG has been a Non-executive Director of the Company since February 2008.

Independent Non-executive Directors

LUK Koon Hoo, aged 70, *BBS, JP*

Mr. LUK is an independent non-executive director ("Independent Non-executive Director"), the chairman of the Audit Committee and a member of both of the Nomination Committee and the Remuneration Committee. He is a retired banker, and has 30 years of comprehensive experience in accounting and financial management. He began at Hang Seng Bank in 1975 as a trainee officer. He was appointed as personal assistant to the deputy general manager and held that office from 1987 to 1989. Mr. LUK served as the head of financial control in 1989, as director and deputy chief executive in 1994 and as managing director and deputy chief executive from 1996 to his retirement in May 2005. Regarding Mr. LUK's other directorships, he is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including China Properties Group Limited (Stock Code: 1838), Hung Hing Printing Group Limited (Stock Code: 450), i-Cable Communications Limited (Stock Code: 1097) and Harbour Centre Development Limited (Stock Code: 51). Mr. LUK served as a council member of The Chinese University of Hong Kong and a non-executive director of Urban Renewal Authority. Mr. LUK also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Board of Trustees of the Sir Edward Youde Memorial Fund, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission ("SFC"), Barristers Disciplinary Tribunal Panel, the Operations Review Committee of Independent Commission Against Corruption and Town Planning Board. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council. He holds a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. Mr. LUK is a non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services. Mr. LUK was appointed as an Independent Non-executive Director in September 2006.

Patrick Thomas SIEWERT, aged 66

Mr. SIEWERT is an Independent Non-executive Director, the chairman of the Remuneration Committee and members of both the Audit Committee and Nomination Committee. He is a managing director and partner of The Carlyle Group, advising on investments in consumer and retail businesses across Asia and globally since April 2007. Previous to joining The Carlyle Group, he held various positions in Asia with The Coca-Cola Company including group president and president and chief operating officer and corporate executive committee member during the period from 2001 to 2007. He was responsible for some of the highest growth businesses in The Coca-Cola Company and some of its most innovative and successful product launches. Mr. SIEWERT's early career experiences were with the Eastman Kodak Company, where he had worked since 1974, holding positions in sales management, marketing, finance, brand management, business planning and general management in various countries/regions around the world, including the America, Europe and Asia. He served as chairman, Greater China Region, chief operating officer of Kodak's global consumer business and president, Kodak Professional, its global commercial business. He was a senior vice-president of Eastman Kodak Company. Mr. SIEWERT attended the Rochester Institute of Technology in Imaging Science, Business and Service Management and received a Bachelor of Science in Business Administration/Finance from Elmhurst College, Illinois and a Master of Science from the Rochester Institute of Technology. He currently serves as a director in Avery Dennison Corporation, a company listed on the New York Stock Exchange (NYSE: AVY), and Mondelēz International, Inc., a company listed on the NASDAQ Stock Market (NASDAQ: MDLZ). He has served as past director of several companies in the broadcasting, health and beauty, hotel/tourism and animal nutrition and natural resources sectors. He has also served as past director of several trade organisations including the US-Hong Kong Business Council, US China Business Council, US-ASEAN Business Council and board of governors, American Chamber of Commerce in Hong Kong. He is a member of the Young Presidents' Organization and Chief Executives Organization. Mr. SIEWERT is a recipient of several diversity awards and a United Nations IPC Lifetime Achievement Award. Mr. SIEWERT was appointed as an Independent Non-executive Director in September 2006.

HO Pak Chuen Patrick, aged 67

Mr. HO is an Independent Non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. HO is currently the Chief Operating Officer of Fung Investment Management Limited. Mr. HO also holds directorship in a number of private companies within the Fung Group of companies. Mr. HO previously worked for The Dow Chemical Company, and retired in 2018 after 40 years of service. He has extensive experience in the chemical industry while working for The Dow Chemical Company. Mr. HO was global business director for Ethylene Oxide, Propylene Oxide and Derivatives in Chemicals and Metals in Dow headquarters in Midland, Michigan. He returned to Hong Kong in 1998 as President for Dow Chemical, Asia Pacific region, Global Vice President for Epoxy & Specialty Chemicals and subsequent served as the Asia Pacific vice president for manufacturing, public & government affairs. Mr. HO was the chairman of Association of International Chemical Manufacturers (AICM) in Hong Kong/China from 2001 to 2003. Mr. HO is currently an independent non-executive director, the chairman of the remuneration committee, and a member of audit committee and health, safety and environment committee of Yip's Chemical Holdings Limited, a company listed on the Main Board the Stock Exchange (Stock Code: 408). He was a director of Global Brands Group Holding Limited (in liquidation) from 10 August 2021 to 30 June 2022, a company listed on the Stock Exchange (Stock Code: 787). On 11 July 2022, Global Brands Group Holding Limited announced that the Listing Committee of the Stock Exchange had decided to cancel its listing on the Stock Exchange with effect from 9:00 a.m. on 25 July 2022. Mr. HO obtained a bachelor degree in Chemical Engineering from Queen's University at Kingston, Canada. Mr. HO was appointed as an Independent Non-executive Director in July 2020.

Roy KUAN, aged 55

Mr. KUAN is an Independent Non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. KUAN is the chairman and chief executive officer of Generation Asia Acquisition I Limited, a US$220 million special purpose acquisition company listed on the New York Stock Exchange (NYSE: GAQ). Previously, Mr. KUAN worked for over 20 years and was a managing partner at CVC Capital Partners, a leading global private equity firm with US$140 billion in cumulative funds under management. Mr. KUAN has invested and served on the boards of companies across the telecom, media, consumer, business services, and industrial sectors in Asia. Prior to CVC, Mr. KUAN was an investment director at Citigroup's Asian private equity investment division. Mr. KUAN received his Master of Business Administration degree from the Wharton School, University of Pennsylvania. He earned his Bachelor of Arts degree from Georgetown University, where he was a George F. Baker Scholar. Mr. KUAN was appointed as an Independent Non-executive Director in September 2020.

Senior Management

POON Jimmy Chi Man, aged 63

Mr. POON ("Mr. Jimmy POON") joined the Group in 2019 as Chief Operating Officer. Mr. Jimmy POON showed his earliest stints in the US with his leadership role on process and product development as well as programs and operations. On relocating back to Hong Kong, he became the vice president of operations for Kalex, a printed circuit board manufacturer. Subsequently, he spent 13 years with Multek/Flextronics in charge of operations for multiple factories in the Zhuhai area of Mainland China, as well as running the entire Quality program for Multek globally. He was the chairman of Flextronics's Six Sigma Council leading this business excellence initiative globally. Mr. Jimmy POON had also assumed chief operating officer for TTM Technologies and senior vice president of global operations for Universal Electronics Inc. Prior to joining Computime, he was the vice president of asia operations and global quality for Isola Group, a global leader of copper-clad laminates and dielectric prepregs. Mr. Jimmy POON earned a Bachelor degree in Chemical Engineering from Columbia University, US, a Master degree in Mechanical Engineering from Polytechnic University of New York, US, and an MBA from Hofstra University, US.

POON Yiu Ming, aged 49

Mr. POON ("Mr. George POON") joined the Group in 2018 as Chief Financial Officer. He has over 20 years of corporate finance, commercial and strategic development experience through his chief financial officer and management positions held in leading conglomerates and multinational listed companies across retail, trading, manufacturing, banking and the technology sectors. Mr. George POON is a member of CPA Australia. He holds a Bachelor degree in Environmental Science from the University of Hong Kong and a Master degree in Business Administration from Monash University.

CHOI Lap Hung, aged 59

Mr. CHOI joined the Group in 2020 as the Executive Vice President – Control Solutions. He is a veteran of the electronic manufacturing services (the "EMS") industry, and brings with him over 30 years of experience in a variety of capacities including industrial product R&D, supply chain strategy, operations as well as business development. Mr. CHOI oversees the sales function and is responsible for customer relationships across Europe, the US and the Asia-Pacific region. Prior to joining Computime, Mr. CHOI was a vice president of Kaifa Technology Limited where he oversaw the corporate supply chain strategy and expanded the business in Asia, Europe and the Middle East. Before that, he was a general manager of VTech Communications Limited where he oversaw international business development. Mr. CHOI holds a Master of Science degree in Manufacturing Systems Engineering from the University of Warwick in the United Kingdom.

HO Pak Tong Jimmy, aged 59

Mr. HO ("Mr. Jimmy HO") joined the Group in 2014, and is the Vice President – Global Human Resources. He has over 25 years of experience in Human Resources. Mr. Jimmy HO has held senior positions as regional and global head of human resources in sizable multinational and local companies including WL Gore & Associates, Novo Nordisk, ASML, Spotless Group and Lee Kum Kee. Mr. Jimmy HO graduated from The Hong Kong Polytechnic University and has a Master of Science degree in Human Resources Management from the College of Dublin, National University of Ireland.

HA Wai Leung, aged 63
Dr. HA joined the Group in 1998, and is the Executive Vice President – SALUS North America and Research. He is a Chartered Engineer and a member of The Institute of Measurement and Control and IET, as well as a senior member of The Institution of Electrical and Electronics Engineers, with over 30 years of working experience in engineering and research and development. Prior to joining Computime, he worked as senior management in R&D in various electronics companies in Hong Kong and Singapore. He obtained an Engineering Doctorate's degree in Engineering Management from City University of Hong Kong, a Master degree in Electronic Systems Design from City University of Hong Kong, a Master degree in Engineering from The University of Hong Kong, and an Associateship and Higher Diploma in Electrical Engineering from The Hong Kong Polytechnic University.

FU Mei Yuk, aged 51
Ms. FU rejoined the Group in 2020 as the Vice President – Business Development. She has over 25 years of experience in the sales & marketing and business development in the EMS industry. She held various senior management positions previously, including working as the General Manager of Business Development for 10 years in the Group. Prior to rejoining Computime, Ms. FU was the vice president of business development in Wise Ally International Holdings Limited. She obtained a Bachelor degree in Organisation Studies and Sociology from the University of Lancaster in the United Kingdom.

Jeroen STEENBLIK, aged 48
Mr. STEENBLIK joined the Group in 2021 as the Vice President – Computime Brands, new business-to-customer ("B2C") subsidiaries of the Group. He has over 20 years of extensive experience in the consumer electronics industry having worked in engineering, consumer marketing and business management. For over 18 years, he worked at Philips in the Netherlands, Singapore and Hong Kong, where he developed and successfully launched many highly innovative products to market amongst the first connected home entertainment and IoT products. In recent years, he was involved in helping to diversify the consumer electronics portfolio in TCL Electronics by setting up and successfully starting the new soundbar business group, which with its innovative product range ranked in many awards at IFA 2019 and CES 2020. Mr. STEENBLIK holds a Bachelor degree in Electrical and Electronic Engineering from Fontys University in the Netherlands.

WONG Kung Keung Roger, aged 58
Mr. WONG ("Mr. Roger WONG") joined the Group in 2020 as the Vice President of Global Operations. He has over 25 years of experience in both manufacturing and supply chain. Prior to joining Computime, Mr. Roger WONG was the general manager and legal representative of Belton Technology Group, where he led and managed their operations located in Wuxi, Zhuhai, Dongguan and Shenzhen. Mr. Roger WONG was with Flextronics/Multek for 18 years where he served different leadership roles, as the senior director for supply chain management for 13 facilities worldwide, the general manager of operations for six factories located in Hong Kong and Zhuhai. Mr. Roger WONG holds a Fellow of Management and Business Administration from the Professional Validation Council of Hong Kong Industries in 2016 and a holder of three Masters degrees – Master of Chinese Law from Renmin University of China in 2009, an Executive Master of Business Administration from the Chinese University of Hong Kong in 2006 and a Master of Engineering Business Management from the University of Warwick/ The Hong Kong Polytechnic University in 1999. He has a Diploma in Purchasing and Supply and Post Experience in Industrial and Operations Management, both from The Hong Kong Polytechnic University. He also holds a diploma in Demand Flow Technology and Business Strategy from John Costanza Institute of Technology Incorporation.

CHEUNG Kam Tim, aged 57

Mr. CHEUNG joined the Group in 2018, and is the Head of Engineering. He has over 30 years of experience in consumer products segment, 10 years of which in electronic product development, 10 years in mobile phone industry, and 10 years in semi-conductors. Mr. CHEUNG gained valuable experience at Motorola where he had worked for 10 years in key roles in Product Engineering and integrated circuit ("IC") Design. Subsequent to his career in Motorola, Mr. CHEUNG successfully took key positions at companies such as WE3 Technology, Solomon Systech, and Wong's Electronics Company, and build an extensive track record in mobile phone and consumer electronic segments. He published a technical paper in the Proceedings of IEEE International Symposium on Circuits and Systems and has four patents issued in the US. He was the key contributor of winning three awards from Hong Kong Awards for Industries and one award from The Institution of Engineering and Technology (IET) Innovation Awards. Mr. CHEUNG is a Chartered Engineer and a member of IET. He holds a Master Degree and a Bachelor Degree in Engineering, majoring in Electronics and Communication from The Hong Kong Polytechnic University.

Company Secretary

WONG Samuel Wan Kay, aged 41

Mr. WONG ("Mr. Samuel WONG") was appointed as the company secretary of the Company ("Company Secretary") in December 2020. Mr. Samuel WONG joined the Group in August 2016 and is the General Manager – Legal and Corporate Affairs. He has over 15 years of multidisciplinary experience, and is currently practising in the areas of legal, regulatory, corporate finance, investor relations, company secretarial, corporate governance and compliance. Prior to joining Computime, Mr. Samuel WONG worked for a private company in the healthcare industry in Hong Kong, and a US listed technology company in Canada. Mr. Samuel WONG is a Fellow of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute, holding Chartered Secretary and Chartered Governance Professional dual designations. Mr. Samuel WONG earned his Juris Doctor – Master of Business Administration (JD/MBA) dual degree from The Chinese University of Hong Kong, a Master of Science degree in Corporate Governance and Compliance from Baptist University of Hong Kong, and an Honours Bachelor of Applied Science degree in Computer Engineering from The University of Waterloo in Canada, where he was a Nortel Networks Institute Scholar. He is also a life time member of the Beta Gamma Sigma.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the Year.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries of the Company are primarily engaged in research and development, design, manufacture and trading of electronic control products. There was no significant change in the Group's principal activities during the Year.

An analysis of the Group's performance for the Year by business and geographical segments is set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the Year and financial position of the Group as at that date are set out in the sections headed "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Financial Position" respectively in this annual report.

The Board has resolved to recommend to the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on Thursday, 8 September 2022 (the "2022 AGM") a final dividend of HK$0.0475 per share for the Year (the "Proposed Final Dividend") to be paid on Tuesday, 11 October 2022 to those Shareholders whose names appear on the register of members of the Company on Thursday, 22 September 2022.

Closure of Register of Members

(a) Entitlement to attend and vote at the 2022 AGM

The 2022 AGM is scheduled to be held on Thursday, 8 September 2022. For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 5 September 2022 to Thursday, 8 September 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 2 September 2022.

(b) Entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of the Shareholders at the 2022 AGM. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Tuesday, 20 September 2022 to Thursday, 22 September 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 19 September 2022.

Business Review

A review of the Group's business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group, an analysis of the Group's performance using financial key performance indicators, an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis contained in this annual report. The aforesaid sections form part of this Report of the Directors.

Environmental and Social Performance

The Group emphasises the importance of business ethics, energy conservation and environmental protection as part of its corporate culture. We recognise that sustainable development of our business requires our continuous progress in terms of the economy, environment, and social responsibility. To further enhance our commitment in adherence to the environmental and social responsibilities, we have set up an Environmental, Social and Governance (the "ESG") management committee to support the Board in overseeing the implementation of our policies in this regard. We set quantitative environmental reduction targets using environmental key performance indicators on electricity consumption, greenhouse gas emissions, water consumption and general waste, to cover the period up to Year 2025. We also disclose the significant climate related issues which have impacted and may impact the Group's businesses. The ESG report for the Year which contains further details of the Company's environmental policies and performance is published on the Company's website, as well as the website of the Stock Exchange.

The Group has complied with the relevant laws and regulations that have a significant impact on the Group.

Relationship with Employees, Customers and Other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the Year, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Donations

Charitable and other donations made by the Group during the Year amounted to approximately HK$384,000.

Share Capital

Details of the share capital of the Company are set out in note 30 to the financial statements.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial conditions of the Company and the Group, and the conditions and factors as set out in the Dividend Policy (including but not limited to the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans), dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

Equity-Linked Agreements

For the Year, the Company has not entered into any equity-linked agreements, save for share options granted under the paragraph headed "Share Option Schemes" in this Report of the Directors and in note 31 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 March 2022, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK$933,460,000 (before deduction of the proposed final dividend of HK$40,021,000).

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 March 2022 are set out in note 28 to the financial statements.

Pension Scheme

The pension scheme contributions are set out in note 7 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the previous financial years is set out in the section headed "Financial Summary" in this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements.

