



登輝控股有限公司
Town Ray Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1692



ANNUAL **2023**
REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Wai Ming (*Chief Executive Officer*)
Mr. Chiu Wai Kwong
Ms. Tang Mei Wah
Mr. Yu Kwok Wai

Non-executive Directors

Dr. Chan Kam Kwong Charles (*Chairman*)
Ms. Cheng Yuk Sim Connie
(also known as Ms. Cheng Yuk Yee Connie)

Independent Non-executive Directors

Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee
Ms. Chan Tak Yi
Ms. Leung Lai Yee Edwina

BOARD COMMITTEES

Audit Committee

Mr. Chan Ping Yim (*Chairman*)
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee
Ms. Chan Tak Yi
Ms. Leung Lai Yee Edwina

Remuneration Committee

Mr. Chan Shing Jee (*Chairman*)
Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Ms. Chan Tak Yi
Ms. Leung Lai Yee Edwina

Nomination Committee

Mr. Choi Chi Leung Danny (*Chairman*)
Mr. Chan Ping Yim
Mr. Chan Shing Jee
Ms. Chan Tak Yi
Ms. Leung Lai Yee Edwina

COMPANY SECRETARY

Mr. Chiu Wai Kwong

AUTHORISED REPRESENTATIVES

Mr. Chan Wai Ming
Mr. Chiu Wai Kwong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop A, 25th Floor
Reason Group Tower
No. 403 Castle Peak Road — Kwai Chung
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Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Regatta Office Park
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Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISER

(As to Hong Kong law)
ONC Lawyers
19/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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979 King's Road
Quarry Bay
Hong Kong

COMPANY'S WEBSITE

www.townray.com

STOCK CODE

1692

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Town Ray Holdings Limited (the “**Company**” or “**Town Ray**”, together with its subsidiaries, collectively, the “**Group**” or “**we**”, “**ours**” or “**us**”), I am pleased to present to our valued shareholders (the “**Shareholder(s)**”) the annual report of our Group for the year ended 31 December 2023 (the “**Year**”).

The Group managed to navigate the challenges of 2023, showcasing remarkable resilience and determination amid high inflation and interest rate hikes. Despite weak consumption sentiment and global recession concerns, Town Ray managed to mitigate adverse impacts and maintain steady results for the Year. This achievement is attributed to the dedication of our staff and the unwavering support from our customers.

The reopening of borders between Hong Kong and China early in the Year presented new opportunities. We were able to conclude several new projects and secure new orders with credit to our sales, marketing, production, and R&D teams for maintaining strong customer relationships, delivering quality products, leveraging our core technologies, and ensuring product uniqueness. Rigorous capital management by our finance team also ensured robust cash flow for high flexibility in business operations. These collective efforts have empowered us to maintain our market presence and profitability.

Recognising our people as our greatest asset, we embraced a number of seasoned consultants with extensive industry experience and expertise. They were entrusted with driving initiatives to enhance products and fortify the marketing efforts for the Group. Their contributions have been invaluable in strengthening Town Ray's position in the market.

For the Year, our revenue amounted to approximately HK\$704.4 million. The gross profit of our Group for the Year was approximately HK\$245.4 million, with gross profit margin improved to approximately 34.8%. Profit attributable to equity holders of the Company for the Year was approximately HK\$122.2 million, with net profit margin improved to approximately 17.3%. Earnings per share of the Company for the Year amounted to approximately HK34.04 cents (2022: HK37.41 cents).

Our performance and dedication were honoured with several prestigious industry awards during the Year, including the “ListCo Excellence Awards 2023” by AM730 Media Limited, the “International Diamond Prize for Excellence in Quality” by The European Society for Quality Research, the “Decision Analytics Outstanding Award 2023 – Outstanding Business Analytics” by The Hang Seng University of Hong Kong, and the third time recognition as one of the “2023 Forbes Asia's 200 Best Under A Billion” by Forbes. These accolades celebrate our team's hard work and dedication.

To show our appreciation to our Shareholders for their continuous support, the Board recommended the payment of a final dividend of HK15.1 cents per share (2022: HK19.3 cents) for the Year.

PROSPECTS

In 2024, Europe is showing signs of retail demand recovery, as evidenced by the European Union reaching another record low in unemployment and experiencing an increase in real wage growth. However, European countries are still facing a complex set of circumstances caused by inflation, including reduced consumption, inventory-related challenges, and the need to destock excess inventory. These factors required adaptive strategies and resilient operations to navigate the uncertain retail landscape. We are cautiously optimistic about the opportunities in Europe and will pay close attention to the impact of market challenges on our business and formulate relevant strategic responses.

CHAIRMAN'S STATEMENT

Our dedication to product development has positive results. We plan to launch several new models of cooking appliances in the second half of 2024. With enhanced design and manufacturing advancements, these products enable Town Ray to access different market tiers with competitive pricing, swiftly tapping into new markets to meet resurging demand. This strategic approach is believed to allow for the expansion of our global footprint and the reinforcement of our industry leadership.

Understanding the critical importance of market and customer diversification in driving the Group's progress, we aim to capitalise on the resilience of the United States' economy, coupled with expectations of soft economic growth and potential interest rate cuts in 2024. As such, the United States, South America, Southeast Asia and China will be key focus markets for Town Ray's expansion efforts.

In line with our ongoing dedication to enhancing production efficiency and minimising manufacturing costs, we are investing resources to upgrade our entire operations to meet the Industry 4.0 standards. This involves integrating the latest technologies across various facets, including organisational management, quality assurance, and internal communication, to optimise Company-wide efficiency and maximise profitability.

At Town Ray, we take immense pride in our legacy as pioneers in product development, dedicated to preserving our competitive edge through continuous innovation. As an esteemed industry leader, we will leverage our robust research and development capabilities to unveil cutting-edge models of electrothermic household appliances, that provide unparalleled value to our customers.

APPRECIATION

I would like to take this opportunity to extend my greatest gratitude to the Board, the management and all our staff for their dedication and commitment throughout the Year. 2023 was a challenging year for us, but we were able to achieve steady results together. I also extend my heartfelt appreciation to our customers, business partners, and Shareholders for their continuous support throughout the Year. In the future, we will continue to strive to maximise long-term returns for all our stakeholders and work tirelessly towards this goal.

Chan Kam Kwong Charles

Chairman and non-executive Director

Hong Kong, 18 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

The Group is an advanced product developer, industrial designer, manufacturer, and supplier for a broad range of mid-to-high-end electrothermic household appliances to internationally renowned brands in overseas markets, covering over 30 countries and regions, with many of the Group's customers being reputable and well-developed international brands. The Group's electrothermic household products are grouped into two categories, namely (i) garment care appliances, including steam generator irons, garment steamers and steam irons; and (ii) cooking appliances, including coffee machines, steam cooking appliances and other cooking appliances.

BUSINESS REVIEW

The complex economic landscape in 2023 was marked by various factors, including a large-scale outbreak of COVID-19 pandemic at the beginning of the Year in China, sequential logistic bottlenecks, geopolitical conflicts, trade barriers, high inflation rates, and tightening financial conditions caused by the interest rate hikes from the central banks. Notably, European countries experienced severe economic pressures due to high rates of inflation, which reduced consumer spending on non-necessities. While European retailers contended with reduced consumption and inventory-related issues, and at times, destocking, Town Ray managed to sustain stable order volumes by diversifying its customer base and adapting to evolving demands from different regions. Despite having with smaller order sizes during the Year, the depreciation of the Renminbi ("**RMB**") against the United States dollar ("**USD**") helped to reduce the Group's operating costs and improve gross profit margin for the Year.

Throughout the Year, the Group maintained a rigorous financial approach, engaged in cash flow management diligently, and optimised operational efficiency through prudent inventory control. This disciplined financial strategy not only bolstered Town Ray's robust financial position but also enhanced its adaptability to seize strategic opportunities in a constantly evolving business landscape. Additionally, internal initiatives, such as comprehensive workforce training, adopting automation systems for production and implementation of the Industry 4.0 standards, contributed significantly to the improvement in production quality and operation efficiency. These initiatives aimed to enhance the Group's competitiveness and strengthen its position in the market during the Year.

PROSPECTS

Stepping into 2024, Town Ray maintains a cautious perspective for its future growth. While there are some positive factors such as consistent interest rate policy maintained by the US Federal Reserve since the fourth quarter of 2023, coupled with market expectations of a rate cut in 2024, there are still uncertainties that impact consumers' sentiment. On the other hand, the destocking measures implemented by European retailers are expected to conclude, mainly by the second half of 2024, setting the stage for a fresh wave of stock replenishments and subsequent order growth.

Internally, Town Ray's unwavering commitment to product development, which is aimed at preserving its core advantages, has achieved positive results. Town Ray will plan to launch several new models of electrothermic cooking appliances in the second half of 2024. These new products are well-positioned to support the upcoming launches by Town Ray's customers, aligning with the anticipated rise in consumers' real household disposable incomes and the resurgence of demand in the second half of 2024. More importantly, these new electrothermic cooking appliances represent a significant leap in innovation and design, underpinned by manufacturing advancements. These innovations will empower Town Ray to tap into the higher-end market segment while maintaining competitive pricing, solidifying its position as an industry leader. Recognising shifting consumer preferences, the Group has diversified its product lines by introducing fresh design elements that appeal to younger consumers, with an aim to offer Town Ray's customers the means to rejuvenate their brand image for exploring new markets and driving sales. As part of its strategy to tap into more diversified market segments, Town Ray is set to release a range of electrothermic cooking appliance models with versatile functionality. These new products have gained substantial interest and positive feedback from the customers. Production of some of the new models will be started in the second half of 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Customer diversification remains a fundamental strategy for Town Ray in the foreseeable future. As the Group introduces its newly designed products to reinvigorate its customers' markets, Town Ray actively engages in expanding its customer base. The Group maintains ongoing dialogue with potential customers and collaborates closely with industry experts to identify expansion opportunities and develop tailor-made solutions to cater for the demands of the enormous electrothermic appliance market.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$119.3 million or approximately 14.5% from approximately HK\$823.7 million for the year ended 31 December 2022 to approximately HK\$704.4 million for the year ended 31 December 2023. Such a decrease was mainly attributable to the decrease in the sales of cooking appliances during the Year.

Gross Profit and Gross Profit Margin

The gross profit margin of the Group increased by approximately 2.9 percentage points from approximately 31.9% for the year ended 31 December 2022 to approximately 34.8% for the year ended 31 December 2023. The increase in gross profit margin was mainly attributable to the depreciation in RMB against USD, the decrease in raw material costs and the decrease in overhead during the Year. The gross profit of the Group decreased from approximately HK\$262.5 million for the year ended 31 December 2022 to approximately HK\$245.4 million for the year ended 31 December 2023, representing a decrease of approximately HK\$17.1 million or approximately 6.5%. The decrease in gross profit was primarily attributable to the decrease in revenue as a result of a decrease in sales of cooking appliances during the Year.

Other Income and Gains, Net

Other income and gains, net of the Group increased from approximately HK\$11.1 million for the year ended 31 December 2022 to approximately HK\$14.5 million for the year ended 31 December 2023. Such an increase was mainly due to the increase in bank interest income of approximately HK\$5.2 million from approximately HK\$0.9 million for the year ended 31 December 2022 to approximately HK\$6.1 million for the year ended 31 December 2023, resulted from the combined effect of higher deposit interest rates and an increase in bank deposits during the Year.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$15.0 million for the year ended 31 December 2022 to approximately HK\$17.2 million for the year ended 31 December 2023, representing an increase of approximately HK\$2.2 million. Such an increase was mainly due to the increase in advertising and promotion expenses from approximately HK\$1.3 million for the year ended 31 December 2022 to approximately HK\$3.2 million for the year ended 31 December 2023.

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK\$91.8 million for the year ended 31 December 2022 to approximately HK\$94.0 million for the year ended 31 December 2023, representing an increase of approximately HK\$2.2 million. Such an increase was mainly due to the increase in business travelling expenses of approximately HK\$1.9 million from approximately HK\$0.5 million for the year ended 31 December 2022 to approximately HK\$2.4 million for the year ended 31 December 2023.

Finance Costs

Finance costs of the Group decreased from approximately HK\$4.0 million for the year ended 31 December 2022 to approximately HK\$2.6 million for the year ended 31 December 2023. Such a decrease was due to the decrease in approximately HK\$0.7 million in interest expense on bank loans for operations and approximately HK\$0.7 million in interest expense on lease liabilities during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

With the profit before tax of the Group decreased by approximately HK\$14.2 million from approximately HK\$161.0 million for the year ended 31 December 2022 to approximately HK\$146.8 million for the year ended 31 December 2023, the income tax expense of the Group decreased by approximately HK\$2.1 million from approximately HK\$26.7 million for the year ended 31 December 2022 to approximately HK\$24.6 million for the year ended 31 December 2023. The effective tax rates for the years ended 31 December 2022 and 2023 were approximately 16.6% and 16.7%, respectively.

Net Profit

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$12.1 million or approximately 9.0% from approximately HK\$134.3 million for the year ended 31 December 2022 to approximately HK\$122.2 million for the year ended 31 December 2023. The net profit margin of the Group for the years ended 31 December 2022 and 2023 were approximately 16.3% and 17.3%, respectively, representing an increase of approximately 1.0 percentage point during the Year.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group has capital commitments in respect of purchases of property, plant and equipment, which had been contracted but not provided for in the consolidated financial statements, in the total amount of approximately HK\$1.5 million, of which approximately HK\$0.6 million will be settled through the net proceeds (the “**Net Proceeds**”) raised from the share offer of the Company (the “**Share Offer**”) for the listing (the “**Listing**”) of the shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2019. Save as disclosed above, the Group did not have other capital commitments for the year ended 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (2022: nil).

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain transactions denominated in foreign currencies, mainly USD and RMB. Hence, exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. During the Year, the Group did not have any financial instruments for hedging purposes or any foreign currency investments which were hedged by currency borrowings and other hedging instruments. However, the management monitors foreign exchange exposure closely to keep the net exposure at an acceptable level.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group entered into the provisional agreements for sale and purchase of properties which are located at (i) Car Parking Space No. P15 on the Ground Floor (the “**Car Parking Space**”), (ii) Workshop B on 7th Floor (the “**Workshop 7B**”), and (iii) Workshop A on 7th Floor (the “**Workshop 7A**”), Reason Group Tower, No. 403 Castle Peak Road - Kwai Chung, Kwai Chung, New Territories, Hong Kong with respective independent third parties at the consideration of approximately HK\$2.2 million, HK\$8.6 million and HK\$8.9 million on 12 January 2024, 25 January 2024 and 31 January 2024, respectively. The formal agreements for sale and purchase of the Car Parking Space, Workshop 7B and Workshop 7A were signed on 29 January 2024, 19 February 2024 and 11 March 2024, respectively. The acquisition of the Car Parking Space was completed on 29 February 2024 and the completion of the acquisitions of Workshop 7A and Workshop 7B is expected to be on or before 8 April 2024. The Car Parking Space is purchased for the Group’s own use. Upon completion of the acquisitions of Workshop 7A and Workshop 7B, the Company intends to expand the existing workshop, godown and ancillary office of the Group in Hong Kong to Workshop 7A and Workshop 7B. The Group financed the acquisition of the Car Parking Space and intends to finance the acquisitions of Workshop 7A and Workshop 7B by its own internal resources.

Save as disclosed above and except for the commitments in note 26 to the consolidated financial statements, the Group did not have any specific plans for material investments and capital assets as at 31 December 2023 and the date of this annual report.

GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 6.2% (2022: approximately 10.2%). Such a decrease was mainly due to the decrease in interest-bearing bank borrowings of the Group.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group operates a conservative set of funding and treasury policies to preserve the value of the Group’s assets and ensure that no unnecessary risk is taken with respect to the Group’s assets. No financial instrument other than cash and bank deposits were held by the Groups during the year ended 31 December 2023.

The Group has principally funded the liquidity and capital requirements through capital contributions from the Shareholders, bank borrowings and net cash generated from operating activities. As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$187.7 million (2022: approximately HK\$148.9 million). Most of the Group’s cash and bank deposits were denominated in USD and RMB. As at 31 December 2023, the current ratio of the Group was approximately 2.5 times (2022: approximately 1.9 times). The financial resources presently available to the Group include bank borrowings and the Net Proceeds. The Directors are of the view that the Group has sufficient working capital for its future requirements. There was no change in the capital structure of the Group during the Year.

DEBTS AND CHARGES ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK\$21.4 million as at 31 December 2023 (2022: approximately HK\$35.8 million). As at 31 December 2023, the Group had pledged deposits of approximately HK\$0.1 million (2022: approximately HK\$0.1 million) in support of the issue of three letters of credit by two banks and there were mortgage loans of approximately HK\$20.5 million (2022: approximately HK\$35.8 million) secured by properties of the Group, which had a carrying value of approximately HK\$74.3 million (2022: approximately HK\$77.4 million) in total. Other than the above, there was no charge made or subsisting on assets of the Group as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The maturity profile of the bank borrowings of the Group is as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	3,090	3,851
In the second year	2,750	3,851
In the third to fifth years, inclusive	7,462	11,551
Beyond five years	8,084	16,502
Total	21,386	35,755

All bank borrowings made by the Group were denominated in Hong Kong Dollar and none of the bank borrowings were at a fixed interest rates. As at 31 December 2023, all bank borrowings of the Group were at floating interest rates with reference to the Hong Kong Interbank offered Rate (HIBOR).

PRINCIPAL RISKS AND UNCERTAINTIES

The followings are some principal risks and uncertainties facing the Group, which may materially adversely affect its business, financial condition or results of operations:

- (i) The Group's business and operations may be seriously affected by the outbreak of an epidemic or other public health incidents, which may cause lockdown, travel restrictions and suspension of work in the PRC, Hong Kong or elsewhere;
- (ii) There has been an ongoing military conflict between Russia and Ukraine, which may affect the European or even the global's supply chain and logistics, consumers' sentiment and demand, raw materials, production prices, interest rates and inflation rates. Such ongoing conflict may cause a negative impact on the sales and performance of the Group;
- (iii) The Group's sales are subject to changes in consumer preferences and other macroeconomic factors that affect consumer spending patterns. If the Group fails to design and develop products with acceptable quality, or falls behind its competitors in improving its product quality or product variety, the Group's operating results and financial condition may be adversely affected;
- (iv) The Group relies on a few major customers and its performance will be materially and adversely affected if the Group's relationships with any one of them deteriorates;
- (v) The Group's business and financial position may be adversely affected if it is not able to continue servicing the European market effectively or if there is any adverse change in the macroeconomic situation or economic downturn in Europe;
- (vi) The Group's results of operations could be adversely affected if it fails to keep pace with customer demands and preferences on product design, research and development and manufacturing of its products; and
- (vii) The Group may not be successful in the development of new initiatives or improvement in the quality of its existing products.

For further information, please refer to the detailed discussion on the risk factors in the section headed "Risk factors" in the prospectus of the Company dated 15 October 2019 (the "**Prospectus**").

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group has a total of 993 full-time employees (2022: 1,044). The Group has developed its human resources policies and procedures to determine individual remuneration with reference to factors such as qualifications, experience, performance, merits, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, staff are also entitled to other staff benefits such as continuing education subsidies, provident fund contributions, medical insurance coverage, annual leave, discretionary bonus and share options which may be granted under the share option scheme (the "**Share Option Scheme**") adopted by the Company at the annual general meeting held on 25 May 2023. The Group also provides induction and other on-the-job trainings to employees on a regular basis. The total staff costs (excluding directors' remuneration) incurred by the Group during the year ended 31 December 2023 was approximately HK\$120.4 million (2022: approximately HK\$116.1 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the production of the Group mainly takes place in the PRC, the Group's business is subject to the relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous wastes. The relevant laws and regulations include "Environmental Protection Law of the PRC" (《中華人民共和國環境保護法》), "Law of the PRC on the Prevention and Control of Atmospheric Pollution" (《中華人民共和國大氣污染防治法》), and "Water Pollution Prevention and Control Law of the PRC" (《中華人民共和國水污染防治法》), etc. A summary of the environmental protection laws and regulations applicable to the Group is set out in the section headed "Regulatory Overview" in the Prospectus.

The Group follows the latest national and regional environmental protection laws and regulations, thereby focusing on minimising the impact on the environment, implementing different measures to optimise the workplace environment, and continuing to address environmental issues in relation to global warming, pollution, and biodiversity.

During the Year, the Group strictly complied with relevant laws and regulations relating to air pollutants and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous wastes. During the Year, the Group is not subject to any material environmental claims, lawsuits, penalties, administrative or disciplinary actions.

For further information in relation to the environmental policies of the Group, please refer to the environmental, social and governance report for the Year, which will be published on the Company's website according to the requirements under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC in all material respects.

The Company has adopted the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (the “**CG Code**”) under Appendix C1 (previously Appendix 14) to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all the applicable Code Provisions set out in the CG Code during the Year and up to the date of this annual report. For further information in respect of the corporate governance of the Group during the Year, please refer to the corporate governance report in this annual report.

DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK15.1 cents per share for the year ended 31 December 2023 (2022: HK19.3 cents). Payment of the final dividend is subject to the Shareholders’ approval at the annual general meeting of the Company scheduled to be held on Friday, 21 June 2024 (“**2024 AGM**”).

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

During the Year, the Group has maintained good relationships with its customers, suppliers and employees. The Group will continue to ensure effective communication and maintain good relationships with them.