Directors

The directors of the Company ("Directors") during the Year and up to the date of this report are as follows:

Chairman Emeritus:

Mr. AUYANG Ho *(Note 1)*

Executive Directors:

Mr. AUYANG Pak Hong Bernard *(Chairman and Chief Executive Officer)* *(Note 2)*
Mr. WONG Wah Shun

Non-executive Directors:

Mr. KAM Chi Chiu, Anthony
Mr. WONG Chun Kong

Independent Non-executive Directors:

Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

Notes:

(1) Retired as an Executive Director and Chairman of the Board and appointed as the Chairman Emeritus with effect from 13 April 2022.

(2) Appointed as the Chairman of the Board with effect from 13 April 2022.

Pursuant to Article 87 of the Articles of Association, Mr. AUYANG Pak Hong Bernard, Mr. KAM Chi Chiu, Anthony and Mr. HO Pak Chuen Patrick will retire from office by rotation at the 2022 AGM.

Mr. AUYANG Pak Hong Bernard, Mr. KAM Chi Chiu, Anthony and Mr. HO Pak Chuen Patrick, being eligible, will offer themselves for re-election at the 2022 AGM.

Independence Confirmation

The Company has received annual confirmations of independence from Mr. LUK Koon Hoo, Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all the existing Independent Non-executive Directors remain independent as at the date of this report.

Directors' Service Contracts

None of the directors being proposed for re-election at the 2022 AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed in note 34 to the financial statements, no transaction, arrangement or contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Biographical Details of Directors and Senior Management

Biographical details of directors and senior management are set out under the section headed "Profile of Chairman Emeritus, Directors, Senior Management and Company Secretary" in this annual report. The directors' biographies are also available on the Company's website.

Directors' and Senior Management's Emoluments

A summary of the directors' and senior management's remuneration is set out in note 34 to the financial statements and in the section headed "Corporate Governance Report" in this annual report respectively.

Indemnity of Directors

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 31 March 2022, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	* Approximate percentage of the Company's issued share capital
Mr. AUYANG Ho *(Note 1)*	Interest of a controlled corporation	352,500,000 *(Note 2)*	41.84%
	Beneficial owner	1,023,000	0.12%
		353,523,000	41.96%

Note:

1. *Mr. AUYANG Ho retired as Chairman and Executive Director with effect from 13 April 2022.*

2. *These shares were held by Solar Power Group Limited ("SPGL"). SPGL is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. AUYANG Ho.*

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2022.*

(2) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of the share options granted	* Approximate percentage of the Company's issued share capital
Mr. AUYANG Pak Hong Bernard	Beneficial owner	4,000,000 *(Note 1)*	0.47%

Details of the above share options as required to be disclosed by the Listing Rules are disclosed in note 31 to the financial statements.

Notes:

1. *4,000,000 share options held by Mr. AUYANG Pak Hong Bernard lapsed on 30 June 2022.*

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2022.*

Save as disclosed above, as at 31 March 2022, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

Save as disclosed in note 31 to the financial statements about the Company's share option schemes, at no time during the Year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 March 2022, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	* Approximate percentage of the Company's issued share capital
SPGL	Beneficial owner	352,500,000 (Note 1)	41.84%
Ms. TSE Shuk Ming	Interest of spouse	353,523,000 (Note 2)	41.96%
Mr. HEUNG Lap Chi, Eugene	Beneficial owner	210,522,000	24.99%
Ms. LEUNG Yee Li, Lana	Interest of spouse	210,522,000 (Note 3)	24.99%

Notes:

1. *The interest of SPGL was also disclosed as the interest of Mr. AUYANG Ho in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".*

2. *Ms. TSE Shuk Ming was deemed to be interested in 353,523,000 shares of the Company through the interest of her spouse, Mr. AUYANG Ho.*

3. *Ms. LEUNG Yee Li, Lana was deemed to be interested in 210,522,000 shares of the Company through the interest of her spouse, Mr. HEUNG Lap Chi, Eugene.*

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2022.*

Save as disclosed above, as at 31 March 2022, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Schemes

The purpose of the share option schemes of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The 2006 Scheme has expired on 15 September 2016. Unless otherwise cancelled or lapsed in accordance with the 2006 Scheme, the outstanding share options granted under the 2006 Scheme would remain exercisable. At the annual general meeting of the Company held on 14 September 2016, the Company adopted the 2016 Scheme which, unless otherwise cancelled or terminated, would remain in force for 10 years from the adoption date. Further details of the 2006 Scheme and the 2016 Scheme are set out in note 31 of the financial statements.

Details and movements of the share options of the Company granted under the 2006 Scheme during the Year are as follows:

Category of participants	Number of share options: As at 1 April 2021	Granted during the Year (Note 1)	Exercised during the Year (Note 2)	Cancelled during the Year (Note 3)	Lapsed/ forfeited during the Year (Note 4)	As at 31 March 2022	Date of grant of share options (Note 5)	Exercise period of share options	Exercise price per share HK$
Other Eligible Participant	2,400,000	–	–	–	(2,400,000)	–	28 June 2011	from 28 June 2012 to 27 June 2021	0.79
	2,400,000	–	–	–	(2,400,000)	–	28 June 2011	from 28 June 2013 to 27 June 2021	0.79
	3,200,000	–	–	–	(3,200,000)	–	28 June 2011	from 28 June 2014 to 27 June 2021	0.79
	1,200,000	–	(1,200,000)	–	–	–	6 August 2012	from 6 August 2014 to 5 August 2022	0.375
	1,600,000	–	(1,600,000)	–	–	–	6 August 2012	from 6 August 2015 to 5 August 2022	0.375
	1,600,000	–	–	–	–	1,600,000	28 April 2016	from 28 April 2017 to 27 April 2026	1.174
	1,600,000	–	–	–	–	1,600,000	28 April 2016	from 28 April 2018 to 27 April 2026	1.174
	1,600,000	–	–	–	–	1,600,000	28 April 2016	from 28 April 2019 to 27 April 2026	1.174
	1,600,000	–	–	–	–	1,600,000	28 April 2016	from 28 April 2020 to 27 April 2026	1.174
	1,600,000	–	–	–	–	1,600,000	28 April 2016	from 28 April 2021 to 27 April 2026	1.174
Total	18,800,000	–	(2,800,000)	–	(8,000,000)	8,000,000			

Notes:

1. *No share options were granted under the 2006 Scheme during the Year.*
2. *2,800,000 share options granted under the 2006 Scheme have been exercised during the Year.*
3. *No share options granted under the 2006 Scheme have been cancelled during the Year.*
4. *8,000,000 share options granted under the 2006 Scheme were lapsed on 27 June 2021.*
5. *The vesting period of the share options granted under the 2006 Scheme is from the date of grant until the commencement of the exercise period.*

Details and movements of the share options of the Company granted under the 2016 Scheme during the Year are as follows:

	Number of share options								
Category of participants	As at 1 April 2021	Granted during the Year (Note 1)	Exercised during the Year (Note 2)	Cancelled during the Year (Note 2)	Lapsed/ forfeited during the Year (Note 2)	As at 31 March 2022	Date of grant of share options (Note 3)	Exercise period of share options	Exercise price per share HK$
Other Eligible Participant	200,000	–	–	–	–	200,000	28 April 2017	from 28 April 2020 to 27 April 2027	1.04
	200,000	–	–	–	–	200,000	28 April 2017	from 28 April 2021 to 27 April 2027	1.04
	1,600,000	–	–	–	–	1,600,000	28 April 2017	from 28 April 2022 to 27 April 2027	1.04
	2,000,000	–	–	–	–	2,000,000			
Director									
Mr. AUYANG Pak Hong Bernard	4,000,000	–	–	–	–	4,000,000 (Note 4)	1 April 2020	from 1 July 2022 to 30 June 2030	0.345
	4,000,000	–	–	–	–	4,000,000 (Note 4)			
Total	**6,000,000**	**–**	**–**	**–**	**–**	**6,000,000**			

Notes:

1. *No share options were granted under the 2016 Scheme during the Year.*
2. *No share options granted under the 2016 Scheme have been exercised, cancelled or lapsed during the Year.*
3. *The vesting period of the share options granted under the 2016 Scheme is from the date of grant until the commencement of the exercise period.*
4. *4,000,000 share options under the 2016 Scheme were lapsed on 30 June 2022.*

Management Contracts

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

Major Customers and Suppliers

The percentages of sales for the Year attributable to the Group's major customers are as follows:

Sales

–	the largest customer:	27.7%
–	five largest customers combined:	62.4%

None of the Directors, their close associates or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had an interest in the major customers noted above.

The aggregate percentage of purchases attributable to the Group's five largest suppliers for the Year was less than 30% of the Group's purchases.

Directors' Interest in Competing Business

As at 31 March 2022, to the best knowledge of the Directors, none of the Directors was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

Corporate Governance

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Audit Committee

The Audit Committee comprising four Independent Non-executive Directors of the Company, namely, Mr. LUK Koon Hoo (chairman of the Audit Committee), Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN and a Non-executive Director of the Company, namely, Mr. KAM Chi Chiu, Anthony, has reviewed the consolidated financial statements of the Group for the Year and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

Discloseable Transactions

During the Year, the Group had below discloseable transactions, details of which were disclosed in compliance with the requirement of Chapter 14 of the Listing Rules.

Variation of Terms in relation to Subscription of Shares in Clearmoon

On 15 December 2020, Terastone Investments Limited ("Terastone"), an indirectly wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Clearmoon International Limited ("Clearmoon") and its existing shareholders, pursuant to which, Terastone agreed to subscribe for and Clearmoon agreed to allot and issue 300,000 new shares of Clearmoon at a consideration of US$1,000,000 (the "Subscription"). Immediately after the completion of the subscription of the 300,000 new shares, Terastone holds approximately 13.04% of the enlarged share capital (as enlarged by the Subscription) of Clearmoon. On 5 November 2021, Terastone, Clearmoon, Clearmoon's existing shareholders as at 15 December 2020 and CMG International Holdings Limited entered into a supplemental deed to amend the Subscription Agreement, details of the amendment were disclosed in the Company's announcement dated 5 November 2021.

Purchase of Interest in Braeburn

On 31 December 2021, HVAC Controls Limited, an indirectly wholly-owned subsidiary of the Company (the "Buyer"), entered into a membership interest purchase agreement (the "Purchase Agreement") with Braeburn Systems LLC ("Braeburn"), The Glenn A. Moore Trust dated 26 May 2006, the Robert L. Carter Declaration of Trust dated 22 March 2006, The John Kezios Living Trust dated 15 January 2019 and Jordan Miller (the "Sellers") and Glenn A. Moore, Robert L. Carter, and John Kezios, pursuant to which, the Buyer purchased and the Sellers sold the purchased units at US$10,069,169.92 (equivalent to HK$78,539,525.38) (the "Purchase Price"). The purchased units represent 62.9998% of the membership interests of Braeburn (the "Purchase"). Immediately after the closing of the Purchase, the Buyer held 90% of the membership interests of Braeburn. Details of the Purchase were disclosed in the Company's announcement dated 31 December 2021.

The final purchase price for the Purchase paid to the Sellers, as adjusted in accordance with the mechanism provided under the Purchase Agreement, was US$9,777,875 (equivalent to HK$76,267,425) (the "Adjusted Cash Consideration"). As the Adjusted Cash Consideration was less than the Purchase Price, the deficit of US$291,295 has been settled by returning an equivalent amount from the transaction adjustment escrow amount (the "Transaction Adjustment Escrow Amount") to the Buyer, and the remainder of the Transaction Adjustment Escrow Amount has been distributed to the Sellers. The update of the final purchase price was disclosed in the Company's announcement dated 27 May 2022.

The total consideration for the Purchase was in the form of cash of US$10,332,000 (equivalent to approximately HK$80,547,000), inclusive of transactional expenses incurred by the Sellers.

In respect of the discloseable transactions disclosed above, the Directors confirm that the Company has complied with the disclosure requirement in accordance with Chapter 14 of the Listing Rules during the Year.

Litigation

On 13 April 2021, the Company received a writ of summons (the "Writ") indorsed with a statement of claim (the "Statement of Claim") filed with the Registry of the High Court of the HKSAR issued by Altis Technology (Hong Kong) Limited, Altis Technology Limited, and Altis Global Limited as the plaintiffs (collectively the "Plaintiffs"). The defendants listed in the Writ are, among others, the Company and three direct or indirect wholly-owned subsidiaries of the Company (CT Nova Limited, Computime China Distribution (Hong Kong) Limited and Computime International Limited); AUYANG Pak Hong Bernard, the Chairman and Chief Executive Officer; and Solar Power Group Limited, a substantial shareholder of the Company. Details of the litigation were disclosed in the Company's announcement dated 13 April 2021.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float.

Auditor

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the 2022 AGM.

Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the Year.

By Order of the Board

AUYANG Pak Hong Bernard
Chairman and Chief Executive Officer

Hong Kong, 30 June 2022

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the Year.

Corporate Governance Principles and Practices of the Company

The Board believes that good corporate governance practices are important for enhancing corporate value and investors' confidence and interests. The Company has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of the business of the Group, the cornerstone of which is to have an experienced and committed Board and an effective internal control and to enhance its transparency and accountability to Shareholders.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code throughout the Year. After the end of the Year, effective from 13 April 2022, Mr. Bernard AUYANG, as the Chief Executive Officer, has assumed the role of the Chairman which is not in strict compliance with Code Provision C.2.1 of the CG Code. For details, please refer to the "Chairman and Chief Executive Officer" section below.

The Board will continue to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments. The key corporate governance principles and practices of the Company are summarised as follows:

The Board of Directors

Responsibilities and Delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to Shareholders, and, on behalf of the Shareholders, overseeing the Company's financial performance. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The day-to-day management, administration and operation of the Company are led by the Executive Committee and the Chief Executive Officer of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management to discharge its responsibilities.

The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

Board Composition

As at 31 March 2022, the Board comprised nine members in total, with three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. During the Year, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of its Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Independent Non-executive Directors are expressly identified in all corporate communications of the Company. The Company also has maintained on its website an updated list of its directors identifying their roles and functions.

The relationships among the members of the Board are disclosed under the section headed "Profile of Chairman Emeritus, Directors, Senior Management and Company Secretary" in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each Executive Director supervises specific areas of the Group's business in accordance with his expertise. The Non-executive Directors are of sufficient caliber and number for their views to carry weight and they bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the Non-executive Directors have made various contributions to the effective direction of the Company.

The Company has received a written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements under the Listing Rules. The Company considers all of its Independent Non-executive Directors independent in accordance with the independence guidelines set out in the Listing Rules.

The Company firmly believes that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has formulated Board Diversity Policy. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can bring to the Board.

Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company fully supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

For the Year, Mr. AUYANG Ho, who was the Chairman, took up the responsibility of the management of the Board whereas Mr. Bernard AUYANG, the Chief Executive Officer, was responsible for the day-to-day management of the Group's business. The respective responsibilities between the Chairman and the Chief Executive Officer had been clearly established and set out in writing.

With effect from 13 April 2022, Mr. AUYANG Ho retired as an Executive Director and the Chairman and Mr. Bernard AUYANG was appointed as the Chairman.

Code Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Bernard AUYANG, as the Chief Executive Officer, has also assumed the role of the chairman of the Board. The Board believes that this can provide the Group with consistent leadership and allow more effective implementation of the overall strategy of the Group. The Board is of the view that this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board, which currently comprises a high percentage of independent non-executive directors who can scrutinise important decisions and monitor the power of the chairman and chief executive. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. Bernard AUYANG to make decisions about the businesses and operations of the Group. The Board believes that the interests of the Group and the Company's shareholders as a whole have been safeguarded. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Company has established a Nomination Committee, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of Independent Non-executive Directors. Additional information on such Nomination Committee is set out in the "Board Committees and Corporate Governance Functions" section below.

Each of the Executive Directors is engaged on a service contract with the Company for a term of three years. The Company has also issued respective letters of appointment to its Non-executive Directors and Independent Non-executive Directors specifying their term of appointment. The current term of appointment of all the Non-executive Directors and Independent Non-executive Directors does not exceed three years.

In addition, in accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting after his/her appointment.

Induction and Continuing Development for Directors

Each newly appointed Director receives an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

Besides, continuing briefings and professional development for Directors will be arranged whenever necessary.

Under code provision A.6.5 (now renumbered as C.1.4) of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

According to the records of training maintained by the Company, during the Year, all the Directors pursued continuous professional development and relevant details are set out below:

Name of Director/retired Director	**Type of Training** *(Notes)*
Mr. AUYANG Ho	A
Mr. AUYANG Pak Hong Bernard	A
Mr. WONG Wah Shun	A
Mr. KAM Chi Chiu, Anthony	B
Mr. WONG Chun Kong	A, B
Mr. LUK Koon Hoo	A
Mr. Patrick Thomas SIEWERT	A, B
Mr. HO Pak Chuen Patrick	A
Mr. Roy KUAN	B

Notes: *A: reading journals, updates, articles and/or materials, etc.*
B: attending seminars, conference and/or forums

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group, when necessary, and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting or by way of signing a written resolution of the Directors. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates have a material interest.

Model Code for Securities Transactions

The Company has adopted its own code of conduct (the "Own Code") regarding dealings in the securities of the Company by the Directors, senior personnel and certain employees of the Group (who are likely to be in possession of inside information in relation to the Company or its securities) on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Each Director has been given a copy of the Own Code. The Company will notify Directors and relevant employees in advance in respect of the restricted period on dealings in the Company's securities, if the period is known to the Company.