Customers

The Group has established long-term relationships with its major customers who are reputable and internationally-recognised brand companies headquartered in Europe. The Group has built up a strong presence in the electrothermic household appliances manufacturing industry and established good and close business relationships with its major customers. With the long-term cooperation with such internationally-recognised brand companies, the Group has developed its capabilities with reference to international standards in terms of safety and quality assurance, and exchanged ideas on electrothermic household appliances worldwide.

Suppliers

The Group sources electrical parts, plastic raw materials and parts, metal raw materials and parts, power cords and lead wires, and electronic parts from its approved suppliers or suppliers designated by its customers. Given the well established business relationships with its suppliers, the Group is able to secure a stable supply of safe and high quality raw materials, and may be able to obtain a more competitive price.

Employees

The Group recognises employees as valuable assets of the Group. The Group intends to adopt competitive remuneration and good welfare benefits policy and offer continuous professional training to attract and retain appropriate and suitable talents to serve the Group.

During the year ended 31 December 2023, there was no material dispute between the Group and its customers, suppliers and employees, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE SHARE OFFER

The Net Proceeds of the issue of 100,000,000 new ordinary shares of the Company at HK\$1.30 each by way of the Share Offer received by the Company in relation to the Listing of its shares on the Stock Exchange on 25 October 2019 (the “**Listing Date**”) were approximately HK\$90.7 million, after deducting the underwriting fees and related expenses. From the Listing Date to 31 December 2022, the Company utilised approximately HK\$65.9 million of Net Proceeds, and therefore the amount of unutilised Net Proceeds brought forward to the beginning of the year ended 31 December 2023 from the year ended 31 December 2022 were approximately HK\$24.8 million. Below table sets out the status of application of the Net Proceeds during the Year:

	Total planned use of Net Proceeds HK\$ million	Actual use of Net Proceeds from the Listing Date to 31 December 2023 HK\$ million	Net Proceeds utilised during the Year HK\$ million	Remaining balance of Net Proceeds as at 31 December 2023 HK\$ million	Expected timeline for the intended use
(A) Upgrading production facilities and enhancing production capacity	50.4	50.4	4.1	-	-
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	18.0	3.1	13.6	By December 2024
(C) Strengthening customer base	3.0	3.0	0.6	-	-
(D) Upgrading information technology systems	5.7	2.5	0.2	3.2	By June 2024
Total	90.7	73.9	8.0	16.8	

From the Listing Date to 31 December 2023, the Company utilised approximately HK\$73.9 million of Net Proceeds and the unutilised Net Proceeds as at 31 December 2023 amounted to approximately HK\$16.8 million. The Company has used the Net Proceeds and intends to use the remaining balance of the Net Proceeds in accordance with the proposed application set out in the section headed “Future plans and use of proceeds” in the Prospectus. However, there has been a further delay in the use of the Net Proceeds allocated for strengthening product design and development capabilities and increasing product offerings during the Year, since additional time was required to carry out the research and development for the new and specific products for the new markets. It is expected that the remaining balance of the Net Proceeds allocated to strengthening product design and development capabilities and increasing product offerings will be fully utilised by 31 December 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Wai Ming (陳偉明先生) (“Mr. Chan”), aged 55, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. He also serves as the chief executive officer of our Group. He is primarily responsible for the overall administration management and formulation of business strategies of our Group. He is also a director of Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Mr. Chan has over 26 years of experience in accounting. He was a staff accountant at Ernst & Young, certified public accountant in Hong Kong, from October 1997 to January 2000. He was an accountant from February 2000 to December 2000 and the chief accountant from January 2001 to March 2002 of China Sci-Tech Holdings Limited (currently known as CST Group Limited) (stock code: 985), a company listed on the Stock Exchange from February 1994 to December 2023, respectively. He was also the financial controller of Full Apex (Holdings) Limited, a company listed on the Singapore Exchange Limited, from March 2002 to September 2004. He worked as the financial controller of Tunbow Industries Limited from August 2004 to December 2004 and Tunbow Electrical Limited from January 2005 to April 2016. Mr. Chan joined Tunbow Group Limited as corporate finance and business development officer in May 2016.

Mr. Chan graduated from the University of Hawaii, Honolulu in December 1995 with a bachelor’s degree in business administration with a major in accounting. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 1999. He also became a certified public accountant of the Washington State Board of Accountancy in April 1998 and is currently an inactive certified public accountant. Mr. Chan has been awarded an associateship (electrical appliance industry) of The Professional Validation Council of Hong Kong Industries since November 2012. He is currently a member of the American Institute of Certified Public Accountants.

Further, since November 2021, Mr. Chan has been appointed as a committee member of the 9th Chinese People’s Political Consultative Conference of Huizhou City Huicheng District (中國人民政治協商會議惠州市惠城區委員會). Mr. Chan has been appointed as the vice president of the 6th council and has been the executive vice president of the 7th and 8th council of the Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會) from November 2015 to October 2016 and since November 2016, respectively. He has been the vice president of the 6th to 8th council of the Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會) since July 2015. He was the executive vice president of the management committee of the 1st to 2nd council and has been the chairman of the 3rd council of the Huizhou Ganghui Love Foundation (惠州市港惠愛心基金會) from March 2016 to December 2022 and since December 2022, respectively. He has been an executive committee member and executive vice president of the Huizhou Division of the Federation of Hong Kong Industries of Pearl River Delta Council (香港工業總會珠三角工業協會惠州分部) since September 2015 and September 2021, respectively. Since December 2019, he has been appointed as a committee member of the 7th council of the Guangdong Association of Enterprises with Foreign Investment (廣東外商投資企業協會). Since April 2021, he has been a committee member of the Guang Dong Household Electrical Appliances Trade Association (廣東省家用電器行業協會).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chiu Wai Kwong (趙維光先生) (“Mr. Chiu”), aged 59, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. He is the company secretary of our Company and also serves as the finance director of our Group. He is primarily responsible for the overall financial management, investment operation and budgeting of our Group. He is also a director of Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Mr. Chiu has over 36 years of experience in accounting and finance. He worked at the Inland Revenue Department as an assistant assessor from June 1987 to July 1991. He was the financial controller of Oceania Brothers Manufacturing Co., Ltd from August 1991 to November 1997. He worked at Tunbow Industries Limited as the financial controller from January 1998 to December 2004 and Tunbow Electrical Limited as the finance director from January 2005 to March 2009. He joined Tunbow Group Limited as a director in November 2007 and as finance director in April 2009.

Mr. Chiu graduated from the University of Hong Kong in November 1987 with a bachelor’s degree of social sciences. He has been a fellow of the Association of Chartered Certified Accountants (formerly known as the Chartered Association of Certified Accountants) since May 1996, a fellow of the Hong Kong Institute of Certified Public Accountants since October 2004 and a chartered financial analyst of the CFA Institute since September 2006. He has been a certified internal auditor of the Institute of Internal Auditors since March 2024.

Mr. Chiu has been awarded an associateship (electrical appliance industry) of The Professional Validation Council of Hong Kong Industries since November 2012. In September 2021, he was awarded as the Best Corporate Leader under iMoney Enterprise Awards 2021 by the iMoney magazine.

Ms. Tang Mei Wah (鄧美華女士) (“Ms. Tang”), aged 49, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. She also serves as the managing director of our Group. She is primarily responsible for the overall operation management, formulation of business strategies and overall administration of our Group. She is also a director of Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Ms. Tang has over 25 years of experience in the household appliances industry. From September 1998 to January 2005, Ms. Tang worked at Tunbow Industries Limited with the last position as account manager. From January 2005 to April 2009, Ms. Tang worked at Tunbow Electrical Limited with the last position as marketing manager. She joined Tunbow Group Limited as a director in November 2007 and was promoted to managing director in March 2013.

Ms. Tang graduated from Hong Kong Shue Yan College in July 1998 with a diploma in business administration. She subsequently obtained a master’s degree in business administration from the University of Louisiana at Monroe through long distance learning in December 2001. She has been awarded a fellowship of Management and Business Administration (FMBA®) by The Professional Validation Council of Hong Kong Industries since September 2020.

Ms. Tang was one of the 16 recipients of the Outstanding Businesswomen Award 2018 awarded in December 2018 by Hong Kong Commercial Daily. In November 2020, Ms. Tang was awarded the 2020 the Greater Bay Area Outstanding Women Entrepreneur Awards jointly presented by the Hong Kong Small and Medium Enterprises Association and the Metro Finance. Ms. Tang was also awarded the Best Employer Award 2020 by the Hong Kong Small and Medium Enterprises Association and JCI Dragon in July 2020. In May 2021, Ms. Tang was awarded the Greater China Outstanding Entrepreneur Awards by Hong Kong Commercial Daily. Ms. Tang was also elected as director of the 42nd board of director of Yan Oi Tong from April 2021 to March 2022. In November 2022, Ms. Tang was awarded the Directors of the Year Awards 2022 by The Hong Kong Institute of Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Kwok Wai (俞國偉先生) (“Mr. Yu”), aged 47, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. He also serves as the marketing director of our Group. He is primarily responsible for the overall management, formulation of business strategies and overall marketing management, daily operation management and product development planning of our Group. He is also a director of Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Mr. Yu has over 21 years of experience in the sales and marketing of household appliances. Mr. Yu was a sales executive of Sweda Limited from October 1994 to September 1995, a marketing and sales executive of Hon Hing Computer and Machinery Company Limited from February 1996 to May 1997 and a marketing assistant of Joint Publishing (Hong Kong) Company Limited from August 1997 to July 1998. He worked at Tunbow Industries Limited as a sales executive from July 2002 to December 2004 and Tunbow Electrical Limited as a marketing manager from January 2005 to March 2009. He joined Tunbow Group Limited as a director in November 2007 and as a marketing director in April 2009.

Mr. Yu graduated from Bond University in June 2002 with a bachelor’s degree of arts. He subsequently obtained a master’s degree of social sciences in applied psychology from the City University of Hong Kong in October 2013 and a master’s degree of science in business analytics from the Hong Kong Polytechnic University in September 2022. Mr. Yu further obtained an international award in barista skills (Chinese) from The City and Guilds of London Institute in December 2016 and certification in barista skills intermediate, roasting intermediate, green bean professional, brewing intermediate and a coffee diploma from the Specialty Coffee Association from 2017 to 2021. In August 2022, Mr. Yu was certified by Lean Six Sigma Professionals Association and International Lean Six Sigma Institute for his professional attainment in six sigma black belt body of knowledge.

Since July 2017, June 2020 and July 2021, Mr. Yu has been appointed as a committee member, a secretary general and a vice chairman of the Hong Kong Mould and Product Technology Association, respectively. Since September 2019, Mr. Yu was also appointed as a committee member of the 12th council of the Hong Kong Federation of Innovative Technologies and Manufacturing Industries. Since April 2021, Mr. Yu has been appointed as a member of Electronics and Electrical Appliances Industries Advisory Committee of the Hong Kong Trade Development Centre and executive committee member of Education Committee of the Federation of Hong Kong Industries. He has been an executive member and deputy secretary-general of the Hong Kong Young Industrialist Council since April 2021 and April 2023, respectively. He has been awarded a fellowship of Management and Business Administration (FMBA®) by The Professional Validation Council of Hong Kong Industries since September 2020. In November 2020, Mr. Yu was awarded for the Young Industrialist Awards of Hong Kong 2020 by the Federation of Hong Kong Industries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Dr. Chan Kam Kwong Charles (陳鑑光博士) (“Dr. Chan”), aged 65, is one of the founders of our Group. He was appointed as a Director on 28 September 2017 and was re-designated as a non-executive Director on 28 February 2019. He also serves as the chairman of our Board. He provides advice to our Group in the overall strategic planning, development planning and investment planning. He is also a director of Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Leighton 2338 Properties Limited, Leighton 2348 Properties Limited, Kwun Tong 1008 Properties Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited. Dr. Chan is the husband of Ms. Cheng, a non-executive Director.

Dr. Chan has over 47 years of experience in the household appliances industry. He worked at Dixons Stores Group (Far East) Limited from January 1977 to October 1993 with the first position as assistant buyer and the last positions as senior buyer and director. He was a director of Town Ray International Limited from July 1994 to April 2015. He was a director of Tunbow Limited from July 1992 to November 1993 and rejoined as a director since March 1994. He has been a director of Tunbow Industries Limited and Tunbow Electrical Limited since November 1993 and July 1995, respectively. He has been a director of Tunbow Electrical (Huizhou) Limited and Tunbow Electronics Limited since December 2005 and April 2007, respectively. He became a director of Tunbow Group Limited in September 2017.

Dr. Chan became a fellow of The Hong Kong Institute of Directors in January 2007 and of the Canadian Chartered Institute of Business Administration in September 2009. In May 2010, Dr. Chan was awarded the 12th World Outstanding Chinese Award (世界傑出華人獎) by the World Chinese Business Investment Foundation (世界華商投資基金會). He also won the Outstanding Entrepreneurship Award at the Asia Pacific Entrepreneurship Awards 2011 organised by Enterprise Asia in July 2011. Since July 2019 and July 2023, Dr. Chan had been appointed as the president and chairman of the committee of the Hong Kong Mould and Product Technology Association, respectively. Since September 2019, he has been appointed as the vice president of the 12th council of the Hong Kong Federation of Innovative Technologies and Manufacturing Industries. Dr. Chan was conferred an honorary doctorate degree in engineering from Lincoln University in September 2009. Dr. Chan attended secondary education till 1977.

Ms. Cheng Yuk Sim Connie, MH (鄭玉而女士) (“Ms. Cheng”) (also known as Ms. Cheng Yuk Yee Connie (鄭玉而女士)), aged 66, is one of the founders of our Group. She was appointed as a Director on 28 September 2017 and was re-designated as a non-executive Director on 28 February 2019. She provides advice to our Group in the overall finance control, operation management and human resource management. She is also a director of Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Leighton 2338 Properties Limited, Leighton 2348 Properties Limited, Kwun Tong 1008 Properties Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited. Ms. Cheng is the spouse of Dr. Chan, chairman of our Board and a non-executive Director, and the aunt of Mr. Lee Kwok Ho and aunt-in-law of Mr. Luk Hok Keung, both of whom are members of our senior management.

Ms. Cheng has over 46 years of experience in management and marketing in the household appliances industry. Ms. Cheng joined Goodway Electrical Company, Limited in 1978 as a quality inspector and was a director from April 1989 to June 1994. She has been a director of Tunbow Electrical Limited since September 1994. She has been a director of Tunbow Electrical (Huizhou) Limited and Tunbow Electronics Limited since December 2005 and April 2007, respectively. She became a director of Tunbow Group Limited in September 2017.

In May 2010, Ms. Cheng was awarded the 12th World Outstanding Chinese Award (世界傑出華人獎) by the World Chinese Business Investment Foundation (世界華商投資基金會). Since October 2010, Ms. Cheng has been appointed as an honorary vice president of the Hong Kong Electrical Appliance Industries Association (formerly known as the Hong Kong Electrical Appliances Manufacturers Association). She was awarded with the Medal of Honor by the Hong Kong Government in 2014. Ms. Cheng attended secondary education till 1979.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ping Yim (陳炳炎先生), aged 77, was appointed as an independent non-executive Director on 3 October 2019. He is the chairman of the audit committee of the Board (the “**Audit Committee**”) and a member of the remuneration committee of the Board (the “**Remuneration Committee**”) and the nomination committee of the Board (the “**Nomination Committee**”).

He has over 49 years of experience in accounting. From May 1969 to September 1974, he worked at Ling-McCann Erickson Limited (currently know as McCann-Erickson (HK) Limited) as an account executive. He worked at Arthur Young & Company as a junior audit assistant from October 1974 and as a semi-senior auditor from April 1976 to August 1976, at John Leung & Company as an audit senior from September 1976 to May 1977 and at Andrew Ma & Company as a senior audit assistant from June 1977 to September 1981. He joined Investment Consolidated Limited as an accountant from September 1981 to December 1984. He practised as a principal of Dominic P.Y. Chan & Co. from January 1985 to March 1999 and as a partner of W.Y. Lam, Dominic Chan & Co. Certified Public Accountants from July 1998 to September 2007 before practising as the principal of Dominic P.Y. Chan, Certified Public Accountant since October 2007. He has also been the chief risk officer of Euto Capital Partners Limited from July 2017 to April 2021.

He completed his secondary education in 1967. He has been an associate of the Association of Chartered Certified Accountants (formerly known as the Chartered Association of Certified Accountants) since November 1984 and of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 1985. In July 2010, he became an associate and a certified tax adviser “CTA” of the Taxation Institute of Hong Kong and ceased to be a CTA as from 17 February 2020 and ceased to be an associate as from 10 March 2022.

Mr. Choi Chi Leung Danny (蔡志良先生), aged 69, was appointed as an independent non-executive Director on 3 October 2019. He is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Choi has approximately 43 years of relevant experience in the industry. He worked as a clerk at Electrical & Electronics Limited from September 1973 to February 1979. He was a founder and director of Ronford Industrial Limited, a company engaging in manufacturing and sale of electrical products, from January 1981 to July 1984 and of Neumax Industrial Limited, a company engaging in manufacturing and sale of electrical products, from September 1984 to September 2018. From October 2014 to August 2019, he was a director of Naree International Limited, a company providing environmental consulting services.

Mr. Choi completed his secondary education in 1972.

Mr. Chan Shing Jee (陳承志先生), aged 37, was appointed as an independent non-executive Director on 3 October 2019. He is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

He has over 14 years of work experience. He was a junior client service associate of Morgan Stanley from January 2010 to March 2011 and a client servicing officer of Bank of East Asia from March 2011 to March 2013. He also works as a business manager of Prudential Hong Kong Limited since March 2015. He worked at Mega Marketing & Media Company Limited as senior project director from March 2016 to August 2016 and at Cobot Business Strategy Limited as an investment manager from September 2016 to April 2017. He was a project director of Vibes Management Company Limited from November 2016 to July 2018. He has been an administration executive of Fleming International Limited, a wholly-owned subsidiary of Hyfusin Group Holdings Limited (stock code: 8512) since August 2018 to February 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

He graduated from University College London with a bachelor's degree in chemical engineering in August 2008 and obtained a level 4 foundation diploma in art and design from the University of the Arts London in August 2008. He subsequently obtained a master's degree of science in technology entrepreneurship in November 2009.

In addition, he is active in charitable activities. He has been an executive committee member of The Yuen Yuen Institute since February 2005 and a director of Yan Chai Hospital since April 2017. He has also been a director of The Hong Kong Taoist Association since January 2015, a school manager of Hong Kong Taoist Association The Yuen Yuen Institute No. 1 Secondary School since May 2014, a school manager of Hong Kong Taoist Association The Yuen Yuen Institute No. 2 Secondary School from May 2014 to May 2019 and since November 2019, a school manager of Hong Kong Taoist Association The Yuen Yuen Institute No. 3 Secondary School since May 2014, a school manager of The Yuen Yuen Institute MFBM Nei Ming Chan Lui Chung Tak Memorial College since July 2013, a school manager of Hong Kong Taoist Association The Yuen Yuen Institute Chan Lui Chung Tak Memorial School since September 2013, a school manager of Hong Kong Taoist Association Yuen Yuen Kindergarten (Fu Shin Estate) since July 2016 and a school manager of Hong Kong Taoist Association Yuen Yuen Kindergarten since July 2016. He also acted as a director of Lifeline Express Hong Kong Foundation from January 2013 to December 2018.

Ms. Chan Tak Yi (陳德宜女士), aged 41, was appointed as an independent non-executive Director on 21 December 2023. She is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Ms. Chan has over 15 years of experience in advising on corporate finance, mergers and acquisitions, and compliance with the Listing Rules on the Stock Exchange, securities laws and corporate laws. She worked in Ernst & Young from November 2005 to January 2009 with the last position as senior accountant in the assurance and advisory business services department. From January 2009 to June 2014, she successively worked in two international law firms focusing on handling corporate finance and regulatory compliance matters. From July 2014 to September 2016, she was an assistant vice president of the Listed Issuer Regulation Department of the Listing Division of the Stock Exchange. Ms. Chan joined Taylor Wessing, an international law firm, in October 2016 and is currently a partner of Taylor Wessing.

Ms. Chan is a practising solicitor admitted in Hong Kong and a member of the Hong Kong Institute of Certified Public Accountants. She was awarded the degree of Bachelor of Social Sciences (Government and Laws) and the degree of Bachelor of Laws from the University of Hong Kong in 2004 and 2005, respectively.

Ms. Leung Lai Yee Edwina (梁麗兒女士), aged 62, was appointed as an independent non-executive Director on 21 December 2023. She is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Ms. Leung has over 37 years of experience in the financial industry. She worked at Legal & General Group Plc as a financial adviser from September 1992 to December 2003 and has been the director of Vantage Properties & Management Limited, a limited liability company incorporated in the United Kingdom (the "UK") since May 1997. She joined Vantage Financial Services Co, a limited liability company incorporated in the UK, in October 2004 and is currently a financial adviser of Vantage Financial Services Co. Vantage Properties & Management Limited acts for major UK developers in the Asia market, assisting clients with their property investment portfolio and daily lettings and management operations. Vantage Financial Services Co is a mortgage broker providing professional advice on UK mortgages and general insurance.

Ms. Leung is a holder of Certificate in Mortgage Advice and Practice issued by the London Institute of Banking & Finance issued in 1999. She was also awarded a National Certificate in Business and Finance by the Tottenham College of Technology of the UK in July 1990.

For the Directors' interests and short positions in shares, underlying shares and debentures of the Company, please refer to the paragraphs headed "Disclosure of Interests" in the Report of the Directors of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lee Pak Man (李伯文先生), aged 53, is the research and development director of our Group. He is responsible for the research and development of our Group. He is also the legal representative of Town Ray Electrical (Huizhou) Limited and Shanghai Changxizan e-Shopping Limited.