Specific enquiry has been made of the Directors and all of them have confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the period from 1 April 2021 to the date of this report.

In addition, no incident of non-compliance of the Own Code by the employees of the Group was noted for the period from 1 April 2021 to the date of this report.

Board Committees and Corporate Governance Functions

The Board has established four Board committees, namely, the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.computime.com" (the terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are also posted on the website of the Stock Exchange) and are available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are 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.

Executive Committee

For the Year, the Executive Committee comprises all the Executive Directors with the Chairman, Mr. AUYANG Ho, acting as the chairman of this committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

With effect from 13 April 2022, Mr. AUYANG Ho retired as an Executive Director and the Chairman and Mr. AUYANG Pak Hong Bernard was appointed as the Chairman and also act as the chairman of the Executive Committee.

Audit Committee

The Audit Committee comprises a total of five members, four of which are Independent Non-executive Directors, namely, Mr. LUK Koon Hoo, Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN and a Non-executive Director, Mr. KAM Chi Chiu, Anthony. The chairman of the Audit Committee is Mr. LUK Koon Hoo who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules and is an Independent Non-executive Director. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the Year, the Audit Committee met five times with the presence of the Company's senior management and/or the external auditor and performed the following major works:

– Review of the financial statements, results announcements and reports for the year ended 31 March 2021 and for the six months ended 30 September 2021, the accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion with the auditor on the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and the review of the arrangements for employees of the Company to raise concerns about possible improprieties; and

– Review the risk management process prepared by the senior management;

– Review of the annual ESG report;

– Discuss the litigation update; and

– Consideration of the internal audit plan and report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

Nomination Committee

For the Year, the Nomination Committee comprised a total of six members, being two Executive Directors, namely, Mr. AUYANG Ho and Mr. AUYANG Pak Hong Bernard and four Independent Non-executive Directors, namely, Mr. LUK Koon Hoo, Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN. Accordingly, a majority of the members are Independent Non-executive Directors. The chairman of the Nomination Committee was Mr. AUYANG Ho, who was an Executive Director and the Chairman.

With effect from 13 April 2022, Mr. AUYANG Ho ceased to be the chairman of the Nomination Committee and Mr. AUYANG Pak Hong Bernard was appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee are reviewing and giving recommendation on the composition of the Board, formulating relevant procedures for nomination and appointment of Directors, identifying qualified individuals to become members of the Board, monitoring the appointment and succession planning of Directors, and assessing the independence of the Independent Non-executive Directors.

The Company has adopted the Director Nomination Policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board's continuity and appropriate leadership at the Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In selecting and evaluating candidates for directorship, the Nomination Committee may make reference to certain criteria, such as the needs of the Company, the integrity, experience, skills and professional knowledge of the candidate, and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendations to the Board on the appointment of appropriate candidate for directorship for decision. The Human Resources department will also assist and an external recruitment agency may be engaged in carrying out the recruitment and selection process where necessary.

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed to attract and retain candidate(s) for the Board with a combination of competencies from the widest possible pool of available talents; and to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any. A Board Diversity Policy was adopted by the Company, pursuant to which the Board and the Nomination Committee is responsible for reviewing and assessing the composition of the Board under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience) and for ensuring that changes to the composition of the Board be managed without undue disruption. The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimal composition of the Board that are aligning with the Company's strategies and objectives.

During the Year, the Nomination Committee has met one time and performed the following major works:

- Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Assessment of the independence of the Independent Non-executive Directors; and
- Recommendation on the re-appointment of retiring Directors at the 2022 AGM.

Remuneration Committee

For the Year, the Remuneration Committee comprises a total of five members, being one Executive Director, namely, Mr. AUYANG Ho and four Independent Non-executive Directors, namely, Mr. Patrick Thomas SIEWERT, Mr. LUK Koon Hoo, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN. Accordingly, a majority of the members are Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Patrick Thomas SIEWERT, who is an Independent Non-executive Director.

With effect from 13 April 2022, Mr. AUYANG Ho ceased to be a member of Remuneration Committee and Mr. AUYANG Pak Hong Bernard was appointed as a member of the Remuneration Committee.

The principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; make recommendations on the remuneration packages of Executive Directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) (now renumbered as E.1.2(c)(ii)) is adopted); and review and approve performance-based remuneration by reference to corporate goals and objectives.

The Human Resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman and the Chief Executive Officer about these recommendations on remuneration policy and structure and remuneration packages.

During the Year, the Remuneration Committee has met one time and performed the following works:

- Review and recommendation of the remuneration packages of Directors and senior management of the Group;
- Review and recommendation of the terms of the Director's service contract;
- Review and recommendation of performance-based remuneration and bonus to the Directors and senior management of the Group; and
- Review and recommendation of the remuneration packages of the directors newly appointed and re-designated during FY2022.

Pursuant to code provision B.1.5 (now renumbered as E.1.5) of the CG Code, the remuneration of the members of senior management by band for the Year is set out below:

	Number of Employees
Nil to HK$2,000,000	3
HK$2,000,001 to HK$2,500,000	3
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	1
	9

Details of the remuneration of each Director for the Year are set out in note 9 to the financial statements.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

For the Year, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

For the Year, the Board held five Board meetings. The attendance records of each Director at the Board and Board Committee meetings (except the Executive Committee) and the annual general meeting of the Company held during the Year is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. AUYANG Ho[(1)]	4/5	–	1/1	1/1	1/1
Mr. AUYANG Pak Hong Bernard[(2)]	4/5	–	–	–	1/1
Mr. WONG Wah Shun	5/5	–	–	–	1/1
Mr. KAM Chi Chiu, Anthony	5/5	4/5	–	–	1/1
Mr. WONG Chun Kong	5/5	–	–	–	1/1
Mr. LUK Koon Hoo	5/5	5/5	1/1	1/1	1/1
Mr. Patrick Thomas SIEWERT	5/5	4/5	1/1	1/1	1/1
Mr. HO Pak Chuen Patrick	5/5	5/5	1/1	1/1	1/1
Mr. Roy KUAN	5/5	4/5	1/1	1/1	1/1

Note:

(1) Retired as an Executive Director and Chairman with effect from 13 April 2022

(2) Appointed as Chairman with effect from 13 April 2022

Directors' Responsibilities for Financial Reporting in respect of the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

Risk Management and Internal Controls

The Board has delegated the responsibilities to oversee the Group's Risk Management and Internal Control Systems to the Audit Committee of the Group. These Systems include responsibilities to oversee the Group's Enterprise Risk Management ("ERM") Framework, to advise the Board on the Group's risk-related matters, to approve the Group's risk policies, and to assess the effectiveness of the Group's risk controls and mitigation tools.

The Board acknowledges that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Risk Management Process

Risk context establishment

The ERM Framework and the Risk Management Committee was set up in April 2016. The Group's risk appetite defining the extent of risks that the Group is willing to undertake was set up for the Group as to ensure risks are assessed in a consistent manner.

Risk identification

Management's input on risk exposures across the business lines is solicited through facilitated workshops and a series of Internal Control Questionnaires. A comprehensive list of threats and opportunities based on those events that might enhance, prevent, degrade, accelerate or delay the achievement of objectives is generated.

Risk assessment and prioritisation

Identified risks are further evaluated by management using a scale to evaluate their likelihood of occurrence and impact to the Group's business activities, finances, operations and regulatory compliance. The risks are then prioritised based on the evaluation results.

Risk treatment

Identified risk owners assess effectiveness of existing controls and provide treatment plans when required. Individual risks that fall outside the Group's risk tolerance are treated, monitored and reviewed in accordance with a priority order.

Risk review

The Risk Officers and the respective process owners in Risk Management Committee review and update their risk registers, facilitate and monitor the implementation of effective risk management practices, report adequate risk-related information throughout the Group to the Board and Audit Committee. Risk Management Committee is responsible for identifying and assessing risks in a macroscopic and strategic view, including emerging risks.

Risk reporting

Management reports key corporate and business level risks and action plans to Audit Committee on a regular basis. Significant changes in key risks on a day-to-day basis are mitigated and reported to management as they arise.

Risk monitoring activities

The Board and Audit Committee oversee the process, assisted by Internal Audit department. Management updates its updated reports to the Audit Committee on movements of top risks and appropriate mitigating measures.

Risk Governance

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and directions from the Audit Committee, as below:

Board of Directors

- Establishes business strategy and approves risk appetite

Audit Committee

Risk related duties

- Oversees the Group ERM Framework and approves risk management policies
- Advises the Board on the Group's risk-related matters
- Reviews the overall risk assessment along with the effectiveness of the risk controls and mitigation process
- Considers emerging risks related to the Group's business and strategies
- Reviews risk reports and breaches of risk tolerances and the related policies

Financial and fiduciary duties

- Oversees financial reporting
- Oversees internal control systems

Risk Management Committee

Functions that oversee risks

- Reviews departmental reports on key risks and considers common risks across the Group
- Oversees implementation of the Group's ERM Framework applicable throughout the Group

Internal Audit Department

- Provides independent assurance

Management

Functions that own and manage risks

- Maintains effective internal controls and for executing risk and controls procedures on a day-to-day basis
- Implements corrective actions to address process and controls deficiencies
- Identifies, assesses, controls, and mitigates risks, guides the development and implementation of internal policies and procedures and ensures that activities are consistent with the Group's goals and objectives

The Three Lines of Defence model distinguishes among three groups (or lines) involved in effective risk management:

1. First Line of Defence, functions that own and manage risks:

   At the first line of defence, operational managers own and manage risks. The operational managers are also responsible for implementing corrective actions to address process and controls deficiencies. Operational management is responsible for maintaining effective internal controls and for executing risk and controls procedures on a day-to-day basis. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. Through a cascading responsibility structure, mid-level managers design and implement detailed procedures that serve as controls and supervise execution of those procedures by their employees.

   Operational management naturally serves as the first line of defence because controls are designed into systems and processes under their guidance of operational management. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight controls breakdown, inadequate processes, and unexpected events.

2. Second Line of Defence, functions that oversee risks:

   Management establishes various risk management and compliance functions to help building and/or monitoring the first line of defence controls. The Risk Management Committee facilitates and monitors the implementation of effective risk management practices by operational management and assists different risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the Group. The Risk Management Committee classifies all identified risks into four major categories, and delegates to the corresponding management to oversee and manage the associated identified risks. The four major categories comprise of financial, compliance, operational and business related risk matters. Each corresponding management is required to ensure that the first line of defence is properly designed, in place, and operating as intended.

3. Third Line of Defence, functions that provide independent assurance:

   Internal audit function provides the Audit Committee and senior management with assurance based on the highest level of independence and objectivity within the Group. This high level of independence is not available in the second line of defence. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls.

Disclosure of Inside Information Procedures

The Group has incorporated procedures for reporting and disseminating inside information. These procedures ensure the timely disclosure of information on the Group and the fulfilment of the Group's continuous disclosure obligations.

Review on the Effectiveness of Risk Management and Internal Controls

During the Year, the Group conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to both existing and new businesses of the Group.

For the Year, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern that may affect the financial, operational, compliance, business controls, and risk management functions of the Group have been identified.

During the review, the Board also considered the resources, qualification and experience of staff of the Group's internal controls, accounting and financial reporting function, and their training and budget were adequate.

Forward-looking in Risk Management and Internal Controls

In the context of a fast-changing global and local environment, the monitoring of "emerging risks" will be a focus. In general, maintaining an effective risk management system on a day-to-day basis by our operating units is a continuous journey. The Group shall continue this path, with further integration of internal controls and risk management into its business processes.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the Year is set out in the section headed "Independent Auditor's Report" in this annual report.

A summary of audit and non-audit services provided by the external auditor for the Year and their corresponding remuneration is as follows:

Nature of services		**Amount** HK$'000
Audit services		2,686
Non-audit services		
(i)	Tax services	52
(ii)	Services rendered in connection with the Company's interim report	241
(iii)	Services rendered in connection with the Company's announcement of final results	24

Company Secretary

Mr. Samuel WONG, General Manager of Legal and Corporate Affairs of the Group, has been appointed by the Company as Company Secretary since December 2020. Profile of Mr. Samuel WONG can be referred to the section of Profile of Directors, Senior Management and Company Secretary. All Directors have access to the advice and services of Mr. Samuel WONG.

For the Year, Mr. Samuel WONG has taken no less than 15 hours of relevant professional trainings and duly complied with the training requirement under Rule 3.29 of the Listing Rules.

Communications with Shareholders and Investors

The Board believes that a transparent and timely disclosure of the Group's information will enable Shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.computime.com" as a communication platform with Shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong or via email to "ir@computime.com" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board also considers that general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, the Nomination Committee and the Remuneration Committee normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Group's developments.

Shareholders' Rights

One of the measures is to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Shareholders may convene an extraordinary general meeting or put forward proposals at Shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objectives of the meeting must be stated in the written requisition.

(2) If a Shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: 6/F, Building 20E, Phase 3, Hong Kong Science Park, 20 Science Park East Avenue, Shatin, New Territories, Hong Kong

Email: "ir@computime.com"

For the avoidance of doubt, Shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement, or enquiry (as the case may be), in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the Year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of Shareholders.

All resolutions proposed at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.computime.com) immediately after the relevant general meetings.

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
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Independent auditor's report
To the shareholders of Computime Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Computime Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 157, which comprise the consolidated statement of financial position as at 31 March 2022, 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 March 2022, 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.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Trade receivables	
As at 31 March 2022, the Group had a gross trade receivables balance of HK$502,081,000 and impairment allowances of HK$2,930,000. Significant management judgement and estimates were involved in evaluating the impairment allowances for trade receivables, based on the lifetime expected credit losses to be incurred, by taking into account the ageing of the trade receivable balances, a review of the customers' accounts, experience of collection trends, the history and status of disputes or legal proceedings with customers, current business conditions as well as the extent of coverage by credit insurance. Both current and future general economic conditions are also taken into consideration by management in the estimation. The accounting policies and disclosures for the impairment allowances for trade receivables are included in notes 2.4, 3 and 21 to the consolidated financial statements.	Our audit procedures included: (i) selecting samples for the circularisation of debtor confirmations, (ii) testing and evaluating the trade receivables' ageing report to identify any long overdue debts and their historical pattern of settlement, (iii) reviewing the status of disputes and legal proceedings with customers, (iv) assessing the subsequent settlement of trade receivables, and (v) checking the credit insurance agreements on a sample basis. In addition, we examined the information used by management to estimate the loss allowances for trade receivables, including testing the historical default data and forward-looking information by checking to the published macroeconomics factors, and examining the actual losses recorded during the current financial year.
Provision for inventories	
As at 31 March 2022, the Group had a gross inventory balance of HK$960,372,000 and an inventory provision of HK$24,488,000. In determining the provision, management applied significant judgement and estimates, which included assumptions that are affected by current and future market conditions, and which took into account factors such as the historical usage, age, and forecast purchases and sales of inventories. The accounting policies and disclosures for provision for inventories are included in notes 2.4, 3 and 20 to the consolidated financial statements.	Our audit procedures included: (i) assessing the lower of cost and net realisable value, by reviewing the gross profit margin analysis of products and discussing with management regarding the pricing policy, margin and provision basis, (ii) performing an obsolescence review by evaluating the subsequent usage of raw materials, work in progress and delivery of finished goods to customers, and (iii) attending the physical inventory counts.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for a business combination	
On 31 December 2021, the Group acquired an additional 62.9998% equity interest in Braeburn Systems LLC ("Braeburn") from independent third parties. Upon the acquisition, the Group increased its equity interest in Braeburn from 27.0002% to 90% and Braeburn was then accounted for as a subsidiary from an associate of the Group. The acquisition of Braeburn constitutes a business combination. The accounting for this acquisition required significant management estimates in the fair values of the assets acquired and the liabilities assumed for the purchase price allocation as at the date of acquisition. To support the determination of fair values as at the acquisition date, management engaged an independent external valuer to perform valuations on the identifiable assets acquired and liabilities assumed for the purchase price allocation. The accounting policies and disclosures for the purchase price allocation for a business combination are included in notes 2.4, 3 and 39 to the consolidated financial statements.	Our audit procedures included: (i) reviewing terms in the acquisition agreement and purchase price allocation schedules prepared by management, (ii) discussing with management to understand their identification and measurement of the acquired assets and liabilities assumed; (iii) evaluating the independent external valuer's competence, capabilities and objectivity; (iv) involving our internal valuation specialists to assist us to evaluate the valuation methodology, key assumptions and parameters applied in the fair value measurements of the acquired assets and liabilities; and (v) assessing the adequacy of the Group's disclosures of the business combination.

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.

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.

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

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.

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 Wong Ka Wing.