Mr. Lee has over 32 years of experience in product engineering, inspection and development. He joined our Group as research and development director in March 2013. Mr. Lee was an engineer of Yi Kyun Electronics Company Limited* (二權電子有限公司) from March 1992 to April 1993 and an inspector of Dixons Stores Group (Far East) Limited from April 1993 to June 1996. He worked at Tunbow Electrical Limited as an inspector from June 1996 to June 1998, as an engineer from June 1998 to June 2003 and as a senior engineer from June 2003 to April 2009. From April 2009 to March 2013, he was the research and development director of Young Tigers R&D Limited. He joined Tunbow Group Limited as research and development director in March 2013.

Mr. Lee completed his secondary vocational education in 1991.

Mr. Chu Ming Tak (朱明德先生), aged 60, is the engineering director of our Group. He is responsible for the product development of our Group.

Mr. Chu has over 35 years of experience in product engineering, inspection and development. Mr. Chu was a project engineer of Yip Tat Industrial Limited from March 1989 to March 1990, a senior engineer of Goodway Electrical Company, Limited from March 1991 to March 1994 and a senior project engineer of Nice Win Electrical Limited from March 1994 to October 1994. He worked at Tunbow Electrical Limited as engineer director from October 1994 to March 2009. From April 2009 to March 2013, he was the engineer director of Young Tigers R&D Limited. He joined Tunbow Group Limited as engineering director in April 2013.

Mr. Chu was granted a diploma in business management by the Hong Kong Polytechnic University and the Hong Kong Management Association in September 1997. He has been awarded an associateship (electrical appliance industry) of The Professional Validation Council of Hong Kong Industries since November 2010.

Mr. Poon Ching Ching, Kelvin (潘正正先生), aged 55, is the design director of our Group. He is responsible for the product design development of our Group.

Mr. Poon has over 31 years of experience in product design development. He worked at Willas International Limited as a product designer from September 1992 to September 1994. He worked at Moulin Optical Manufactory Limited (currently known as Moulin Global Eyecare Trading Limited) from September 1994 and left as new product development manager in August 2000. He worked at Tunbow Electrical Limited as design director from September 2000 to March 2013. He joined Tunbow Group Limited as a director in July 2010 and as design director in April 2013.

Mr. Poon was granted a high diploma in industrial design by the Tokyo Designer Gakuin College in March 1992, with a distinction award in his graduation project. He further obtained merit awards for Tunbow Electrical Limited at the 9th and 10th Hong Kong Household Electrical Appliances Design and Innovation Competition organised by the Hong Kong Electrical Appliances Manufacturers Association and the Hong Kong Productivity Council in November 2007 and November 2008, respectively. He has been awarded an associateship (electrical appliance industry) and a fellowship (electrical appliance industry) of The Professional Validation Council of Hong Kong Industries since November 2010 and December 2014, respectively.

* denotes unofficial names for identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Kwok Ho (李國豪先生), aged 42, is the sales director of our Group. He is responsible for the product development, project management and formulation of sales strategies of our Group. He is a nephew of Ms. Cheng, a non-executive Director.

Mr. Lee has over 14 years of experience in product development and project management. He worked at Tunbow Electrical Limited as a management trainee from June 2003 to June 2004 and an operation officer from June 2004 to March 2008. He worked as an operation officer of Young Tigers R&D Limited from April 2009 to March 2013. He joined Tunbow Group Limited as project manager in April 2013, as engineering sales manager in September 2015 and was promoted to senior sales project manager since May 2021. He was further promoted to sales director of our Group in April 2022.

Mr. Lee graduated from the Hong Kong University of Science and Technology with a bachelor of engineering in industrial engineering and engineering management (with a minor in information technology) degree in November 2003 and further obtained a master's degree of science in technology management from the Hong Kong Polytechnic University in October 2011.

Mr. Lee was appointed as process technology deputy director and director of the Hong Kong Electrical Appliance Industries Association since July 2020 and July 2022, respectively. Since August 2022, he was appointed as a vice chairman of the Hong Kong Adventist Hospital Foundation Board of Governors — Tsuen Wan. He was awarded the Best Employee Award 2020 by the Hong Kong Small and Medium Enterprises Association and JCI Dragon in July 2020. He has been awarded a fellowship of Management and Business Administration (FMBA®) by The Professional Validation Council of Hong Kong Industries since September 2020.

Ms. Tung Ming Yiu (董銘堯女士), aged 40, is the accounting director of our Group. She is responsible for the financial management and overall accounting management of our Group.

Ms. Tung has over 18 years of experience in accounting and finance. She worked at Tunbow Electrical Limited with the last position as assistant accountant from August 2005 to October 2007. She joined Tunbow Group Limited as an assistant accountant in November 2007 and was promoted to accounting manager in September 2011. She was further promoted to finance manager in October 2019 and subsequently promoted to accounting director in April 2023.

Ms. Tung graduated from the Hong Kong Polytechnic University with a bachelor's degree in business administration in accountancy in October 2008. She was a member of the Hong Kong Institute of Certified Public Accountants from January 2012 to June 2020 and has been a fellow of the Hong Kong Institute of Certified Public Accountants since July 2020.

Ms. Tung was awarded the Best Employee Award 2020 by the Hong Kong Small and Medium Enterprises Association and JCI Dragon in July 2020. She has been awarded a fellowship by The Professional Validation Council of Hong Kong Industries since September 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Luk Hok Keung (陸鶴強先生), aged 42, is the innovation and applied technology director of our Group. He is responsible for identifying and evaluating emerging technologies, driving product innovation, implementing cutting-edge methodologies to enhance quality and efficiency, and continuously monitoring market dynamics to adapt our Group's innovation and technology strategies. He is a nephew-in-law of Ms. Cheng, a non-executive Director.

Mr. Luk has over 19 years of experience in procurement and product engineering. He worked at Tunbow Electrical Limited with the last position as sourcing manager from July 2004 to April 2009 and Oriental Purchasing Limited with the last position as purchasing and engineering manager from April 2009 to March 2016. He joined Tunbow Group Limited as purchasing and engineering manager in April 2016 and was promoted to innovation and applied technology director in September 2023.

Mr. Luk graduated from the Chinese University of Hong Kong with a bachelor's degree in electrical engineering in July 2004.

COMPANY SECRETARY

Mr. Chiu Wai Kwong is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report to the Company for the year ended 31 December 2023.

PURPOSE, MISSION AND VALUES

The Group is a leading product developer, industrial designer, manufacturer, and supplier for a broad range of electrothermic household appliances catering to the diverse needs of customers in overseas markets. The Group's mission is to be the top provider of advanced electrothermic household appliances. Guided by the Group's five core values of "Best Design", "Best Value", "Best Quality", "Best Communication" and "Best Service", the Group strives to provide its customers with innovative and quality products. To achieve this, the Group's strategy involves upgrading its production facilities and enhancing its production capacity, strengthening its product design and development capabilities and increasing its product offerings, strengthening its customer base and upgrading its information technology systems.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company believes that an effective corporate governance framework is fundamental to maintaining and promoting investors' confidence, safeguarding interests of Shareholders and other stakeholders and enhancing Shareholders' value.

The Company has adopted the Code Provisions set out in the CG Code under Appendix C1 (previously Appendix 14) to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all the Code Provisions set out in the CG Code during the year ended 31 December 2023 and up to the date of this annual report. Key corporate governance principles and practices of the Company are summarized below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 (previously Appendix 10) to the Listing Rules as its code of conduct regarding securities transactions by the Directors.

After having made specific enquiry of all Directors, each of the Directors confirmed that he/she has fully complied with the required standards set out in the Model Code during the year ended 31 December 2023 and up to the date of this annual report.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**"), governing securities transactions by employees (including directors or employees of a subsidiary or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

CORPORATE GOVERNANCE REPORT

THE BOARD

Board Composition

The Board currently comprises eleven members, consisting of four executive Directors, two non-executive Directors and five independent non-executive Directors.

Executive Directors

Mr. Chan Wai Ming (*Chief Executive Officer*)

Mr. Chiu Wai Kwong

Ms. Tang Mei Wah

Mr. Yu Kwok Wai

Non-executive Directors

Dr. Chan Kam Kwong Charles (*Chairman*)

Ms. Cheng Yuk Sim Connie

(also known as Ms. Cheng Yuk Yee Connie)

Independent non-executive Directors

Mr. Chan Ping Yim

Mr. Choi Chi Leung Danny

Mr. Chan Shing Jee

Ms. Chan Tak Yi (appointed on 21 December 2023)

Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the Directors of the Company are set out under the section “Biographical Details of Directors and Senior Management” in this annual report. Save as disclosed in the section “Biographical Details of Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are currently held by Dr. Chan Kam Kwong Charles and Mr. Chan Wai Ming, respectively. Their respective responsibilities are clearly defined and set out in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From 1 January 2023 to 20 December 2023, the Company had three independent non-executive Directors, while two new independent non-executive Directors were appointed to the Board on 21 December 2023. The independent non-executive Directors represent at least one-third of the Board members throughout the year ended 31 December 2023, and that at least one of the independent non-executive Directors, namely Mr. Chan Ping Yim, has appropriate professional qualifications on accounting or related financial management expertise. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors bring a wide spectrum of business and financial expertise, experience and independent judgement to the Board for its efficient and effective functioning. They are invited to serve on the Board committees of the Company. Through active participation at Board and committee meetings, taking the lead in managing issues involving potential conflicts of interests, all independent non-executive Directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

The Company has received written annual confirmation from each of the independent non-executive Directors of his/her independence pursuant to Rule 3.13 of the Listing Rules. Upon the recommendation of the Nomination Committee, the Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules. As at 31 December 2023, no independent non-executive Director had served more than nine years on the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service agreement with the Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least six months' written notice before the expiry of the then existing term.

Each of the non-executive Directors and independent non-executive Directors entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date, except for Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina, who entered into an appointment letter with the Company for an initial fixed term of one year commencing from 21 December 2023. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least two months' written notice before the expiry of the then existing term.

The procedure and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association (the "**Articles**"). The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment of Directors and assessing the independent non-executive Directors.

According to the Articles, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. In addition, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

INDEPENDENCE VIEWS TO THE BOARD

The Board recognises Board independence is critical to good corporate governance. The Company has put in place the mechanisms to ensure a strong independence element on the Board, which are summarised below:

Board Composition

The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

Independence Assessment

The Nomination Committee shall strictly adhere to the Nomination Policy (the “**Nomination Policy**”) and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

Decision Making

All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at Board meetings. They can also seek assistance from the Company’s company secretary and, where necessary, independent advice from external professional advisers at the Company’s expense.

All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any Board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest.

The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board is also responsible for implementing policies in relation to financial matters, which include risk management and internal controls and compliance, if applicable. In addition, the Board reviews the financial performance of the Group and approves investment proposals, nomination of Directors to the Board and appointment of key management personnel. These functions are carried out either directly by the Board or through Board committees such as Audit Committee, Nomination Committee and Remuneration Committee.

All Directors are aware of their collective and individual responsibilities to the Shareholders of the Company, the duties to act honestly and in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times and to avoid conflicts of interests. Throughout the year ended 31 December 2023, in accordance with Code Provision D.1.2, all Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

Delegation of management functions

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest of a substantial Shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and distribution of dividends, and approval of financial results and corporate strategies. The Board will review those issues on a periodic basis to ensure that they remain appropriate to the needs of the Group.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director shall receive induction on the first occasion of his/her appointment to ensure he/she has an appropriate understanding of the business and operations of the Company and he/she is fully aware of the Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The existing Directors are continually updated on the changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the year ended 31 December 2023, the Directors have complied with the Code Provision C.1.4 of the CG Code by participating in sufficient relevant continuous professional training.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND ANNUAL GENERAL MEETING HELD IN 2023

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda of meetings. For all other board meetings, reasonable notice period will be given.

The attendance records of each Director at the Board meetings held during the year ended 31 December 2023 and the annual general meeting of the Company held on 25 May 2023 (the “**2023 AGM**”) set out below:

Name of Directors	Number of Board meetings attended/held during the Year	Attendance of 2023 AGM
Mr. Chan Wai Ming	4/4	1/1
Mr. Chiu Wai Kwong	4/4	1/1
Ms. Tang Mei Wah	3/4	1/1
Mr. Yu Kwok Wai	3/4	1/1
Dr. Chan Kam Kwong Charles	4/4	1/1
Ms. Cheng Yuk Sim Connie	4/4	1/1
Mr. Chan Ping Yim	4/4	1/1
Mr. Choi Chi Leung Danny	4/4	1/1
Mr. Chan Shing Jee	4/4	1/1
Ms. Chan Tak Yi (appointed on 21 December 2023)	0/0	0/0
Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)	0/0	0/0

In addition, the Chairman of the Board held a meeting with the independent non-executive Directors, except for Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina, who were appointed on 21 December 2023, without the presence of the other Directors during the Year.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company and are open for inspection by Directors. Directors may seek external professional advice in appropriate circumstances at the Company’s expense.

Appropriate insurance cover has been arranged by the Company in respect of any legal action against Directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) pursuant to the requirement of the CG Code. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

CORPORATE GOVERNANCE REPORT

In designing the Board's composition, Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural background and educational background, ethnicity, professional experience and qualifications, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision-making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board. For achieving an optimal board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

Selection of candidates will be based on the Company's Nomination Policy and will take into account this Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Board has set measurable objectives as to gender diversity and background of the Directors in terms of Board Diversity Policy that there should be at least one female Board member and at least one Board member who has professional qualifications or experience which are different than those required for running the principal business of the Company for giving a diversified insights to the Board. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectations and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors with direct experience in the Group's core markets from different ethnic backgrounds and in line with the Group's strategy. As at the end of the Year, the measurable objectives have been achieved.

The Board had reviewed the implementation and effectiveness of the Board Diversity Policy and was of the view that the Board Diversity Policy and its implementation were sufficient and effective.

Board Diversity

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one female member with immediate effect and may further increase in the next five years. To achieve higher level of gender diversity, two new female independent non-executive Directors were appointed during the year ended 31 December 2023. As at 31 December 2023 and the date of this Annual Report, the Board comprised four female Board members, in which case the Board considered gender diversity has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the Board Diversity Policy at least annually and make recommendations on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness.

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which director candidates should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms.

CORPORATE GOVERNANCE REPORT

Workforce Diversity

The Group strictly adheres to fair and appropriate employment practices and labour standards. With an anti-discriminatory and equal-opportunity policy in place, the Group provides job applicants and employees with equal opportunities for employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age.

As at 31 December 2023, the Group had a total of 987 staff members (including members of the senior management but excluding Directors of the Company). The gender composition of the staff members (including members of the senior management but excluding Directors of the Company) was approximately 40% male staff members and approximately 60% female staff members.

The Board considered that gender diversity of the workforce of the Group had been well maintained during the Year. As such, the plan for the Group in terms of gender diversity in the workforce is to maintain the balance of gender diversity in the foreseeable future.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee specific aspects of the Group's affairs. Each of the Board committees has its own terms of reference in compliance with the Listing Rules and the CG Code relating to its authority and duties. All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary. The composition of each of the committees as at the date of this annual report is as follows:

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Chan Ping Yim	Chairman	Member	Member
Mr. Choi Chi Leung Danny	Member	Member	Chairman
Mr. Chan Shing Jee	Member	Chairman	Member
Ms. Chan Tak Yi (appointed on 21 December 2023)	Member	Member	Member
Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)	Member	Member	Member

Audit Committee

The Audit Committee comprises five members, who are all independent non-executive Directors, and is delegated with the authority from the Board primarily to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal controls, risk management systems and audit process of the Group and perform other duties and responsibilities assigned by the Board. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules. Details of the authority and duties of the Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

The individual attendance record of each member at the Audit Committee meetings held during the year ended 31 December 2023 is set out below:

Name of Directors	Number of meetings attended/held during the Year
Mr. Chan Ping Yim (<i>Chairman</i>)	4/4
Mr. Choi Chi Leung Danny	4/4
Mr. Chan Shing Jee	4/4
Ms. Chan Tak Yi (appointed on 21 December 2023)	0/0
Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)	0/0

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2023 and up to the date of this annual report:

- reviewed and discussed the annual audited financial statements, results announcement and report for the year ended 31 December 2023, the related accounting principles and practices adopted by the Group, the report from the management on the Company's review of the risk management and internal control systems, and recommendation of the re-appointment of the external auditor;
- reviewed the annual audit plan of the external auditor including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan; and
- reviewed the effectiveness and performance of the Company's financial reporting system, risk management and internal control systems and internal audit plan.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

Remuneration Committee

The Remuneration Committee comprises five members, who are all independent non-executive Directors, and is delegated with the authority from the Board to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of the Directors and senior management and ensure none of the Directors determine his/her own remuneration. Details of the authority and duties of the Remuneration Committee are set out in the Remuneration Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

The individual attendance record of each member at the Remuneration Committee meetings held during the year ended 31 December 2023 is set out below:

Name of Directors	Number of meetings attended/held during the Year
Mr. Chan Shing Jee (<i>Chairman</i>)	4/4
Mr. Chan Ping Yim	4/4
Mr. Choi Chi Leung Danny	4/4
Ms. Chan Tak Yi (appointed on 21 December 2023)	0/0
Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)	0/0

CORPORATE GOVERNANCE REPORT

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2023 and up to the date of this annual report:

- reviewed Remuneration Policy;
- reviewed the remuneration of Directors and senior management; and
- made recommendations to the Board on the remuneration of individual Directors and senior management.

Details of the Director's remuneration and the five highest paid individuals in the Group are set out in notes 8 and 9 to the consolidated financial statements.

Pursuant to Code Provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2023 is set out below:

Remuneration band (HK\$)	Number of person(s)
Nil to 1,000,000	4
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	1

The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy (the "**Remuneration Policy**") of Directors is built upon the principles of providing equitable and market-competitive remuneration packages that support the performance culture and enable the achievement of strategic business goals. The Group's Remuneration Policy of Directors is, therefore, aiming at providing a competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration will be reviewed annually and is subject to Shareholders' approval at the annual general meeting.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee comprises five members, who are all independent non-executive Directors, and is delegated with the authority from the Board to review the structure, size and composition of the Board and select or make recommendations on the selection of individuals nominated for directorships. Details of the authority and duties of the Nomination Committee are set out in the Nomination Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

The individual attendance record of each member at the Nomination Committee meetings held during the year ended 31 December 2023 is set out below:

Name of Directors	Number of meetings attended/held during the Year
Mr. Choi Chi Leung Danny (<i>Chairman</i>)	4/4
Mr. Chan Ping Yim	4/4
Mr. Chan Shing Jee	4/4
Ms. Chan Tak Yi (appointed on 21 December 2023)	0/0
Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)	0/0

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2023 and up to the date of this annual report:

- reviewed the Board Diversity Policy;
- reviewed the independence of the independent non-executive Directors;
- reviewed and considered the structure, size and composition of the Board; and
- considered the Directors to retire and reappoint at the 2024 AGM.

CORPORATE GOVERNANCE REPORT

The Company has adopted a Nomination Policy which sets out the approach and procedures the Board adopts for the nomination and selection of Directors of the Company, including the appointment of additional Directors, replacement of Directors, and re-election of Directors. The Nomination Committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of the Nomination Policy, and the summary of which is set out below:

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria would be considered by the Nomination Committee and the Board:

- the candidate's character and integrity;
- the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

- (i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms.
- (ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

CORPORATE GOVERNANCE REPORT

Re-election of Directors and Nomination from Shareholders

- (i) Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to Shareholders prior to the general meeting in accordance with the Listing Rules.
- (ii) Any Shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant Shareholder circular (a) a written nomination of the candidate, (b) a written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all Shareholders for information by a supplementary circular.

DIVIDEND POLICY

The Company has adopted a dividend policy (the “**Dividend Policy**”), the summary of which is set out below:

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

- (a) the general financial condition of the Group;
- (b) capital and debt level of the Group;
- (c) future cash requirements and availability for business operations, business strategies and future development needs;
- (d) any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- (e) the general market conditions; and
- (f) any other factors that the Board considers appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands and the Articles. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

Any declaration and/or payment of future dividends under the Dividend Policy are/is subject to the Board’s determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board endeavours to strike a balance between the Shareholders’ interests and prudent capital management with a sustainable Dividend Policy. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary. The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

Details of dividends are disclosed in note 11 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company has appointed Mr. Chiu Wai Kwong as its company secretary. Mr. Chiu has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2023 and has complied with Rule 3.29 of the Listing Rules. The biography of Mr. Chiu is set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

EXTERNAL AUDITOR AND AUDITOR’S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the Company’s financial statements for the year ended 31 December 2023 is set out in the Independent Auditor’s Report on pages 55 to 59.

The fees paid/payable to the Company’s auditor in respect of audit and non-audit services for the year ended 31 December 2023 are analysed below:

	HK\$’000
Audit services	2,030
Non-audit services	
Agreed-upon procedures	350
Others	146

DIRECTORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the financial position of the Company and the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and have prepared disclosure of the financial position of the Group with reasonable accuracy at any time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Group’s risk management and internal control systems and reviewing the effectiveness of such systems through the Audit Committee on an annual basis. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Group’s financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than to eliminate the risk of failure to achieve the Group’s business objectives.

During the year ended 31 December 2023, the Group has conducted an annual review on the effectiveness and efficiency of the Group’s risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. Upon conducting annual review on risk management and internal control systems of the Group, the Audit Committee and the Board are satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.

CORPORATE GOVERNANCE REPORT

The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept informed of significant risks that may impact on the Group's performance.