Ernst & Young
Certified Public Accountants

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

30 June 2022

Consolidated Statement of Profit or Loss

Year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	5	**4,184,831**	3,596,660
Cost of sales		**(3,647,542)**	(3,130,871)
Gross profit		**537,289**	465,789
Other income	5	**17,367**	22,524
Selling and distribution expenses		**(110,475)**	(91,434)
Administrative expenses		**(334,041)**	(292,916)
Other operating income, net		**6,116**	9,012
Finance costs	6	**(13,837)**	(13,329)
Share of profits less losses of associates		**442**	2,848
PROFIT BEFORE TAX	7	**102,861**	102,494
Income tax expense	10	**(19,141)**	(21,103)
PROFIT FOR THE YEAR		**83,720**	81,391
ATTRIBUTABLE TO:			
Owners of the Company		**84,227**	81,391
Non-controlling interests		**(507)**	–
		83,720	81,391
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic		**10.01 HK cents**	9.69 HK cents
Diluted		**10.00 HK cents**	9.69 HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
PROFIT FOR THE YEAR	**83,720**	81,391
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(47,037)**	68,633
Release of exchange reserve upon disposal of a subsidiary	**–**	636
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**(47,037)**	69,269
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**36,683**	150,660
Attributable to:		
Owners of the Company	**37,167**	150,660
Non-controlling interests	**(484)**	–
	36,683	150,660

Consolidated Statement of Financial Position

31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**362,013**	318,755
Right-of-use assets	*14(a)*	**106,144**	89,642
Goodwill	*15*	**111,560**	36,420
Club debenture		**705**	705
Intangible assets	*16*	**231,123**	177,859
Interests in associates	*17*	**2,079**	9,265
Financial asset at fair value through other comprehensive income	*18*	**–**	–
Financial assets at fair value through profit or loss	*19*	**9,359**	8,386
Prepayments and deposits		**46,845**	20,095
Deferred tax assets	*29*	**14,208**	14,087
Total non-current assets		**884,036**	675,214
CURRENT ASSETS			
Inventories	*20*	**935,884**	739,223
Trade receivables	*21*	**499,151**	404,382
Prepayments, deposits and other receivables	*22*	**133,166**	77,598
Cash and bank balances	*23*	**347,727**	591,203
Total current assets		**1,915,928**	1,812,406
CURRENT LIABILITIES			
Trade and bills payables	*24*	**807,020**	771,143
Other payables and accrued liabilities	*25*	**165,959**	116,444
Contract liabilities	*26*	**14,148**	7,254
Derivative financial instruments	*27*	**216**	562
Interest-bearing bank borrowings	*28*	**285,923**	83,454
Lease liabilities	*14(b)*	**46,450**	36,756
Tax payable		**2,135**	5,144
Total current liabilities		**1,321,851**	1,020,757
NET CURRENT ASSETS		**594,077**	791,649
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,478,113**	1,466,863

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	*14(b)*	**48,392**	39,801
Deferred tax liabilities	*29*	**39,833**	28,643
Total non-current liabilities		**88,225**	68,444
Net assets		**1,389,888**	1,398,419
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*30*	**84,254**	83,974
Reserves	*32*	**1,302,147**	1,314,436
		1,386,401	1,398,410
Non-controlling interests		**3,487**	9
Total equity		**1,389,888**	1,398,419

AUYANG Pak Hong Bernard
Director

Wong Wah Shun
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2022

	Notes	Attributable to owners of the Company								
		Issued capital	Share premium account*	Contributed surplus*	Share option reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note 30)	*(note 30)*	*(note 32)*	*(note 31)*					
At 1 April 2020		83,974	394,934	1,879	13,858	10,401	753,868	1,258,914	9	1,258,923
Profit for the year		–	–	–	–	–	81,391	81,391	–	81,391
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	68,633	–	68,633	–	68,633
Release of exchange reserve upon disposal of a subsidiary		–	–	–	–	636	–	636	–	636
Total comprehensive income for the year		–	–	–	–	69,269	81,391	150,660	–	150,660
Equity-settled share option arrangements		–	–	–	(163)	–	–	(163)	–	(163)
Transfer of share option reserve upon the forfeiture or lapse of share options	*31*	–	–	–	(4,171)	–	4,171	–	–	–
Final 2020 dividend paid	*11*	–	–	–	–	–	(11,001)	(11,001)	–	(11,001)
At 31 March 2021 and 1 April 2021		83,974	394,934	1,879	9,524	79,670	828,429	1,398,410	9	1,398,419
Profit for the year		–	–	–	–	–	84,227	84,227	(507)	83,720
Other comprehensive income/(expense) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	(47,060)	–	(47,060)	23	(47,037)
Total comprehensive income/(expense) for the year		–	–	–	–	(47,060)	84,227	37,167	(484)	36,683
Equity-settled share option arrangements		–	–	–	(261)	–	–	(261)	–	(261)
Transfer of share option reserve upon the forfeiture or lapse of share options	*31*	–	–	–	(2,899)	–	2,899	–	–	–
Issue of shares upon exercise of share options		280	1,208	–	(438)	–	–	1,050	–	1,050
Acquisition of a subsidiary	*39*	–	–	–	–	–	–	–	3,962	3,962
Final 2021 dividend paid	*11*	–	–	–	–	–	(49,965)	(49,965)	–	(49,965)
At 31 March 2022		84,254	396,142	1,879	5,926	32,610	865,590	1,386,401	3,487	1,389,888

* These reserve accounts comprise the consolidated reserves of HK$1,302,147,000 (2021: HK$1,314,436,000) in the consolidated statement of financial position as at 31 March 2022.

Consolidated Statement of Cash Flows

Year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**102,861**	102,494
Adjustments for:			
Bank interest income	*5*	**(1,985)**	(525)
Interest on bank loans	*6*	**10,922**	10,143
Interest on lease liabilities	*6*	**2,915**	3,186
Depreciation of property, plant and equipment	*7*	**64,336**	57,167
Depreciation of right-of-use assets	*7*	**44,849**	38,178
Amortisation of intangible assets	*7*	**38,894**	45,649
Write-off of deferred expenditure	*7*	**365**	6,681
Write-down of inventories to net realisable value	*7*	**27,172**	7,616
Loss on disposal of items of property, plant and equipment, net	*7*	**2,901**	2,202
Impairment/(reversal of impairment) of trade receivables, net	*7*	**1,071**	(698)
Reversal of equity-settled share option expenses, net	*7*	**(261)**	(163)
Losses/(gains) from derivative instruments – transactions not qualifying as hedges, net	*27*	**(6,768)**	7,494
Fair value loss/(gain) from financial assets at fair value through profit or loss	*7*	**277**	(635)
Loss on disposal of a subsidiary	*7*	**–**	668
Loss/(gain) on remeasurement of an existing interest in an associate upon a business combination	*7*	**(19,385)**	344
Gain on termination of a lease contract	*7*	**(54)**	(184)
Share of profits less losses of associates		**(442)**	(2,848)
		267,668	276,769
Increase in inventories		**(202,667)**	(28,163)
Decrease/(increase) in trade receivables		**(82,493)**	86,101
Increase in prepayments, deposits and other receivables		**(77,415)**	(2,994)
Increase in trade and bills payables		**21,422**	56,621
Increase in other payables and accrued liabilities		**25,548**	36,075
Decrease in an amount due to a non-controlling shareholder		**–**	(713)
Increase in contract liabilities		**6,894**	477
Movements in derivative financial instruments		**6,422**	(9,284)
Increase in restricted bank deposits		**(36,830)**	(9,139)
Effect of foreign exchange rate changes, net		**(63,785)**	26,835
Cash generated from/(used in) operations		**(135,236)**	432,585
Hong Kong profits tax refunded/(paid)		**(3,972)**	5,524
Overseas tax paid		**(14,516)**	(11,253)
Dividend paid		**(49,965)**	(11,001)
Net cash flows from/(used in) operating activities		**(203,689)**	415,855

	Notes	2022 HK$'000	2021 HK$'000
Net cash flows from/(used in) operating activities (continued)		**(203,689)**	415,855
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,985**	525
Dividend received	*17*	**–**	1,644
Purchase of a financial asset at fair value through profit or loss	*36*	**(1,250)**	(7,751)
Purchases of items of property, plant and equipment		**(100,696)**	(103,578)
Payment on purchase of leasehold land		**–**	(14,042)
Proceeds from disposal of items of property, plant and equipment		**2,314**	1,518
Acquisition of a subsidiary	*39*	**(66,880)**	422
Additions to intangible assets	*16*	**(66,171)**	(59,942)
Net cash flows used in investing activities		**(230,698)**	(181,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		**1,050**	–
Principal portion of lease payments		**(43,061)**	(37,273)
New bank loans		**560,400**	473,607
Repayment of interest-bearing bank borrowings		**(357,760)**	(531,095)
Interest paid		**(13,837)**	(13,329)
Effect of foreign exchange rate changes, net		**1,489**	6,882
Net cash flows from/(used in) financing activities		**148,281**	(101,208)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		**(286,106)**	133,443
Cash and bank balances at beginning of year		**582,064**	432,031
Effect of foreign exchange rate changes, net		**5,800**	16,590
CASH AND BANK BALANCES AT END OF YEAR		**301,758**	582,064
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES			
Cash and bank balances	*23*	**301,758**	570,196
Time deposits with original maturity of three months or less when acquired	*23*	**–**	11,868
Cash and bank balances as stated in the consolidated statement of cash flows		**301,758**	582,064

1. CORPORATE AND GROUP INFORMATION

Computime Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 6/F, Building 20E, Phase 3, Hong Kong Science Park, 20 Science Park East Avenue, Shatin, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the research and development, design, manufacture and trading of electronic control products.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Computime International Limited ("CIL")	British Virgin Islands/ Hong Kong	US$400	100	Investment holding
Computime Limited	Hong Kong	HK$2,000,000	100	Investment holding, research and development, design, manufacture and trading of electronic control products
Computime (Malaysia) Sdn. Bhd.	Malaysia	MYR2,500,000	100	Manufacture and trading of electronic control products
金寶通電子(深圳)有限公司 Computime Electronics (Shenzhen) Co. Ltd.#	People's Republic of China ("PRC")/ Mainland China	US$14,000,000	100	Manufacture and trading of electronic control products, and provision of research and development support services
金寶通智能製造(深圳)有限公司 Computime Control Devices Manufacturing (Shenzhen) Co. Ltd.#	PRC/Mainland China	RMB20,920,000	100	Manufacture and trading of electronic control products
Asia Electronics HK Technologies Limited	Hong Kong	HK$23,250,100	100	Trading of electronic control products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Asia Electronics Technologies (Dongguan) Co. Ltd.#	PRC/Mainland China	US$3,300,000	100	Manufacture and trading of electronic control products
Salus North America, Inc.	United States of America	US$1,000	100	Distribution and trading of electronic control products, and provision of research and development support services
Salus Controls Plc	United Kingdom	GBP3,000,000	100	Distribution and trading of electronic control products
Salus Controls GmbH	Germany	EUR3,025,000	100	Distribution and trading of electronic control products
Salus Controls Romania s.r.l.	Romania	NEW LEI200	100	Distribution and trading of electronic control products
Salus Nordic A/S	Denmark	DKK9,000,000	100	Distribution and trading of electronic control products
Braeburn Systems LLC ("Braeburn")	United States of America	1,232.88 units	90	Distribution and trading of electronic control products

\# *Registered as a wholly-owned foreign enterprise under PRC law*

Except for CIL, all the above subsidiaries are indirectly 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.

2.1 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, 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 a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments 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 (collectively referred to as the "Group") for the year ended 31 March 2022. 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 Company 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.

2.2 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*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

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

(a) 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.

As at 31 March 2022, the Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (''HIBOR") and United States dollars based on the London Interbank Offered Rate (''LIBOR"). The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For other LIBOR-based borrowings, 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 37(ii) to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "2021 Amendment"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. The amendments did not have any significant impact on the Group's financial statements.

2.3 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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interests in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 March. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment 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.

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 principal annual rates used for this purpose are as follows:

Buildings	40 years
Leasehold improvements	Over the shorter of the lease term and 10% - 20%
Furniture, fixtures and equipment	10% - 33.3%
Tools and machinery	10% - 33.3%
Motor vehicles	10% - 33.3%
Moulds and tooling	20%

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 sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Deferred expenditure

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Deferred expenditure which does not meet these criteria is expensed when incurred.

Deferred expenditure is stated at cost less any impairment losses and is amortised using the straight-line basis over the commercial lives of the underlying products of three or five years, commencing from the date when the products are put into commercial production.

Brand name, patent and customer relationships

Separately acquired brand name, patent and customer relationships are shown at historical cost. Brand name, patent and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The following intangible assets are amortised from the date they are available for use and their estimated useful lives are as follows:

Brand name	Indefinite
Patent	10 years
Customer relationships	8 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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	51 years
Properties	1 year to 6 years
Computer software	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(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, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of properties (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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Fair value measurement

The Group measures its derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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.

2.4 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 or for which the Group has applied the practical expedient of not adjusting the effect of 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 or for which the Group has applied the practical expedient 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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 and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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 and contract assets 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

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, certain other payables and accrued liabilities, derivative financial instruments, interest-bearing bank borrowings and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 the statement of profit or loss.

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 and hedge accounting

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, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 short-term time deposits, which are not restricted as to use.

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.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties for designated customers in relation to the sale of goods for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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.

2.4 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 interests in subsidiaries and associates, 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 unused tax losses, 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 interests in subsidiaries and associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

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

Some contracts for the sale of electronic control products provide customers with rights of return and early settlement rebates. The rights of return and rebates give rise to variable consideration.

(i) *Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of products (continued)

(ii) *Early settlement rebates*

Retrospective early settlement rebates is provided to certain customers once the customers could early settle their receivable balances to the Group at a specific date. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used. The selected method that best predicts the amount of variable consideration is primarily driven by the historical settlement pattern of the customers. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Other income

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).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 using a binomial model, further details of which are given in note 31 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. 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 employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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.

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.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 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.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 and the overseas associate 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.

2.4 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 exchange rates that approximate to those prevailing at the dates of the transactions.

3. 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.

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.

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment testing.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

(a) Impairment of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

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 economic conditions 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 economic 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 21 to the financial statements.

(b) Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgements. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down of inventories in the period in which such estimate has been changed. The carrying amount of inventories at 31 March 2022 was HK$935,884,000 (2021: HK$739,223,000).

(c) Impairment of intangible assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all intangible assets at the end of each reporting period. Intangible assets not yet available for use are tested for impairment annually irrespective of whether such an indicator exists. All intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(d) 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. The carrying amount of goodwill at 31 March 2022 was HK$111,560,000 (2021: HK$36,420,000). Further details are given in note 15.

(e) Purchase price allocation

The Group applies acquisition accounting to transactions that meet the definition of business combinations. This requires the Group to allocate the acquisition consideration to identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. Management estimations are required to determine the fair values of assets acquired and liabilities assumed, and the related deferred tax liabilities arising from fair value adjustments at the date of acquisition. The fair values of assets and liabilities acquired on the acquisition date are set out in note 39 to the financial statements.

(f) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The IBR applied by the Group ranging from 1% to 5.5% (2021: 1.3% to 5.5%).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the smart solutions segment, which is engaged in the research and development, design, manufacture, trading and distribution of building and home control and appliance control products; and

(b) the contract manufacturing services segment, which is engaged in the research and development, design, manufacture, trading and distribution of commercial and industrial control products.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, share of profits less losses of associates, loss on disposal of a subsidiary, gain/loss on remeasurement of an existing interest in an associate upon a business combination, as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets mainly exclude property, plant and equipment, goodwill, a club debenture, interests in associates, a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss, right-of-use assets, deferred tax assets, cash and bank balances, and certain balances of prepayments, deposits and other receivables, and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities mainly exclude interest-bearing bank borrowings, derivative financial instruments, lease liabilities, deferred tax liabilities, certain balances of trade and bills payables, other payables and accruals, and tax payable, and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Inter-segment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

	Smart solutions		Contract manufacturing services		Total	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**1,281,361**	1,092,285	**2,903,470**	2,504,375	**4,184,831**	3,596,660
Segment results	**78,485**	32,632	**143,179**	168,514	**221,664**	201,146
Bank interest income					**1,985**	525
Government grants					**9,687**	19,393
Other income (excluding bank interest income and government grants)					**5,695**	2,606
Corporate and other unallocated expenses					**(142,160)**	(109,683)
Finance costs					**(13,837)**	(13,329)
Share of profits less losses of associates	**442**	2,848	**–**	–	**442**	2,848
Loss on disposal of a subsidiary					**–**	(668)
Gain/(loss) on remeasurement of an existing interest in an associate upon a business combination					**19,385**	(344)
Profit before tax					**102,861**	102,494
Income tax expense					**(19,141)**	(21,103)
Profit for the year					**83,720**	81,391

4. OPERATING SEGMENT INFORMATION (continued)

	Smart solutions		Contract manufacturing services		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Assets and liabilities						
Segment assets	**818,811**	625,936	**858,485**	702,532	**1,677,296**	1,328,468
Interests in associates	**2,079**	9,265	**–**	–	**2,079**	9,265
Corporate and other unallocated assets					**1,120,589**	1,149,887
Total assets					**2,799,964**	2,487,620
Segment liabilities	**64,495**	26,583	**17,207**	5,347	**81,702**	31,930
Corporate and other unallocated liabilities					**1,328,374**	1,057,271
Total liabilities					**1,410,076**	1,089,201
Other segment information:						
Capital expenditure*					**166,867**	186,160
Depreciation of property, plant and equipment					**64,336**	57,167
Depreciation of right-of-use assets					**44,849**	38,178
Amortisation of intangible assets	**26,698**	34,859	**12,196**	10,790	**38,894**	45,649
Write-off of deferred expenditure	**240**	5,734	**125**	947	**365**	6,681
Impairment/(reversal of impairment) of trade receivables, net	**1,109**	(264)	**(38)**	(434)	**1,071**	(698)
Write-down of inventories to net realisable value	**15,084**	5,863	**12,088**	1,753	**27,172**	7,616

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets and leasehold land classified as right-of-use assets.*

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022 HK$'000	2021 HK$'000
The America	**1,734,085**	1,516,607
Europe	**1,925,964**	1,611,872
Asia	**524,517**	468,181
Oceania	**265**	–
	4,184,831	3,596,660

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 HK$'000	2021 HK$'000
The America	**26,048**	2,946
Europe	**8,239**	6,120
Asia	**482,794**	428,691
	517,081	437,757

The non-current asset information above is based on the locations of the assets and excludes goodwill, a club debenture, intangible assets, a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred tax assets.

Information about major customers

For the year ended 31 March 2022, revenue of approximately HK$1,159,613,000 (2021: HK$854,217,000) and HK$741,526,000 (2021: HK$760,745,000), which represented 27.7% (2021: 23.8%) and 17.7% (2021: 21.2%) of the Group's total revenue, respectively, was derived from sales by the contract manufacturing services segment to two separate single customers. They included sales to a group of entities which are known to be under common control with these customers.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers	**4,184,831**	3,596,660

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 HK$'000	2021 HK$'000
Geographical markets		
The America	**1,734,085**	1,516,607
Europe	**1,925,964**	1,611,872
Asia	**524,517**	468,181
Oceania	**265**	–
	4,184,831	3,596,660

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 and recognised from performance obligations satisfied in previous periods:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of electronic control products	**2,071**	3,819

(ii) Performance obligations

Sale of electronic control products

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 150 days (2021: 30 to 150 days) from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with early settlement rebates which give rise to variable consideration subject to constraint.

5. REVENUE AND OTHER INCOME (continued)

An analysis of other income is as follows:

	2022 HK$'000	2021 HK$'000
Bank interest income	**1,985**	525
Government grants*	**9,687**	19,393
Sundry income	**5,695**	2,606
	17,367	22,524

* *Government grants were granted by respective governmental authorities in Hong Kong, Mainland China and Malaysia. During the year ended 31 March 2022, HK$194,000 (2021: HK$10,341,000), RMB217,000 (2021: RMB4,355,000) (equivalent to approximately HK$264,000 (2021: HK$5,127,000)) and MYR321,000 (2021: Nil) (equivalent to approximately HK$602,000 (2021: Nil)) were granted by respective governmental authorities to subsidise stable employment of enterprises in Hong Kong, Mainland China and Malaysia, and HK$518,000 (2021: HK$244,000) and RMB6,682,000 (2021: RMB3,244,000) (equivalent to approximately HK$8,109,000 (2021: HK$3,681,000)) were granted by respective governmental authorities in Hong Kong and Mainland China to subsidise the development of the industry which the Group operates. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interest on bank loans	**10,922**	10,143
Interest on lease liabilities	**2,915**	3,186
	13,837	13,329

7. PROFIT BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Cost of inventories sold		**3,620,370**	3,123,255
Depreciation of property, plant and equipment	*13*	**64,336**	57,167
Depreciation of right-of-use assets	*14(a)*	**44,849**	38,178
Amortisation of patent and customer relationships^^	*16*	**162**	–
Research and development costs:			
Amortisation of deferred expenditure^	*16*	**38,732**	45,649
Write-off of deferred expenditure^	*16*	**365**	6,681
Current year expenditure		**15,976**	8,013
		55,073	60,343
Lease payments not included in the measurement of lease liabilities	*14(c)*	**1,103**	1,019
Gain on termination of a lease contract	*14(c)*	**(54)**	(184)
Auditor's remuneration		**2,686**	2,470
Employee benefit expense*			
(including directors' remuneration – note 8):			
Wages, salaries and other benefits		**683,259**	662,471
Pension scheme contributions##		**4,191**	3,511
Reversal of equity-settled share option expenses, net		**(261)**	(163)
		687,189	665,819
Foreign exchange differences, net#		**14,644**	(17,775)
Loss on disposal of items of property, plant and equipment, net#		**2,901**	2,202
Impairment/(reversal of impairment) of trade receivables, net#	*21*	**1,071**	(698)
Write-down of inventories to net realisable value**		**27,172**	7,616
Derivative instruments – transactions not qualifying as hedges#			
– Realised losses/(gains), net		**(6,422)**	6,932
– Unrealised losses/(gains), net		**(346)**	562
Fair value loss/(gain) from financial assets at fair value through profit or loss#		**277**	(635)
Loss on disposal of a subsidiary#		**–**	668
Loss/(gain) on remeasurement of an existing interest in an associate upon a business combination#	*39*	**(19,385)**	344

7. PROFIT BEFORE TAX (continued)

* *Employee benefit expense of HK$440,378,000 (2021: HK$432,409,000) is included in "Cost of inventories sold" above.*

** *Write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated statement of profit or loss.*

^ *The amortisation of deferred expenditure and write-off of deferred expenditure for the year are included in "Administrative expenses" on the face of the consolidated statement of profit or loss.*

^^ *The amortisation of patent and customer relationships for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.*

\# *These items are included in "Other operating income, net" 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.*

8. 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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:

	2022 **HK$'000**	2021 HK$'000
Fees	**1,447**	1,495
Other emoluments:		
Salaries, allowances and benefits in kind	**9,664**	11,883
Discretionary bonus	**2,359**	–
Reversal of equity-settled share option expenses, net	**(261)**	(163)
Pension scheme contributions	**36**	29
	13,245	13,244

As at 31 March 2022, one director (2021: two) had outstanding share options granted by the Company, in respect of his services to the Group, under the share option schemes of the Company, further details of which are set out in note 31 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 amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

The remuneration of each of the directors and chief executive for the year ended 31 March 2022 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Reversal of equity-settled share option expenses, net HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors						
Mr. AUYANG Ho	–	3,001	–	–	–	3,001
Mr. AUYANG Pak Hong Bernard ("Mr. Bernard AUYANG")*	–	4,685	1,221	(261)	18	5,663
Mr. Wong Wah Shun^^	–	1,978	1,138	–	18	3,134
	–	9,664	2,359	(261)	36	11,798
Non-executive Directors						
Mr. WONG Chun Kong	186	–	–	–	–	186
Mr. KAM Chi Chiu, Anthony	234	–	–	–	–	234
	420	–	–	–	–	420
Independent Non-executive Directors						
Mr. LUK Koon Hoo	263	–	–	–	–	263
Mr. Patrick Thomas SIEWERT	251	–	–	–	–	251
Mr. Ho Pak Chuen Patrick**	262	–	–	–	–	262
Mr. Roy KUAN^^^	251	–	–	–	–	251
	1,027	–	–	–	–	1,027
	1,447	9,664	2,359	(261)	36	13,245

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

The remuneration of each of the directors and chief executive for the year ended 31 March 2021 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors						
Mr. AUYANG Ho	–	3,225	–	–	–	3,225
Dr. OWYANG King#	–	2,877	–	(424)	–	2,453
Mr. Bernard AUYANG*	–	4,615	–	261	18	4,894
Mr. Wong Wah Shun^^	–	1,166	–	–	11	1,177
	–	11,883	–	(163)	29	11,749
Non-executive Directors						
Mr. WONG Chun Kong	186	–	–	–	–	186
Mr. KAM Chi Chiu, Anthony	234	–	–	–	–	234
Mr. Arvind Amratlal PATEL^	90	–	–	–	–	90
	510	–	–	–	–	510
Independent Non-executive Directors						
Mr. LUK Koon Hoo	284	–	–	–	–	284
Mr. Patrick Thomas SIEWERT	284	–	–	–	–	284
Mr. Ho Pak Chuen Patrick**	203	–	–	–	–	203
Mr. CHEUNG Ching Leung, David***	73	–	–	–	–	73
Mr. Roy KUAN^^^	141	–	–	–	–	141
	985	–	–	–	–	985
	1,495	11,883	–	(163)	29	13,244

There was no arrangement under which a Director or the Chief Executive waived or agreed to waive any remuneration during the year (2021: Nil).

\# *Dr. OWYANG King was the Chief Executive Officer of the Company during the year ended 31 March 2020. On 1 April 2020, Dr. OWYANG King resigned as the Chief Executive Officer of the Company and remained as an Executive Director of the Company. On 3 September 2020, Dr. OWYANG King retired as an Executive Director of the Company.*

* *Mr. Bernard AUYANG was re-designated from a Non-executive Director to an Executive Director and was appointed as the Chief Executive Officer of the Company on 1 April 2020.*

** *Mr. HO Pak Chuen Patrick was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2020.*

*** *Mr. CHEUNG Ching Leung, David resigned as an Independent Non-executive Director of the Company with effect from 1 July 2020.*

^ *Mr. Arvind Amratlal PATEL retired as a Non-executive Director of the Company on 3 September 2020.*

^^ *Mr. WONG Wah Shun was appointed as an Executive Director of the Company with effect from 3 September 2020.*

^^^ *Mr. Roy KUAN was appointed as an Independent Non-executive Director of the Company with effect from 3 September 2020.*

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2021: three) directors, details of whose emoluments are set out in note 8 above. Details of the remuneration of the remaining two (2021: two) non-director highest paid employees for the year are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	7,082	6,495
Pension scheme contributions	18	36
	7,100	6,531

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

	Number of employees	
	2022	2021
Nil to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	1	2
HK$3,500,001 to HK$4,000,000	1	–
	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate.

	2022 HK$'000	2021 HK$'000
Current – Hong Kong:		
Charge for the year	**1,633**	155
Overprovision in prior years	**(328)**	(14)
Current – Mainland China and other countries:		
Charge for the year	**12,136**	9,676
Underprovision/(overprovision) in prior years	**1,764**	(2,909)
Deferred *(note 29)*	**3,936**	14,195
Total tax charge for the year	**19,141**	21,103

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective tax rate is as follows:

	2022		2021	
	HK$'000	**%**	HK$'000	%
Profit before tax	**102,861**		102,494	
Tax at the statutory tax rate	**16,972**	**16.5**	16,912	16.5
Higher tax rates for other countries	**3,668**	**3.6**	2,572	2.5
Adjustments in respect of current tax of previous periods	**1,436**	**1.4**	(2,923)	(2.8)
Recognition of tax losses	**(2,853)**	**(2.7)**	(2,257)	(2.2)
Profit attributable to associates, net	**(73)**	**(0.1)**	(470)	(0.5)
Income not subject to tax	**(2,132)**	**(2.1)**	(3,988)	(3.9)
Expenses not deductible for tax	**5,683**	**5.5**	7,097	6.9
Tax losses not recognised	**1,022**	**1.0**	4,965	4.9
Tax losses utilised from previous periods	**(4,177)**	**(4.1)**	(616)	(0.6)
Other temporary differences	**(405)**	**(0.4)**	(189)	(0.2)
Tax charge at the Group's effective rate	**19,141**	**18.6**	21,103	20.6

11. DIVIDENDS

Dividend paid during the year

	2022 **HK$'000**	2021 HK$'000
Final dividend in respect of the financial year ended 31 March 2021 – HK$0.0595 per ordinary share (2021: final dividend of HK$0.0131 per ordinary share, in respect of the financial year ended 31 March 2020)	**49,965**	11,001

Proposed final dividend

	2022 **HK$'000**	2021 HK$'000
Final – HK$0.0475 (2021: HK$0.0595) per ordinary share	**40,021**	49,965

The proposed final dividend for the year ended 31 March 2022 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$84,227,000 (2021: HK$81,391,000) and the weighted average number of ordinary shares of 841,581,000 (2021: 839,740,000) in issue during the year.

For the year ended 31 March 2022, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company of HK$84,227,000. The weighted average number of ordinary shares used in the calculation of 842,006,000 is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The computation of diluted earnings per share for the year ended 31 March 2021 does not assume the exercise of certain share options granted by the Company because the relevant exercise prices of those options were higher than the relevant average market prices of the shares of the Company for the year ended 31 March 2021.

A reconciliation between the weighted average number of ordinary shares used in calculating the basic earnings per share and that used in calculating the diluted earnings per share for the year ended 31 March 2022 is as follows:

	2022
Weighted average number of ordinary shares used in calculating the basic earnings per share	841,581,000
Weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive options in issue during the year	425,000
Weighted average number of ordinary shares used in calculating the diluted earnings per share	842,006,000

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Tools and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
At 31 March 2022								
At 31 March 2021 and at 1 April 2021:								
Cost		25,310	127,180	249,070	477,407	4,932	42,314	926,213
Accumulated depreciation		(475)	(83,433)	(187,165)	(294,609)	(4,040)	(37,736)	(607,458)
Net carrying amount		24,835	43,747	61,905	182,798	892	4,578	318,755
At 1 April 2021, net of accumulated depreciation		24,835	43,747	61,905	182,798	892	4,578	318,755
Additions		–	8,242	42,022	50,211	–	221	100,696
Acquisition of a subsidiary	39	–	16	2,944	888	–	–	3,848
Disposals and write-offs		–	(5)	(139)	(5,071)	–	–	(5,215)
Depreciation provided during the year	7	(634)	(12,382)	(14,134)	(33,944)	(799)	(2,443)	(64,336)
Exchange realignment		172	1,161	1,092	5,829	11	–	8,265
At 31 March 2022, net of accumulated depreciation		24,373	40,779	93,690	200,711	104	2,356	362,013
At 31 March 2022:								
Cost		25,488	138,075	296,356	490,325	4,951	42,536	997,731
Accumulated depreciation		(1,115)	(97,296)	(202,666)	(289,614)	(4,847)	(40,180)	(635,718)
Net carrying amount		24,373	40,779	93,690	200,711	104	2,356	362,013

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Tools and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
At 31 March 2021								
At 1 April 2020:								
Cost		–	108,752	218,913	422,654	4,912	39,525	794,756
Accumulated depreciation		–	(85,964)	(169,010)	(251,828)	(3,235)	(34,012)	(544,049)
Net carrying amount		–	22,788	49,903	170,826	1,677	5,513	250,707
At 1 April 2020, net of accumulated depreciation		–	22,788	49,903	170,826	1,677	5,513	250,707
Additions		25,310	31,477	22,784	25,787	–	3,336	108,694
Disposals and write-offs		–	(2,085)	(671)	(964)	–	–	(3,720)
Depreciation provided during the year	7	(483)	(10,002)	(13,383)	(28,202)	(826)	(4,271)	(57,167)
Exchange realignment		8	1,569	3,272	15,351	41	–	20,241
At 31 March 2021, net of accumulated depreciation		24,835	43,747	61,905	182,798	892	4,578	318,755
At 31 March 2021:								
Cost		25,310	127,180	249,070	477,407	4,932	42,314	926,213
Accumulated depreciation		(475)	(83,433)	(187,165)	(294,609)	(4,040)	(37,736)	(607,458)
Net carrying amount		24,835	43,747	61,905	182,798	892	4,578	318,755

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and computer software used in its operation. Lump sum payments were made upfront to acquire the leased land from the owner with lease periods of 51 years, and no ongoing payments are required under the terms of these land leases. Leases of property generally have lease terms between 1 and 6 years, while computer software has lease term of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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:

	2022				2021			
	Leasehold land HK$'000	**Properties HK$'000**	**Computer software HK$'000**	**Total HK$'000**	Leasehold land HK$'000	Properties HK$'000	Computer software HK$'000	Total HK$'000
At beginning of the year	**16,973**	**66,168**	**6,501**	**89,642**	–	89,398	–	89,398
Additions	**–**	**61,632**	**–**	**61,632**	17,524	15,944	6,725	40,193
Acquisition of a subsidiary *(note 39)*	**–**	**961**	**–**	**961**	–	–	–	–
Termination of a lease	**–**	**(943)**	**–**	**(943)**	–	(6,415)	–	(6,415)
Depreciation charge	**(340)**	**(43,119)**	**(1,390)**	**(44,849)**	(259)	(37,695)	(224)	(38,178)
Lease modification	**–**	**(3,045)**	**1,118**	**(1,927)**	–	–	–	–
Exchange realignment	**117**	**1,511**	**–**	**1,628**	(292)	4,936	–	4,644
At end of the year	**16,750**	**83,165**	**6,229**	**106,144**	16,973	66,168	6,501	89,642

14. LEASES (continued)

The Group as a lessee (continued)

(b) ***Lease liabilities***

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

	2022 HK$'000	2021 HK$'000
Carrying amount at beginning of the year	76,557	92,721
New leases	61,632	22,669
Acquisition of a subsidiary *(note 39)*	978	–
Termination of a lease	(997)	(6,599)
Accretion of interest recognised during the year	2,915	3,186
Payments	(45,976)	(40,459)
Lease modification	(1,927)	–
Exchange realignment	1,660	5,039
Carrying amount at end of the year	94,842	76,557
Analysed into:		
Current portion	46,450	36,756
Non-current portion	48,392	39,801

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

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

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	2,915	3,186
Depreciation of right-of-use assets	44,849	38,178
Expenses relating to short-term leases		
– included in administrative expenses	1,103	1,019
Gain on termination of a lease contract	(54)	(184)
Total amount recognised in profit or loss	48,813	42,199

(d) The total cash outflow for leases is disclosed in note 40(c) to the financial statements.