During the year ended 31 December 2023, the Board considered the risk management and internal control systems of the Group to be effective and adequate. The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function.

The Group maintained effective risk management and internal controls in all material respects, and the Board was not aware of any significant or material defects in relation to the risk management and internal controls. The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered them effective and adequate.

Main features of the risk management and internal control systems

The Group has adopted a risk management policy, the main objectives of which is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business in order to guide decisions on risk related issues.

The specific objectives of the policy are:

1. to ensure that all the current and future material risk exposures of the Group are identified, assessed, quantified, appropriately mitigated, minimised and managed i.e. to ensure adequate systems for risk management;
2. to establish a framework for the Group's risk management process and to ensure its implementation;
3. to enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices; and
4. to assure business growth with financial stability.

Risk assessment process

Risk identification is based on discussions and interviews with senior management from different departments. Risks are preliminarily identified by senior management from the risk universe which is a collection of risks built on environmental analysis and external benchmarking that can impact the Group at the entity or specific business process level. Key risk factors are then identified by integrating the results of the discussions and interviews.

Risk evaluation is the second step to assess the relative impact and likelihood of identified key risk factors. These identified key risk factors are further assessed by a scale rating process by the senior management to evaluate their impact and likelihood.

Risk prioritisation is a mapping exercise. A risk map is used to prioritise the identified key risk factors according to their impact and likelihood.

CORPORATE GOVERNANCE REPORT

Handling and dissemination of inside information

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the “SFO”) and the Listing Rules. An inside information policy has been established to lay down guidelines on definition, compliance and reporting mechanism of inside information. All members of the Board, senior management, and staff who are likely to possess inside information are strictly bound by this policy. Staff who have access to inside information are required to keep such unpublished inside information confidential until relevant announcement is made. Failure to comply with such requirements may result in disciplinary actions.

Internal audit function

The Group has an internal audit function which is primarily responsible for developing various internal control manuals and procedures, and conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group’s risk management and internal control policies and procedures. In addition, the Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. The Board considered that the risk management and internal control systems of the Group for the Year were effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDER RIGHTS

General Meeting

The general meetings of the Company provide a good opportunity for communication between the Shareholders of the Company and the Board. An annual general meeting of the Company shall be held in each year and at such time and place to be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The 2024 AGM is scheduled to be held on Friday, 21 June 2024. A circular and a notice of the 2024 AGM containing, among other matters, further information relating to the 2024 AGM will be sent to the Shareholders of the Company in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the voting rights at general meetings on a one vote per share basis in the share capital of the Company. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Procedures for Shareholders to put forward proposals at Shareholders’ meeting

If a Shareholder wishes to put forward proposals at a Shareholders’ meeting, the Shareholder, who has satisfied the shareholding requirements set out in the above paragraph headed “Procedures for shareholders to convene an extraordinary general meeting”, may follow the same procedures by sending a written requisition to the Board or the company secretary of the Company at the principal place of business of the Company in Hong Kong. The Shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the company secretary of the Company to make necessary arrangement.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to propose a person for election as a Director

Details of the procedures for Shareholders to propose a person for election as a Director are set out in the procedures for nomination of directors by Shareholders which are available on the websites of the Stock Exchange and the Company.

If a Shareholder wishes to nominate a person (the “**Proposed Candidate**”) to stand for election as a Director at a general meeting of the Company, the following documents must be validly served to the Board or the company secretary of the Company at the Company’s principal place of business in Hong Kong at Workshop A, 25th Floor, Reason Group Tower, No. 403 Castle Peak Road — Kwai Chung, Kwai Chung, New Territories, Hong Kong:

- (a) a written notice signed by the Shareholder(s), who is/are duly qualified to attend and vote at the meeting, of his/her intention to propose the Proposed Candidate for election as a Director; and
- (b) a written notice signed by the Proposed Candidate of his/her willingness to be elected as a Director.

As stipulated in Article 113 of the Articles, the period for lodgement of such notices required under such Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Procedure for sending enquiries to the Board

Shareholders are welcome to send enquiries to the Board by post to the Company’s principal place of business in Hong Kong at Workshop A, 25th Floor, Reason Group Tower, No. 403 Castle Peak Road — Kwai Chung, Kwai Chung, New Territories, Hong Kong or via telephone at (852) 2750 0775.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Shareholders’ Communication Policy

The Company has adopted a shareholders’ communication policy (the “**Shareholders’ Communication Policy**”), details of which are summarised below:

Shareholders’ Meetings

- The annual general meetings and extraordinary general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.
- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on the websites of the Stock Exchange and the Company and sent to the Shareholders in accordance with the requirements of the Articles and Listing Rules.

CORPORATE GOVERNANCE REPORT

- The Directors, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.
- The chairman of the general meetings will propose to vote on the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the websites of the Stock Exchange and the Company subsequent to the close of the general meetings.

Corporate Communications

- The Company will make available corporate communications of the Company, which include annual reports, interim reports, notices of Shareholders' meetings, listing documents, related circulars, and forms of proxy, at the websites of the Stock Exchange and the Company, and send these corporate communications by electronic means to the Shareholders. Shareholders can also request for printed copies of these corporate communications to be sent to the Shareholders by post free of charge.
- Shareholders are encouraged to provide their up-to-date contact details to the Company's branch share registrar and transfer office in Hong Kong in order to facilitate timely and effective communications.

Company's Website

- The website of the Company at "www.townray.com" provides the Shareholders with corporate information on the Group. It also provides information on the corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.
- In addition to the "Investor Relations" section in which corporate communications of the Company are posted as soon as practicable following their release on the website of Stock Exchange, press releases and newsletters issued by the Company from time to time are also available on the website of the Company to facilitate communication between the Company, the Shareholders and investment community.
- Information on the website of the Company is updated on a regular basis.

Communication with the Company

Shareholders may raise questions, request publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to the Company's principal place of business in Hong Kong at Workshop A, 25th Floor, Reason Group Tower, No. 403 Castle Peak Road — Kwai Chung, Kwai Chung, New Territories, Hong Kong, or by the following means:

Telephone number: (852) 2750 0775

Email address: enquiry@townray.com

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

CORPORATE GOVERNANCE REPORT

The Company highly values the view and comments of the Shareholders and relevant stakeholders to the Company and would invite the Shareholders and relevant stakeholders to communicate with the Company by employing the abovementioned means. In view of the above Shareholders' communication means and measures adopted by the Company, the Board is of the view that the Shareholders' Communication Policy implemented during the Year was sufficient and effective.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, there was no change to the Memorandum of Association and the Articles, the latest version of which have been published at the websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and sale of electrothermic household appliances. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW AND OTHER DISCLOSURES

The business review of the Group for the Year, descriptions of the principal risks and uncertainties faced by the Company, further development of the Company's business and an analysis using financial key performance indicators are set out in the section headed "Management Discussion and Analysis" on pages 5 to 12 of this annual report. The business review forms part of this annual report.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 28 September 2017 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The reorganisation was completed on 30 September 2019 in preparation for the Listing of the shares on the Stock Exchange, after which the Company became the holding company of the Group. For further information in relation to the reorganisation, please refer to the section headed "History, development and Reorganisation" in the Prospectus.

The Company's shares have been listed on the Stock Exchange since 25 October 2019.

COMPLIANCE WITH THE LAWS AND REGULATIONS

As the production of the Group mainly takes place in the PRC, the Group's business is subject to the relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous wastes. A summary of the environmental protection laws and regulations applicable to the Group is set out in the section headed "Regulatory Overview" in the Prospectus. The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the Year and up to the date of this annual report, the Group in all material aspects has complied with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

There was no material breach or non-compliance with the applicable laws and regulations by the Group during the Year and up to the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the Group's five largest customers in aggregate accounted for approximately 66.6% of the total revenue of the Group and the largest customer of the Group accounted for approximately 34.6% of the total revenue.

For the year ended 31 December 2023, the Group's five largest suppliers in aggregate accounted for less than 30% of the total purchases of materials of the Group.

None of the Directors, or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 60 to 117 of this annual report.

The Directors recommended the payment of a final dividend of HK15.1 cents per share, totaling approximately HK\$54.2 million in respect of the year ended 31 December 2023, to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") at the close of business on Friday, 28 June 2024 as the record date. This proposed final dividend is subject to the approval of the Company's Shareholders at the 2024 AGM, and if approved, is expected to be paid on or before Thursday, 11 July 2024.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 118 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

Details of the use of Net Proceeds are set out on page 12 of this annual report.

ANNUAL GENERAL MEETING

The 2024 AGM is scheduled to be held on Friday, 21 June 2024. A notice convening the 2024 AGM will be issued and despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2024 AGM, the Register of Members will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both dates inclusive, the period during which no transfer of shares will be effected. In order to be eligible to attend and vote at the 2024 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 June 2024.

Subject to the approval of the Shareholders at the 2024 AGM for payment of the final dividend, to ascertain the entitlement of the final dividend of the Shareholders, the Register of Members will be closed from Thursday, 27 June 2024 to Friday, 28 June 2024, the period during which no transfer of shares will be effected. The final dividend, if approved at the 2024 AGM, is expected to be paid on or before Thursday, 11 July 2024 to the Shareholders whose names appear on the Register of Members on Friday, 28 June 2024. In order to qualify for receiving the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Wednesday, 26 June 2024.

CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the year ended 31 December 2023 amounted to approximately HK\$1.3 million.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the authorised share capital and issued share capital of the Company during the year ended 31 December 2023 are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has a Share Option Scheme which was approved and adopted by the then sole shareholder of the Company by way of written resolutions passed on 3 October 2019 (the “**Adoption Date**”). No share option has been granted, exercised, cancelled, or lapsed under the Share Option Scheme since the Adoption Date and up to the date of this annual report.

In line with the amended Chapter 17 of the Listing Rules, which was effective on 1 January 2023, a summary of the term of the Share Option Scheme is set out below:

Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity which is an associated company of any member of the Group (the “**Invested Entity**”).

(b) Who may join

The Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the Adoption Date to make an offer to any employee (whether full time or part time, including the Directors) of the Company, any of the subsidiaries (within the meaning of Hong Kong Companies Ordinance) or any Invested Entity (an “**Eligible Employee**”). Upon acceptance of the option, the eligible participant shall pay HK\$1.00 to the Company as the consideration for the grant within 21 days from the date of grant.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares or other securities of the Group to any person who falls within any of the eligible participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme. The eligibility of any of the eligible participants to an offer shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to such eligible participant’s contribution to the development and growth of the Group.