15. GOODWILL

	2022 HK$'000	2021 HK$'000
Cost at 1 April, net of accumulated impairment	**36,420**	36,420
Acquisition of a subsidiary *(note 39)*	**74,843**	–
Exchange realignment	**297**	–
Cost at 31 March, net of accumulated impairment	**111,560**	36,420
At 31 March:		
Cost	**113,304**	38,164
Accumulated impairment	**(1,744)**	(1,744)
Net carrying amount	**111,560**	36,420

Impairment testing of goodwill

Included in the balance was mainly the goodwill acquired through business combination of Asia Electronics HK Technologies Limited and Asia Electronics Technologies (Dongguan) Co. Ltd. (collectively the "Asia Electronics Entity") and Braeburn, which have been regarded as two cash-generating units ("CGU") for impairment testing.

Asia Electronics Entity CGU

The recoverable amount of the Asia Electronics Entity has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 2% (2021: 2%). The discount rate applied to the cash flow projections is 14% (2021: 17%).

The carrying amount of goodwill allocated to the Asia Electronics Entity was HK$34,136,000 (2021: HK$34,136,000) as at 31 March 2022.

Certain key assumptions were used in the value-in-use calculation of the Asia Electronics Entity for 31 March 2022. Management determined the value assigned to the budgeted gross margins based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements. Changes in revenue and costs are based on management experience and expectations of future changes in the market. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant unit.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Braeburn CGU

Goodwill of US$9,599,000 (equivalent to HK$74,843,000) arose from the acquisition of an additional 62.9998% equity interest in Braeburn as disclosed in note 39 to the consolidated financial statements. Braeburn is engaged in distribution and trading of electronic control products.

As at 31 March 2022, the recoverable amount of the Braeburn has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 2%. The discount rate applied to the cash flow projections is 14%.

The carrying amount of goodwill allocated to the Braeburn was US$9,599,000 (equivalent to HK$75,140,000) (2021: Nil) as at 31 March 2022.

Certain key assumptions were used in the value-in-use calculation of the Braeburn for 31 March 2022. Management determined the value assigned to the budgeted gross margins based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements. Changes in revenue and costs are based on management experience and expectations of future changes in the market. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant unit.

16. INTANGIBLE ASSETS

	Notes	Deferred expenditure HK$'000	Brand name HK$'000	Customer relationships HK$'000	Patent HK$'000	Total HK$'000
31 March 2022						
At beginning of the year:						
Cost		612,630	–	–	–	612,630
Accumulated amortisation		(434,771)	–	–	–	(434,771)
Net carrying amount		177,859	–	–	–	177,859
At beginning of the year, net of accumulated amortisation		177,859	–	–	–	177,859
Acquisition of a subsidiary	*39*	–	22,283	1,286	2,680	26,249
Additions		66,171	–	–	–	66,171
Amortisation provided during the year	*7*	(38,732)	–	(40)	(122)	(38,894)
Write-off during the year	*7*	(365)	–	–	–	(365)
Exchange realignment		–	88	5	10	103
At end of the year, net of accumulated amortisation		204,933	22,371	1,251	2,568	231,123
At 31 March:						
Cost		678,436	22,371	1,291	2,691	704,789
Accumulated amortisation		(473,503)	–	(40)	(123)	(473,666)
Net carrying amount		204,933	22,371	1,251	2,568	231,123

16. INTANGIBLE ASSETS (continued)

	Note	Deferred expenditure HK$'000
31 March 2021		
At beginning of the year:		
Cost		560,165
Accumulated amortisation		(389,918)
Net carrying amount		170,247
At beginning of the year, net of accumulated amortisation		170,247
Additions		59,942
Amortisation provided during the year	*7*	(45,649)
Write-off during the year	*7*	(6,681)
At end of the year, net of accumulated amortisation		177,859
At 31 March:		
Cost		612,630
Accumulated amortisation		(434,771)
Net carrying amount		177,859

17. INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Share of net assets	**2,079**	7,707
Goodwill on acquisition	**–**	1,558
	2,079	9,265

During the year ended 31 March 2021, dividend of US$212,000 (equivalent to approximately HK$1,644,000) was declared by Braeburn.

The trade receivable and other payable balances with the associates are disclosed in notes 21 and 25 to the financial statements, respectively.

Particulars of the associates as at 31 March 2021 and 31 March 2022 are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Braeburn *(note (a))*	Ordinary shares	United States of America	note (a) (2021: 27.0002%)	Distribution and trading of electronic control products (2021: Trading of electronic products)
CCN Technologies Limited *(note (b))*	Ordinary shares	Hong Kong	35% (2021: Nil)	Engaging in services in internet of things in robotics

Notes:

(a) *Braeburn has a financial year end date of 31 December, which is not coterminous with that of the Group. The consolidated financial statements are adjusted for the material transactions between Braeburn and the Group between 1 January and 31 March. On 31 December 2021, the Group acquired an additional 62.9998% equity interest in Braeburn from independent third parties at a total consideration of US$10,332,000 (equivalent to approximately HK$80,547,000). Upon the acquisition, the Group increased its equity interest in Braeburn from 27.0002% to 90% and Braeburn was then accounted for as a subsidiary from an associate of the Group. Details of the acquisition are set out in note 39 to the financial statements.*

(b) *On 7 February 2022, the Group entered into the shareholders agreement with other investors to establish an associate, CCN Technologies Limited. The total authorised capital of the associate is HK$6,000,000 which was remained unpaid. The unpaid capital was included in "Other payables and accrued liabilities" as discussed in note 25 to the financial statements.*

17. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the associates:

	2022 HK$'000	2021 HK$'000
Share of the associates' profit for the year	442	2,848
Share of the associates' total comprehensive income	442	2,848
Aggregate carrying amount of the interests in the associates	2,079	9,265

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Equity investment, at fair value		
Glen Canyon Corporation	–	–

The above investment represents the investment in unlisted equity securities which was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature. The investee company was engaged in the development of energy saving products and solutions. In the opinion of the directors, the fair value of the investment was minimal with reference to the fair value of the underlying assets and liabilities held by the investee company.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Unlisted investments, at fair value	9,359	8,386

The above unlisted investments represent the equity securities of HK$5,834,000 and put option of HK$3,525,000 which were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The investee companies were engaged in the provision of engineering, design, manufacturing of electronic products and household appliances and trading and rental of robots.

20. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**546,606**	262,973
Work in progress	**145,624**	75,861
Finished goods	**243,654**	400,389
	935,884	739,223

21. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**502,081**	489,779
Impairment	**(2,930)**	(85,397)
	499,151	404,382

As at 31 March 2022, gross trade receivables of certain customers of HK$263,148,000 (2021: HK$200,518,000), which are designated in trade receivable factoring arrangements entered into between the Group and banks, were measured at fair value through other comprehensive income as these trade receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one to five months (2021: one to five months). The Group maintains strict credit control over its customers and outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, 36.2% (2021: 10.8%) and 56.6% (2021: 38.1%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21. TRADE RECEIVABLES (continued)

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

	2022 HK$'000	2021 HK$'000
Within 1 month	**308,518**	214,264
1 to 2 months	**87,010**	96,673
2 to 3 months	**70,301**	56,514
Over 3 months	**33,322**	36,931
	499,151	404,382

An ageing analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of loss allowance, is as follows:

	2022 HK$'000	2021 HK$'000
Current and due within 1 month	**486,385**	393,053
1 to 2 months	**2,355**	3,396
2 to 3 months	**2,358**	2,985
Over 3 months	**8,053**	4,948
	499,151	404,382

As part of its normal business, the Group entered into trade receivable factoring arrangements (the "Arrangements"), pursuant to which the Group assigned the rights to certain trade receivables to certain banks. The Group is not exposed to default risks of the trade debtors after the assignment. The Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. Trade receivables as if without the Arrangements as at 31 March 2022 amounted to HK$1,071,824,000 (as at 31 March 2021: HK$1,379,701,000).

21. TRADE RECEIVABLES (continued)

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

	2022 HK$'000	2021 HK$'000
At beginning of year	85,397	81,369
Impairment/(reversal of impairment losses), net *(note 7)*	1,071	(698)
Amount written off as uncollectible	(79,834)	–
Exchange realignment	(3,704)	4,726
At end of year	2,930	85,397

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. 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.

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

As at 31 March 2022

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.19%	0.07%	0.76%	19.89%	0.58%
Gross carrying amount (HK$'000)	464,293	22,987	4,749	10,052	502,081
Expected credit losses (HK$'000)	880	15	36	1,999	2,930

As at 31 March 2021

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.05%	0.05%	0.20%	94.51%	17.44%
Gross carrying amount (HK$'000)	379,739	13,510	6,394	90,136	489,779
Expected credit losses (HK$'000)	189	7	13	85,188	85,397

21. TRADE RECEIVABLES (continued)

Included in the Group's provision for impairment of trade receivables as at 31 March 2021 was a provision for individually impaired trade receivables of HK$83,693,000 with a carrying amount before provision of HK$83,693,000. The individually impaired trade receivables mainly relate to balances that were in dispute, or in the status of insolvency and reorganisation proceedings for Fagor Electrodomesticos Sociedad Cooperativa, FagorBrandt SAS, and Fagor Mastercook S.A. During the year ended 31 March 2022, the respective balance of HK$79,834,000 was written off in view of the recoverability of the balance being remote.

As at 31 March 2021, included in trade receivables was an amount due from an associate of HK$13,565,000, which is repayable on credit terms similar to those offered to the major customers of the Group.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The financial assets included in the balances related to receivables for which there was no recent history of default and past due amounts. As at 31 March 2022 and 2021, the loss allowance was assessed to be minimal.

23. CASH AND BANK BALANCES

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**301,758**	570,196
Time deposits	**–**	11,868
Restricted bank deposits	**45,969**	9,139
	347,727	591,203

At the end of the reporting period, the cash and bank balances denominated in Renminbi ("RMB") amounted to HK$132,682,000 (2021: HK$153,927,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 (2021: 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 are deposited with creditworthy banks with no recent history of default.

As at 31 March 2022 and 2021, restricted bank deposits mainly included deposits for issuance of bank acceptance notes with a bank.

24. TRADE AND BILLS PAYABLES

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

	2022 HK$'000	2021 HK$'000
Within 1 month	**138,958**	126,542
1 to 2 months	**172,593**	135,943
2 to 3 months	**193,458**	227,547
Over 3 months	**302,011**	281,111
	807,020	771,143

An ageing analysis of trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2022 HK$'000	2021 HK$'000
Current and due within 1 month	**603,024**	626,372
1 to 2 months	**81,896**	55,167
2 to 3 months	**25,758**	26,799
Over 3 months	**96,342**	62,805
	807,020	771,143

The trade payables are non-interest-bearing and generally have payment terms ranging from one to six months (2021: one to five months).

25. OTHER PAYABLES AND ACCRUED LIABILITIES

Included in other payables is an amount due to an associate of HK$1,833,000 (2021: Nil), which is non-interest-bearing and repayable on demand.

The other payables and accrued liabilities are non-interest-bearing and have payment terms ranging from one to three months (2021: one to three months) except for the amount due to an associate.

26. CONTRACT LIABILITIES

	31 March 2022 HK$'000	31 March 2021 HK$'000	1 April 2020 HK$'000
Receipts in advance from customers	**14,148**	7,254	6,777

Contract liabilities include short-term advances received to deliver products. The increase in contract liabilities in 2022 and 2021 was mainly due to the increase in short-term advances received from customers in relation to the delivery of products at the end of the years.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Contract amount HK$'000	**Liabilities HK$'000**	Contract amount HK$'000	Liabilities HK$'000
Forward currency contracts	**120,322**	**216**	154,263	562

As at 31 March 2022 and 2021, the forward currency contracts were not designated for hedge accounting and were measured at fair value through profit or loss. Changes in realised and unrealised gains of non-hedging forward currency contracts totalling HK$6,768,000 (2021: losses of HK$7,494,000) were credited (2021: debited) to the statement of profit or loss during the year.

28. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate p.a. (%)	Maturity	HK$'000	Effective interest rate p.a. (%)	Maturity	HK$'000
Current						
Bank import loans – unsecured	1.6	2022 or on demand	103,737	N/A	N/A	–
Bank revolving loans – unsecured	1.0	2022 or on demand	34,726	1.0	2021 or on demand	27,439
Bank term loans – unsecured	1.6	2023-2025 or on demand	147,460	1.3	2024 or on demand	56,015
			285,923			83,454

	2022 HK$'000	2021 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	285,923	83,454

Other interest rate information:

	Floating rate	
	2022 HK$'000	2021 HK$'000
Bank loans – unsecured	285,923	83,454

As at 31 March 2022, except for unsecured bank loans of approximately HK$34,726,000 (2021: HK$27,439,000) denominated in EUR and approximately HK$6,003,000 (2021: Nil) denominated in HK$, all other borrowings were denominated in United States dollars.

At 31 March 2022 and 2021, the interest-bearing bank borrowings were supported by corporate guarantees executed by the Company and certain of its wholly-owned subsidiaries.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities/(assets)

	Deferred tax liabilities/(assets)									
	Inventory HK$'000	Unutilised tax losses HK$'000	Credit losses HK$'000	Lease liabilities HK$'000	Right-of-use assets HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Deferred expenditure HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Net deferred tax liabilities HK$'000
At 1 April 2020	(6,927)	(18,020)	(486)	(20,020)	19,494	(110)	–	27,188	–	1,119
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	4,393	8,886	94	7,481	(7,727)	(387)	–	1,455	–	14,195
Exchange realignment	(640)	(118)	–	–	–	–	–	–	–	(758)
At 31 March 2021 and 1 April 2021	(3,174)	(9,252)	(392)	(12,539)	11,767	(497)	–	28,643	–	14,556
Acquisition of a subsidiary *(note 39)*	–	–	–	–	–	–	–	–	7,217	7,217
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(815)	1,585	(242)	(5,746)	5,584	(378)	132	4,727	(911)	3,936
Exchange realignment	(134)	61	–	(684)	648	–	–	–	25	(84)
At 31 March 2022	(4,123)	(7,606)	(634)	(18,969)	17,999	(875)	132	33,370	6,331	25,625

29. DEFERRED TAX (continued)

Represented as:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**(14,208)**	(14,087)
Deferred tax liabilities	**39,833**	28,643

At 31 March 2022, the Group had unutilised tax losses arising in Hong Kong and overseas of HK$13,084,000 (2021: HK$47,447,000) and HK$21,333,000 (2021: HK$6,468,000). Deferred tax assets have been recognised in respect of these losses.

At 31 March 2022, the Group had unrecognised tax losses arising in Hong Kong of HK$1,090,000 (2021: HK$2,123,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had unrecognised tax losses arising in Mainland China and oversea countries of HK$26,294,000 (2021: HK$27,600,000) and HK$35,167,000 (2021: HK$16,388,000), respectively, that will expire in seven to ten years for offsetting against future profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

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 those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences on undistributed profit of the subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$295,288,000 at 31 March 2022 (2021: HK$256,835,000).

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

30. ISSUED CAPITAL

Shares

	2022 HK$'000	2021 HK$'000
Authorised: 5,000,000,000 (2021: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid: 842,540,000 (2021: 839,740,000) ordinary shares of HK$0.10 each	**84,254**	83,974

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

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2020, 31 March 2021, 1 April 2021	839,740,000	83,974	394,934	478,908
Issue of shares upon exercise of share options	2,800,000	280	1,208	1,488
At 31 March 2022	842,540,000	84,254	396,142	480,396

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

The purpose of the share option schemes of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the share option schemes of the Company include Directors (including Executive, Non-executive and Independent Non-executive Directors) and employees of the Group, any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group.

The share option scheme adopted by the Company on 15 September 2006 (the "2006 Scheme") expired on 15 September 2016. Unless otherwise cancelled or lapsed in accordance with the 2006 Scheme, the outstanding share options granted under the 2006 Scheme would remain exercisable. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 14 September 2016, the Company adopted a new share option scheme (the "2016 Scheme") which, unless otherwise cancelled or terminated, would remain in force for 10 years from that date.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2006 Scheme and the 2016 Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The maximum number of shares issued and to be issued under share options to each eligible participant under the 2006 Scheme and 2016 Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. 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, the Chief Executive Officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company. In addition, any grant of share options 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 and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting.

As at the date of this report, the total number of shares available for issue under the 2016 Scheme was 77,642,000 (2021: 77,642,000), representing approximately 9.22% (2021: 9.25%) of the shares of the Company in issue as at that date. Since the 2006 Scheme expired on 15 September 2016, no further share option could be issued under the 2006 Scheme thereafter.

The offer of a grant of share options may be accepted within 28 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 may commence from the date of 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 Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of 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.

The Group recognised net reversal of share option expenses of HK$261,000 (2021: HK$163,000) during the year ended 31 March 2022.

31. SHARE OPTION SCHEMES (continued)

The following share options were outstanding during the year:

2006 Scheme	**Weighted average exercise price** HK$ per share	**Number of options**
At 1 April 2020	0.939	26,800,000
Lapsed/forfeited during the year	1.050	(8,000,000)
At 31 March 2021 and 1 April 2021	0.892	18,800,000
Exercised during the year	0.375	(2,800,000)
Lapsed/forfeited during the year	0.790	(8,000,000)
At 31 March 2022		8,000,000

2016 Scheme	**Weighted average exercise price** HK$ per share	**Number of options**
At 1 April 2020	0.728	10,000,000
Granted during the year	0.337	10,000,000
Lapsed/forfeited during the year	0.514	(14,000,000)
At 31 March 2021, 1 April 2021 and 31 March 2022	0.576	6,000,000

31. SHARE OPTION SCHEMES (continued)

Details and movements of the share options of the Company granted under the 2006 Scheme during the year ended 31 March 2022 are as follows:

Category of participants	As at 1 April 2021	Exercised during the year *(Note 2)*	Lapsed/ forfeited during the year *(Note 1)*	As at 31 March 2022	Date of grant of share options *(Note 3)*	Exercise period of share options	Date of share options vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Other Eligible Participant	2,400,000	–	(2,400,000)	–	28 June 2011	From 28 June 2012 to 27 June 2021	28 June 2012	0.79	0.79
	2,400,000	–	(2,400,000)	–	28 June 2011	From 28 June 2013 to 27 June 2021	28 June 2013	0.79	0.79
	3,200,000	–	(3,200,000)	–	28 June 2011	From 28 June 2014 to 27 June 2021	28 June 2014	0.79	0.79
	1,200,000	(1,200,000)	–	–	6 August 2012	From 6 August 2014 to 5 August 2022	6 August 2014	0.375	0.375
	1,600,000	(1,600,000)	–	–	6 August 2012	From 6 August 2015 to 5 August 2022	6 August 2015	0.375	0.375
	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2017 to 27 April 2026	28 April 2017	1.174	1.13
	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2018 to 27 April 2026	28 April 2018	1.174	1.13
	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2019 to 27 April 2026	28 April 2019	1.174	1.13
	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2020 to 27 April 2026	28 April 2020	1.174	1.13
	1,600,000	–	–	1,600,000	28 April 2016	From 28 April 2021 to 27 April 2026	3 September 2020	1.174	1.13
Total	18,800,000	(2,800,000)	(8,000,000)	8,000,000					

31. SHARE OPTION SCHEMES (continued)

Notes:

1. *8,000,000 (2021: 8,000,000) share options granted under the 2006 Scheme have lapsed or were forfeited during the year ended 31 March 2022. The corresponding amount of HK$2,899,000 (2021: HK$4,171,000) in share option reserve for the share options granted and vested in prior years but not yet exercised had been transferred from share option reserve to retained profits.*

2. *2,800,000 (2021: no) share options granted under the 2006 Scheme have been exercised during the year ended 31 March 2022. No (2021: no) share options granted under the 2006 Scheme have been cancelled during the year ended 31 March 2022.*

3. *The vesting period of the share options granted under the 2006 Scheme is from the date of grant to the commencement of the exercise period.*

4. *1,600,000 share options granted to an eligible participant under the 2006 Scheme vested on 28 April 2020. Accordingly, the corresponding share option expense of HK$17,000 had been charged to profit or loss up to his retirement during the year ended 31 March 2021. In addition, an eligible participant has retired as an Executive Director with effect from 3 September 2020. Accordingly, the corresponding share option expense of HK$192,000 for the 1,600,000 share options granted in prior years but not yet vested had been immediately vested and charged to profit or loss during the year ended 31 March 2021. The date of share options to be vested was changed from 28 April 2021 to 3 September 2020. The vested share options will be retained for two additional years after his retirement.*

31. SHARE OPTION SCHEMES (continued)

Details and movements of the share options of the Company granted under the 2016 Scheme during the year ended 31 March 2022 are as follows:

Category of participants	As at 1 April 2021	Granted during the year	Lapsed/ forfeited during the year (Note 3)	As at 31 March 2022	Date of grant of share options (Note 4)	Exercise period of share options	Date of share options vested/to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Other Eligible Participant	200,000	–	–	200,000	28 April 2017	From 28 April 2020 to 27 April 2027	28 April 2020	1.04	1.04
	200,000	–	–	200,000	28 April 2017	From 28 April 2021 to 27 April 2027	3 September 2020	1.04	1.04
	1,600,000	–	–	1,600,000	28 April 2017	From 28 April 2022 to 27 April 2027	3 September 2020	1.04	1.04
	2,000,000	–	–	2,000,000					
Director Mr. Bernard AUYANG	4,000,000	–	–	4,000,000	1 April 2020	From 1 July 2022 to 30 June 2030	1 July 2022	0.345	0.345
	4,000,000	–	–	4,000,000 (Note 6)					
Total	6,000,000	–	–	6,000,000					

31. SHARE OPTION SCHEMES (continued)

Notes:

1. *8,000,000 share options were granted to an eligible participant under the 2016 Scheme on 1 April 2020. The closing price of the Company's shares immediately before the date of grant was HK$0.345 per share. The fair value of share options granted to the director during the year ended 31 March 2021 was HK$1,175,000.*

2. *2,000,000 share options were granted to one director under the 2016 Scheme on 3 September 2020. The closing price of the Company's shares immediately before the date of grant was HK$0.305 per share. The fair value of share options granted to the director during the year ended 31 March 2021 was HK$244,000.*

3. *No (2021: no) share options granted under the 2016 Scheme have been exercised or cancelled or have lapsed during the year ended 31 March 2022.*

4. *The vesting period of the share options granted under the 2016 Scheme is from the date of grant to the commencement of the exercise period.*

5. *200,000 share options granted to an eligible participant under the 2016 scheme vested on 28 April 2020. Accordingly, the corresponding share option expense of HK$2,000 had been charged to profit or loss up to his retirement during the year ended 31 March 2021. In addition, an eligible participant has retired as an Executive Director with effect from 3 September 2020. Accordingly, the share option expense of HK$24,000 and HK$292,000 for the 200,000 and 1,600,000 share options, respectively, granted in prior years but not yet vested had been immediately vested and charged to profit or loss during the year ended 31 March 2021. The vesting dates of share options of 200,000 and 1,600,000 share options were changed from 28 April 2021 and 28 April 2022, respectively, to 3 September 2020. The vested share options will be retained for two additional years after his retirement.*

6. *During the year ended 31 March 2022, in the opinion of directors, 4,000,000 share options granted to a director as at 31 March 2022 under the 2016 Scheme are expected to lapse or be forfeited due to the likelihood on failure to satisfy the vesting condition. Accordingly, the corresponding share option expense of HK$261,000 for the share options expenses recognised in prior years but not yet vested had been reversed and credited to profit or loss. 4,000,000 share options under the 2016 Scheme granted on 1 April 2020 will be lapsed or be forfeited upon the approval of the audited financial statements as at 31 March 2022 by the board of directors on 30 June 2022.*

   During the year ended 31 March 2021, 8,000,000 share options granted to an eligible participant under the 2016 Scheme have lapsed or were forfeited due to the failure to satisfy the vesting condition. Accordingly, the corresponding share option expense of HK$951,000 for the share options expenses recognised in prior years but not yet vested had been reversed and credited to profit or loss.

31. SHARE OPTION SCHEMES (continued)

The fair values of the equity-settled share options granted under the 2016 Scheme during the year ended 31 March 2021 were estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Granted on 1 April 2020	**Granted on 3 September 2020**
Exercise price (HK$)	0.345	0.305
Share price at the date of grant (HK$)	0.345	0.305
Dividend yield (%)	3.80	4.30
Expected volatility (%)	51.59	50.41
Risk-free interest rate (%)	0.61	0.52
Expected life of options (number of years)	10	10

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At the end of the reporting period, the Company had 8,000,000 and 6,000,000 share options outstanding (2021: 18,800,000 and 6,000,000) under the 2006 Scheme and the 2016 Scheme, respectively, which in aggregate represented approximately 1.66% (2021: 2.95%) of the Company's shares. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 14,000,000 additional ordinary shares of the Company (2021: 24,800,000), and additional share capital of HK$1,400,000 (2021: HK$2,480,000) and share premium of HK$11,452,000 (2021: HK$17,390,000) (before issue expenses).

Upon the approval of these financial statements, the Company had 8,000,000 (2021: 18,800,000) and 2,000,000 (2021: 6,000,000) share options outstanding under the 2006 Scheme and the 2016 Scheme, respectively, which represented approximately 0.95% (2021: 2.24%) and 0.2% (2021: 0.71%) of the Company's shares in issue as at that date.

32. RESERVES

The amounts of reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's contributed surplus represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain subsidiaries of the Group which took place in a prior year over the nominal value of CIL's shares issued in exchange therefor; and (ii) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

33. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022 **HK$'000**	2021 HK$'000
Contracted, but not provided for:		
Leasehold improvements	**9,313**	3,425
Plant and machinery	**14,874**	1,377
Computer software	**9,108**	11,884
	33,295	16,686

(b) The Group has various lease contracts that have not yet commenced as at 31 March 2021. The future lease payments for these non-cancellable lease contracts were HK$4,071,000 due within one year, and HK$4,275,000 due in the second to fifth years, inclusive.

34. MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2022 HK$'000	2021 HK$'000
Sales of finished goods to:		
– An associate	35,138	79,166
– A related party of which a director of the Company is an executive director and shareholder	539	–
Service fee income from an associate	60	–

The sales were made with reference to the prices and conditions offered to the major customers of the Group.

(b) In addition to the transactions and balances set out elsewhere in these financial statements, the Group had the following continuing connected transactions during the year:

	Note	2022 HK$'000	2021 HK$'000
Consultancy fee to a Non-executive Director	*(i)*	–	158

Note:

(i) Mr. Arvind Amratlal PATEL had been engaged as a consultant of a subsidiary of the Company for a term of one year with effect from 1 January 2019, and his service contract had been renewed for a term of one year with effect from 1 January 2020. The terms of the consultancy fee were based on a consultancy agreement entered into between the subsidiary of the Company and Mr. Arvind Amratlal PATEL. Mr. Arvind Amratlal PATEL retired as a Non-executive Director of the Company on 3 September 2020.

For the year ended 31 March 2021, the Group has conducted businesses with CT Nova Limited ("CT Nova"), a company which was originally 50% held by Mr. Bernard AUYANG at the beginning of the year. These continuing connected transactions ended on 8 May 2020, on which CT Nova has become a wholly-owned subsidiary of the Group. Details of the acquisition are set out in note 39 to the financial statements.

The above transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and the details are disclosed in the Report of the Directors.

The Directors are of the opinion that the above transactions were conducted on a mutually agreed basis.

34. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following connected transaction during the year:

On 21 November 2019, the Group entered into a Subscription Agreement with Mr. Bernard AUYANG and CT Nova, a private company incorporated in Hong Kong with limited liability. The Group agreed to subscribe and CT Nova agreed to allot and issue ordinary shares of CT Nova at a consideration of US$700,000 (equivalent to approximately HK$5,428,000). Thereafter, each of the Group and Mr. Bernard AUYANG holds a 50% equity interest in CT Nova.

On 21 November 2019, Mr. Bernard AUYANG was the sole shareholder of CT Nova, therefore, CT Nova was an associate of Mr. Bernard AUYANG and a connected person of the Company. Accordingly, the transaction contemplated under the Subscription Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 8 May 2020, the Group entered into a share purchase agreement with Mr. Bernard AUYANG to purchase a 50% equity interest in CT Nova ("Share Purchase Agreement"). Thereafter, CT Nova has become a wholly-owned subsidiary of the Group. The Subscription Agreement has been terminated on the same day as agreed by the Group, Mr. Bernard AUYANG and CT Nova under the Share Purchase Agreement.

Mr. Bernard AUYANG was re-designated as an Executive Director and was appointed as the Chief Executive Officer of the Company on 1 April 2020 and is therefore a connected person of the Company. Mr. Bernard AUYANG owned 50% of shares of CT Nova and is therefore a connected person of the Company. Accordingly, the transaction under the Share Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(d) Compensation of key management personnel of the Group

	2022 **HK$'000**	2021 HK$'000
Short term employee benefits	**36,090**	35,163
Post-employment benefits	**154**	194
Reversal of equity-settled share option expenses, net	**(261)**	(163)
	35,983	35,194

Further details of directors' emoluments are included in note 8 to the financial statements.

35. 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:

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income: Debt investments	Financial assets at fair value through other comprehensive income: Equity investment	Financial asset at fair value through profit or loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2022					
Financial asset at fair value through other comprehensive income	–	–	–	–	–
Financial assets at fair value through profit or loss	–	–	–	9,359	9,359
Trade receivables	236,003	263,148	–	–	499,151
Financial assets included in prepayments, deposits and other receivables	110,985	–	–	–	110,985
Cash and bank balances	347,727	–	–	–	347,727
	694,715	263,148	–	9,359	967,222
2021					
Financial asset at fair value through other comprehensive income	–	–	–	–	–
Financial asset at fair value through profit or loss	–	–	–	8,386	8,386
Trade receivables	203,864	200,518	–	–	404,382
Financial assets included in prepayments, deposits and other receivables	58,205	–	–	–	58,205
Cash and bank balances	591,203	–	–	–	591,203
	853,272	200,518	–	8,386	1,062,176

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets that are derecognised in their entirety

As part of its normal business, the Group entered into trade receivable factoring arrangements (the "Arrangements"), pursuant to which the Group assigned the rights to certain trade receivables to certain banks. The Group is not exposed to default risks of the trade debtors after the assignment. The Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables assigned under the Arrangements that have not been settled as at 31 March 2022 was HK$572,673,000 (2021: HK$975,319,000).

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Total HK$'000
2022			
Trade and bills payables	**807,020**	**–**	**807,020**
Financial liabilities included in other payables and accrued liabilities	**85,405**	**–**	**85,405**
Derivative financial instruments	**–**	**216**	**216**
Interest-bearing bank borrowings	**285,923**	**–**	**285,923**
Lease liabilities	**94,842**	**–**	**94,842**
	1,273,190	**216**	**1,273,406**
2021			
Trade and bills payables	771,143	–	771,143
Financial liabilities included in other payables and accrued liabilities	13,951	–	13,951
Derivative financial instruments	–	562	562
Interest-bearing bank borrowings	83,454	–	83,454
Lease liabilities	76,557	–	76,557
	945,105	562	945,667

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accrued liabilities and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments. The valuations of the Group's financial asset at fair value through other comprehensive income in level 3 as at 31 March 2022, 31 March 2021 and 1 April 2020 were conducted with reference to the carrying value of the net asset value of the investment based on the cost approach by management.

The fair values of unlisted equity investments which were classified as financial assets at fair value through profit or loss in level 3 as at 31 March 2022 have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value-to-earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, market value of invested capital to earnings before interest, taxes, depreciation and amortisation ("MVIC/EBITDA") multiple, enterprise value to sales ("EV/S") ratio, and discount for lack of marketability, for each comparable company identified. The multiple is calculated by dividing the enterprise value or market value of invested capital of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The put option included in the financial asset at fair value through profit or loss in level 3 as at 31 March 2022 has been estimated using a binomial lattice model. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

During the years ended 31 March 2022 and 31 March 2021, the Group entered into derivative financial instruments with various counterparties, principally 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 and foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 March 2022 and 31 March 2021, the derivative financial instruments and trade receivables designated at debt investments at fair value through other comprehensive income were classified under fair value measurement using significant observable inputs within level 2. The valuations of the Group's trade receivables designated at debt investments at fair value through other comprehensive income as at 31 March 2022, 31 March 2021 and 1 April 2020 were determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2022 and 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	EV/EBITDA multiple (2021: MVIC/EBITDA multiple)	0.66 to 6.55 (2021: 5.25 to 5.80)	5% (2021: 5%) increase/ decrease in EV/EBITDA multiple (2021: MVIC/ EBITDA multiple) would result in increase/ decrease in fair value by HK$269,000 (2021: HK$440,000)
		EV/S ratio	1.74 to 10.23 (2021: Nil)	5% (2021: Nil) increase/ decrease in EV/S ratio would result in increase/ decrease in fair value by HK$79,000 (2021: Nil)
		Discount for lack of marketability	12% to 47.3% (2021: 5% to 15%)	5% (2021: 5%) increase/ decrease in discount for lack of marketability would result in decrease/ increase in fair value by HK$138,000 to HK$249,000 (2021: HK$466,000)
Put option included in unlisted investments	Binomial lattice model	Volatility	50.5% to 55.8% (2021: Nil)	5% (2021: Nil) increase/ decrease in volatility would result in decrease/ increase in fair value by HK$31,000 (2021: Nil)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The movements in fair value measurements in Level 3 during the year are as follow:

	Put option HK$'000	Equity investments HK$'000
Unlisted investments designated at fair value through profit or loss:		
At 1 April 2020	–	–
Purchases	–	7,751
Total gains recognised in the consolidated statement of profit or loss included in other operating income, net	–	635
At 31 March 2021 and 1 April 2021	–	8,386
Purchases	–	1,250
Total gains/(losses) recognised in the consolidated statement of profit or loss included in other operating income, net	3,525	(3,802)
At 31 March 2022	3,525	5,834

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 (2021: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and bank balances and time 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, financial assets included in prepayments, deposits and other receivables, trade and bills payables, and financial liabilities included in other payables and accrued liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Management meets periodically to analyse and formulate measurements to manage the Group's exposure to financial risks. Generally, the Group employs a conservative strategy regarding its risk management.

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and debt obligations with floating interest rates.

The interest rates and the terms of repayment of the Group's bank deposits and interest-bearing bank borrowings are disclosed in notes 23 and 28, respectively. The Group did not use any derivative instruments to hedge against its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on interest-bearing bank borrowings and bank deposits) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2022			
Bank deposits	**100**	**3,477**	**3,014**
Bank borrowings	**100**	**(2,859)**	**(2,387)**
Bank deposits	**(100)**	**(3,477)**	**(3,014)**
Bank borrowings	**(100)**	**2,859**	**2,387**
2021			
Bank deposits	100	5,912	5,264
Bank borrowings	100	(835)	(697)
Bank deposits	(100)	(5,912)	(5,264)
Bank borrowings	(100)	835	697

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate benchmark reform

As at 31 March 2022, the Group had certain interest-bearing bank borrowings denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month or three 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 transit to an alternative benchmark rate is as follows:

As at 31 March 2022

	Non-derivative financial liabilities carrying value HK$'000
Interest-bearing bank and other borrowings – United States dollar LIBOR	**245,194**

As at 31 March 2021

	Non-derivative financial liabilities carrying value HK$'000
Interest-bearing bank and other borrowings – United States dollar LIBOR	56,015

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Foreign currency risk

The Group's exposure to the risk of changes in market currency rates relates primarily to the Group's sales and purchases which are mainly denominated in United States dollars and, to a lesser extent, Euro zone currencies. Certain production and operating overheads of the Group's production facilities in Mainland China are denominated in RMB. Due to the fact that the Hong Kong dollar is pegged to the United States dollar, the Group's exposure to foreign currency risk regarding the United States dollar is low. During the year, the Group managed foreign currency risk arising from certain transactions of RMB, EUR and GBP by the use of forward currency contracts.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of RMB, EUR and GBP against HK$, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities, including trade and other receivables, cash and bank balances and trade and other payables).

	Increase/ (decrease) exchange rate against HK$	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000
2022			
If the Hong Kong dollar weakens against RMB	**5**	**(78,625)**	**(78,625)**
If the Hong Kong dollar weakens against EUR	**5**	**8,140**	**8,801**
If the Hong Kong dollar weakens against GBP	**5**	**7,513**	**7,513**
If the Hong Kong dollar strengthens against RMB	**(5)**	**78,625**	**78,625**
If the Hong Kong dollar strengthens against EUR	**(5)**	**(8,140)**	**(8,801)**
If the Hong Kong dollar strengthens against GBP	**(5)**	**(7,513)**	**(7,513)**
2021			
If the Hong Kong dollar weakens against RMB	5	(78,058)	(78,058)
If the Hong Kong dollar weakens against EUR	5	7,551	8,246
If the Hong Kong dollar weakens against GBP	5	7,795	7,795
If the Hong Kong dollar strengthens against RMB	(5)	78,058	78,058
If the Hong Kong dollar strengthens against EUR	(5)	(7,551)	(8,246)
If the Hong Kong dollar strengthens against GBP	(5)	(7,795)	(7,795)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Outstanding receivable balances are monitored on an ongoing basis. In addition, the Group had no significant historical bad debt records in prior years. Accordingly, the Group's exposure to credit risk is not significant. In addition, certain trade receivables were covered by credit insurance purchased by the Group.

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 March. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Simplified approach** HK$'000	**Total** HK$'000
As at 31 March 2022					
Debt investments at fair value through other comprehensive income					
– Trade receivables*	**–**	**–**	**–**	**263,148**	**263,148**
Trade receivables*	**–**	**–**	**–**	**238,933**	**238,933**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**110,985**	**–**	**–**	**–**	**110,985**
Cash and bank balances					
– Not yet past due	**347,727**	**–**	**–**	**–**	**347,727**
	458,712	**–**	**–**	**502,081**	**960,793**
As at 31 March 2021					
Debt investments at fair value through other comprehensive income					
– Trade receivables*	–	–	–	200,518	200,518
Trade receivables*	–	–	–	289,261	289,261
Financial assets included in prepayments, deposits and other receivables					
– Normal**	58,205	–	–	–	58,205
Cash and bank balances					
– Not yet past due	591,203	–	–	–	591,203
	649,408	–	–	489,779	1,139,187

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk (continued)

Maximum exposure and year-end staging (continued)

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 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.*

Since the Group trades only with creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk with the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

(v) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, 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:

2022

	Within one year/ on demand HK$'000	One to five years HK$'000	Total HK$'000
Trade and bills payables	807,020	–	807,020
Financial liabilities included in other payables and accrued liabilities	85,405	–	85,405
Derivative financial instruments	216	–	216
Interest-bearing bank borrowings	285,923	–	285,923
Lease liabilities	48,437	51,573	100,010
	1,227,001	51,573	1,278,574

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

2021

	Within one year/ on demand HK$'000	One to five years HK$'000	Total HK$'000
Trade and bills payables	771,143	–	771,143
Financial liabilities included in other payables and accrued liabilities	13,951	–	13,951
Derivative financial instruments	562	–	562
Interest-bearing bank borrowings	83,454	–	83,454
Lease liabilities	38,771	40,573	79,344
	907,881	40,573	948,454

(vi) 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 the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 2021.

The Group's capital comprises all components of equity. As at 31 March 2022, the Group had net cash of HK$61,804,000 (2021: HK$507,749,000), representing total cash and bank balances less total interest-bearing bank borrowings.

The Group is subject to capital requirements imposed by various banks for banking facilities granted. During the year, the Group has complied with the capital requirements imposed by these banks.

38. 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:

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**1,029,932**	1,081,912
Total non-current assets	**1,029,932**	1,081,912
CURRENT ASSETS		
Prepayments, deposits and other receivables	**303**	279
Cash and bank balances	**546**	1,890
Total current assets	**849**	2,169
CURRENT LIABILITIES		
Other payables and accrued liabilities	**7,033**	10,144
Tax payable	**108**	50
Total current liabilities	**7,141**	10,194
NET CURRENT LIABILITIES	**(6,292)**	(8,025)
Net assets	**1,023,640**	1,073,887
EQUITY		
Issued capital	**84,254**	83,974
Reserves *(note)*	**939,386**	989,913
Total equity	**1,023,640**	1,073,887

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2020	394,934	353,435	13,858	39,851	802,078
Equity-settled share option arrangements	–	–	(163)	–	(163)
Transfer of share option reserve upon the forfeiture or lapse of share options	–	–	(4,171)	4,171	–
Total comprehensive income for the year	–	–	–	198,999	198,999
2020 final dividend declared and paid	–	–	–	(11,001)	(11,001)
At 31 March 2021 and 1 April 2021	394,934	353,435	9,524	232,020	989,913
Equity-settled share option arrangements	–	–	(261)	–	(261)
Issue of shares upon exercise of share options	1,208	–	(438)	–	770
Transfer of share option reserve upon the forfeiture or lapse of share options	–	–	(2,899)	2,899	–
Total comprehensive expense for the year	–	–	–	(1,071)	(1,071)
2021 final dividend declared and paid	–	–	–	(49,965)	(49,965)
At 31 March 2022	396,142	353,435	5,926	183,883	939,386

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation (note 32), over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, the contributed surplus may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

39. ACQUISITION OF A SUBSIDIARY

Year ended 31 March 2022

As further disclosed in note 17, on 31 December 2021 (the "Braeburn Acquisition Date"), the Group acquired an additional 62.9998% equity interest in Braeburn. The purchase consideration for the acquisition was in the form of cash of US$10,332,000 (equivalent to approximately HK$80,547,000).

The fair values of the identifiable assets and liabilities of Braeburn as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	**3,848**
Intangible assets	**26,249**
Right-of-use asset	**961**
Cash and bank balances	**13,667**
Trade receivables	**13,347**
Inventories	**21,166**
Prepayments, deposits and other receivables	**4,903**
Trade and bills payables	**(14,455)**
Other payables and accrued liabilities	**(21,867)**
Lease liabilities	**(978)**
Deferred tax liabilities	**(7,217)**
Total identifiable net assets at fair value	**39,624**
Non-controlling interests	**(3,962)**
	35,662
Goodwill on acquisition	**74,843**
	110,505
Satisfied by:	
Cash consideration	**80,547**
Fair value of previously held interest	**29,958**
	110,505

39. ACQUISITION OF A SUBSIDIARY (continued)

Year ended 31 March 2022 (continued)

The goodwill is attributable to a number of factors, amongst others, the synergies expected to arise after the Group's acquisition of Braeburn. Further details of the above were set out in the Company's announcements dated 31 December 2021 and 27 May 2022. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair values of the intangible assets as at the date of acquisition include brand name, customer relationships and patent amounted to HK$22,283,000 (note 16), HK$1,286,000 (note 16) and HK$2,680,000 (note 16), respectively, and were recognised in accordance with HKAS 38 *Intangible Assets*.

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK$13,347,000 and HK$4,903,000, respectively. The gross contractual amounts of trade receivables, prepayments, deposits and other receivables were HK$13,394,000 and HK$4,903,000, respectively, of which trade receivables of HK$47,000 and nil prepayments, deposits and other receivables are expected to be uncollectible respectively.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use asset was measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group has elected to measure the non-controlling interests in Braeburn at the non-controlling interests' proportionate share of Braeburn's identifiable net assets.

The Group incurred transaction costs of HK$390,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Prior to the Braeburn Acquisition Date, the Group held a 27.0002% equity interest ("Braeburn Existing Shareholding") in Braeburn. The fair value of the Braeburn Existing Shareholding as at the Braeburn Acquisition Date was calculated with reference to the applicable discounted cash flow method under the income approach, adjusted by the discount for lack of control. The aggregate carrying amount of the Group's interests in Braeburn retained by the Group for the Braeburn Existing Shareholding immediately before the Acquisition Date was approximately HK$10,573,000.

The difference between the fair value of the Braeburn Existing Shareholding and the aggregate carrying amount of the Group's interest in Braeburn retained by the Group for the Braeburn Existing Shareholding as at the Braeburn Acquisition Date of approximately HK$19,385,000 (note 7) has been recognised in the consolidated statement of profit or loss as a gain on remeasurement of the Braeburn Existing Shareholding in Braeburn upon business combination.

39. ACQUISITION OF A SUBSIDIARY (continued)

Year ended 31 March 2022 (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(80,547)
Cash and bank balances acquired	13,667
Net outflow of cash and bank balances included in cash flows from investing activities	(66,880)
Transaction costs of the acquisition included in cash flows from operating activities	(390)
	(67,270)

Since the acquisition, Braeburn contributed HK$28,946,000 to the Group's revenue and caused a loss of HK$2,270,000 to the consolidated profit for the year ended 31 March 2022.

Had the acquisition taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$4,252,752,000 and HK$84,128,000, respectively.

Year ended 31 March 2021

On 21 November 2019, the Group entered into a subscription agreement with Mr. Bernard AUYANG, son of Mr. AUYANG Ho, an Executive Director and Chairman of the board of directors, and is therefore a connected person of the Company (note 34(c)), and CT Nova, a private company incorporated in Hong Kong with limited liability ("Subscription Agreement"). The Group agreed to subscribe and CT Nova agreed to allot and issue ordinary shares of CT Nova at a consideration of US$700,000 (equivalent to approximately HK$5,428,000). Thereafter, each of the Group and Mr. Bernard AUYANG held a 50% equity interest in CT Nova. On 8 May 2020 (the "CT Nova Acquisition Date"), the Group entered into a share purchase agreement with Mr. Bernard AUYANG to purchase the remaining 50% equity interest in CT Nova ("Share Purchase Agreement"). Thereafter, CT Nova has become a wholly-owned subsidiary of the Group. The Subscription Agreement has been terminated on the same day as agreed by the Group, Mr. Bernard AUYANG and CT Nova under the Share Purchase Agreement. The purchase consideration of US$100,000 (equivalent to approximately HK$775,000) for the acquisition was settled in the form of cash, with US$100,000 (equivalent to approximately HK$775,000) paid on 18 May 2020. CT Nova is principally engaged in the trading and distribution of smart home appliances and baby products.

39. ACQUISITION OF A SUBSIDIARY (continued)

Year ended 31 March 2021 (continued)

The fair values of the identifiable assets and liabilities of CT Nova as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Cash and bank balances	1,197
Prepayments and other receivables	40
Accruals and other payables	(214)
Total identifiable net assets at fair value	1,023
Fair value of 50% of equity interest in an associate	(248)
	775
Satisfied by cash	775

The Group incurred transaction costs of HK$30,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Prior to the CT Nova Acquisition Date, the Group held a 50% equity interest ("CT Nova Existing Shareholding") in CT Nova. The fair value of the CT Nova Existing Shareholding as at the CT Nova Acquisition Date was calculated with reference to the net asset value, adjusted by the discount for lack of control. The aggregate carrying amount of the Group's interests in CT Nova retained by the Group for the Existing Shareholding immediately before the CT Nova Acquisition Date was approximately HK$592,000.

The difference between the fair value of the CT Nova Existing Shareholding and the aggregate carrying amount of the Group's interests in CT Nova retained by the Group for the Existing Shareholding as at the CT Nova Acquisition Date of approximately HK$344,000 (note 7) has been recognised in the consolidated statement of profit or loss as a loss on remeasurement of the Existing Shareholding in CT Nova upon business combination.

39. ACQUISITION OF A SUBSIDIARY (continued)

Year ended 31 March 2021 (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(775)
Cash and bank balances acquired	1,197
Net inflow of cash and bank balances included in cash flows from investing activities	422
Transaction costs of the acquisition included in cash flows from operating activities	(30)
	392

Since the acquisition, CT Nova contributed HK$5,924,000 to the Group's revenue and caused a loss of HK$3,552,000 to the consolidated profit for the year ended 31 March 2021.

Had the acquisition taken place at the beginning of the year ended 31 March 2021, the revenue and the profit of the Group for the year would have been HK$3,596,660,000 and HK$81,351,000, respectively.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$61,632,000 (2021: HK$22,669,000) and HK$61,632,000 (2021: HK$22,669,000), respectively, in respect of lease arrangements for properties and computer software (2021: properties).

(ii) During the year ended 31 March 2022, the Group had payables of HK$2,100,000 (note 25) in relation to the investment in an associate and included in "Other payables and accrued liabilities".

For the year ended 31 March 2021, non-current deposits paid of HK$5,116,000 and HK$3,482,000 were transferred to property, plant and equipment and right-of-use assets, respectively.

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

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 April 2020	139,099	92,721
Changes from financing cash flows	(57,488)	(40,459)
New leases	–	22,669
Termination of a lease	–	(6,599)
Interest expenses	–	3,186
Effect of foreign exchange rate changes, net	1,843	5,039
At 31 March 2021 and 1 April 2021	83,454	76,557
Changes from financing cash flows	202,640	(45,976)
New leases	–	61,632
Acquisition of a subsidiary	–	978
Termination of a lease	–	(997)
Interest expenses	–	2,915
Lease modification	–	(1,927)
Effect of foreign exchange rate changes, net	(171)	1,660
At 31 March 2022	285,923	94,842

(c) Total cash outflow for leases

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

	2022 HK$'000	2021 HK$'000
Within operating activities	**1,103**	1,019
Within financing activities	**45,976**	40,459
	47,079	41,478

41. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2022
Percentage of equity interest held by Braeburn's non-controlling interests:	
Braeburn	10%

	2022 HK$'000
Loss for the year allocated to non-controlling interests:	
Braeburn	501
Accumulated balances of non-controlling interests at the reporting date:	
Braeburn	3,483

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

2022	Braeburn HK$'000
Revenue	28,946
Total expenses	(33,958)
Loss for the year	(5,012)
Total comprehensive expense	(5,012)
Current assets	44,210
Non-current assets	33,034
Current liabilities	(35,643)
Non-current liabilities	(6,781)
Net cash flows used in operating activities	(3,671)
Net cash flows used in investing activities	(424)
Net cash flows from financing activities	85
Net decrease in cash and cash equivalents	(4,010)

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2022.

Financial Summary

Results

	Year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**4,184,831**	3,596,660	3,262,496	3,420,131	3,867,510
PROFIT BEFORE TAX	**102,861**	102,494	14,869	13,920	158,821
INCOME TAX EXPENSE	**(19,141)**	(21,103)	(3,896)	(3,646)	(32,435)
PROFIT FOR THE YEAR	**83,720**	81,391	10,973	10,274	126,386
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**84,227**	81,391	10,993	10,289	126,404
NON-CONTROLLING INTERESTS	**(507)**	–	(20)	(15)	(18)
	83,720	81,391	10,973	10,274	126,386

Assets, Liabilities and Non-controlling Interests

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,799,964**	2,487,620	2,328,507	2,216,564	2,295,381
TOTAL LIABILITIES	**(1,410,076)**	(1,089,201)	(1,069,584)	(927,637)	(943,587)
NET ASSETS	**1,389,888**	1,398,419	1,258,923	1,288,927	1,351,794
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**1,386,401**	1,398,410	1,258,914	1,288,185	1,351,037
NON-CONTROLLING INTERESTS	**3,487**	9	9	742	757
TOTAL EQUITY	**1,389,888**	1,398,419	1,258,923	1,288,927	1,351,794