REPORT OF THE DIRECTORS

(c) Maximum number of shares

- (i) The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the shares first commence on the Stock Exchange, being 40,000,000 shares (“**General Scheme Limit**”), which represents approximately 11.1% of the total number of shares in issue as at the date of this Annual Report.
- (ii) Without prejudice to (iii) below, the Company may seek approval from its Shareholders in a general meeting to refresh the General Scheme Limit every three years, provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not exceed 10% of the share in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted.
- (iii) Without prejudice to (ii) above, the Company may seek separate Shareholders’ approval in a general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (ii) above to eligible participants identified by the Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the option granted under any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options under the Share Option Scheme to a grantee under the Share Option Scheme would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the share in issue, such further grant must be separately approved by the Shareholders in a general meeting with such grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting. There was no prescribed period for which an option must be held before it can be exercised under the Share Option Scheme, subject to the conditions of grant to be determined by the Board.

REPORT OF THE DIRECTORS

(e) Grant of options to core connected persons

- (i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).
- (ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the share in issue, such further grant of options must be approved by the Shareholders in a general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of the Shareholders under paragraphs (c), (d) and (e) above, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

As at 1 January 2022 and 31 December 2022, the total number of options available for grant under the General Scheme Limit was 40,000,000 shares, representing approximately 11.1% of the total number of shares in issue, respectively. There was no service provider sublimit set under the Share Option Scheme during the year ended 31 December 2023.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme shall remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

REPORT OF THE DIRECTORS

(g) Exercise price for shares

The exercise price in respect of any options shall, subject to the adjustments, be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from the Adoption Date (i.e. until 2 October 2029).

Tax Relief and Exemption

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity.

PURCHASE, SALE OR REDEMPTION OF 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.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2023, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ chief executive	Capacity/nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Dr. Chan	Interest in a controlled corporation (Note 2)	213,640,000 (L)	59.51%
	Interest of spouse (Note 3)	6,806,000 (L)	1.90%
Ms. Cheng	Interest in a controlled corporation (Note 2)	213,640,000 (L)	59.51%
	Beneficial owner	6,806,000 (L)	1.90%
Mr. Chan	Beneficial owner	5,000,000 (L)	1.39%
Mr. Chiu	Beneficial owner	5,000,000 (L)	1.39%
Ms. Tang	Beneficial owner	5,000,000 (L)	1.39%
Mr. Yu	Beneficial owner	5,000,000 (L)	1.39%

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.
2. 213,640,000 Shares are owned by Modern Expression Limited ("**Modern Expression**"), which is wholly owned by Dr. Chan and Ms. Cheng jointly. Under the SFO, each of Dr. Chan and Ms. Cheng is deemed to be interested in all the shares owned by Modern Expression.
3. Ms. Cheng is the spouse of Dr. Chan. Under the SFO, Dr. Chan is deemed to be interested in all the shares in which Ms. Cheng is interested.

REPORT OF THE DIRECTORS

(ii) Interest in associated corporations of the Company

As at 31 December 2023, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Name of associated corporation	Capacity/nature	Number of shares held in associated corporation <i>(Note 1)</i>	Approximate percentage of shareholding in associated corporation
Dr. Chan	Modern Expression	Interest held jointly with another person <i>(Note 2)</i>	1 (L)	100%
Ms. Cheng	Modern Expression	Interest held jointly with another person <i>(Note 2)</i>	1 (L)	100%

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such shares.
2. Modern Expression is wholly owned by Dr. Chan and Ms. Cheng jointly. Dr. Chan and Ms. Cheng are spouses.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

(iii) Substantial Shareholders' and other persons' interests and short positions in shares, underlying shares and debentures

So far as the Directors are aware, as at 31 December 2023, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short positions in the shares, underlying shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Person/corporation	Capacity/nature of interest	Number of shares held (Note 1)	Percentage of interest in the Company
Modern Expression	Beneficial owner	213,640,000 (L)	59.51%
Capital Fortress Limited ("Capital Fortress")	Beneficial owner	29,000,000 (L)	8.08%
Mr. Leung Yat Cheong Albert ("Mr. Leung")	Interest in a controlled corporation (Note 2)	29,000,000 (L)	8.08%
Ms. Chan Ying Yuk Purple ("Ms. Chan")	Interest of spouse (Note 3)	29,000,000 (L)	8.08%
Bestresult Assets Limited ("Bestresult Assets")	Beneficial owner	22,360,000 (L)	6.23%
Ms. Li Siu Lan ("Ms. Li")	Interest in a controlled corporation (Note 4)	22,360,000 (L)	6.23%
Mr. Lo Kam Wing Raymond ("Mr. Lo")	Interest of spouse (Note 5)	22,360,000 (L)	6.23%

Notes:

- The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in such shares.
- Capital Fortress is wholly owned by Mr. Leung. Under the SFO, Mr. Leung is deemed to be interested in all the shares owned by Capital Fortress.
- Ms. Chan is the spouse of Mr. Leung. Under the SFO, Ms. Chan is deemed to be interested in all the shares in which Mr. Leung is interested.
- Bestresult Assets is wholly owned by Ms. Li. Under the SFO, Ms. Li is deemed to be interested in all the shares owned by Bestresult Assets.
- Mr. Lo is the spouse of Ms. Li. Under the SFO, Mr. Lo is deemed to be interested in all the Shares in which Ms. Li is interested.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2023, in the opinion of the Directors, the reserves of the Company available for distribution to Shareholders under the Companies Act of the Cayman Islands amounted to approximately HK\$146.9 million.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023 and up to the date of this annual report, none of the Directors or their close associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

The controlling Shareholders, namely Dr. Chan Kam Kwong Charles, Ms. Cheng Yuk Sim Connie and Modern Expression (collectively, the “**Controlling Shareholder(s)**”) had entered into the deed of non-competition in favour of the Company on 3 October 2019 (the “**Non-competition Undertaking**”). Each of the Controlling Shareholders has confirmed that he/she/it had complied with the Non-Competition Undertaking during the Year and the independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholders with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders during the year ended 31 December 2023.

DIRECTORS

The Directors of the Company during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors

Mr. Chan Wai Ming (*Chief Executive Officer*)
Mr. Chiu Wai Kwong
Ms. Tang Mei Wah
Mr. Yu Kwok Wai

Non-executive Directors

Dr. Chan Kam Kwong Charles (*Chairman*)
Ms. Cheng Yuk Sim Connie
(also known as Ms. Cheng Yuk Yee Connie)

Independent Non-executive Directors

Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee
Ms. Chan Tak Yi (appointed on 21 December 2023)
Ms. Leung Lai Yee Edwina (appointed on 21 December 2023)

REPORT OF THE DIRECTORS

Pursuant to Article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. As such, Mr. Chan Wai Ming, Mr. Chiu Wai Kwong, Ms. Tang Mei Wah and Mr. Yu Kwok Wai, the executive Directors, shall retire at the 2024 AGM and shall be eligible to offer themselves for re-election.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of its independent non-executive Directors to be independent in accordance with the independence criteria as set out under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding Company, or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2023 and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least six months' written notice before the expiry of the then existing term.

Each of the non-executive Directors and independent non-executive Directors entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date, except for Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina, who entered into an appointment letter with the Company for an initial fixed term of one year commencing from 21 December 2023. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least two months' written notice before the expiry of the then existing term.

There is no director's service contract with the Company or any of its subsidiary which is not determinable by the Company or its subsidiary within one year without payment of compensation (other than statutory compensation) as at 31 December 2023.

REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals of the Group for the year ended 31 December 2023 are set out in notes 8 and 9 to the consolidated financial statements.

The Directors and senior management receive compensation in the form of salaries and discretionary bonuses related to their performance. The Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by the Group from time to time or for providing services to the Group or executing their functions in relation to the Group's business and operations. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and performance of the Group. The Directors and senior management may also receive options to be granted under the Share Option Scheme.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out in the section of "Biographical Details of Directors and Senior Management" on pages 13 to 21 of this annual report.

RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those 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 operates in Chinese Mainland 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.

The total retirement benefit scheme contributions made by the Group amounted to approximately HK\$16.0 million for the year ended 31 December 2023. There was no forfeited contribution under the MPF Scheme and other retirement benefit schemes which may be used by the Group to reduce the contribution during the year ended 31 December 2023 and payable in the future years.

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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The Group did not enter into any connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules, which required reporting, announcement or independent shareholders' approval requirements under the Listing Rules, during the Year.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements. Save as disclosed above in the paragraph headed "Connected Transactions" in this annual report, none of the related party transactions constitute non-fully exempted connected transactions or continuing connected transactions, which required reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 22 to 40 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of at least 25% of the issued share capital of the Company under the Listing Rules during the Year and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Company's Articles provides that every Director is entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of duties of his/her office or otherwise in relation thereto provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to the Director.

During the year ended 31 December 2023, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of potential legal actions against the Directors and officers arising out of corporate activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT AND POLICY

For details of the environmental, social and governance performance of the Group during the Year and the status of compliance of the relevant environmental law of the Group during the Year, please refer to the environmental, social and governance report for the Year, which will be published on the Company's website together with this annual report.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the paragraph headed "Future Plans for Material Investments and Capital Assets" in this annual report above, the Company entered into the provisional sale and purchase agreements in January 2024 to acquire the Car Parking Space, Workshop 7A and Workshop 7B. The acquisition of the Car Parking Space was completed on 29 February 2024 and the completion of the acquisitions of Workshop 7A and Workshop 7B is expected to be on or before 8 April 2024.

REPORT OF THE DIRECTORS

Save as disclosed above, the Group had no material events for disclosure subsequent to 31 December 2023 and up to the date of this annual report.

AUDITOR

The auditor of the Company, Ernst & Young, will retire at the 2024 AGM and a resolution for their re-appointment as auditor of the Company will be proposed at the 2024 AGM.

REVIEW BY AUDIT COMMITTEE

The Audit Committee was established on 3 October 2019 with specific written terms of reference which clearly sets out with its authority and duties.

The Audit Committee is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment and removal of external auditor; (ii) reviewing the financial statements and providing material advice in respect of financial reporting; (iii) overseeing the financial reporting process, internal controls, risk management systems and audit process of the Group; and (iv) overseeing the Company's continuing connected transactions. Details of the authority and duties of the Audit Committee are set out in the Audit Committee's terms of reference, which is available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises five independent non-executive Directors, namely Mr. Chan Ping Yim (Chairman), Mr. Choi Chi Leung Danny, Mr. Chan Shing Jee, Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

On behalf of the Board

Town Ray Holdings Limited

Chan Kam Kwong Charles

Chairman and non-executive Director

Hong Kong, 18 March 2024

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the shareholders of Town Ray Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Town Ray Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 117, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of trade receivables</i>	
<p>As at 31 December 2023, the carrying amount of trade receivables was HK\$67.0 million which represented 14% of the Group's total assets. Assessment of expected credit losses ("ECLs") of trade receivables is performed by management 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.</p>	<p>We assessed management's assessment by (i) checking the ageing of the receivable balances, past repayment history and historical credit loss experience against the relevant sales documents and settlement records on a sample basis; (ii) benchmarking the forecast economic conditions (i.e. gross domestic product) against market data; and (iii) reviewing the arithmetic accuracy of the calculation of the ECLs.</p>
<p>The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.</p>	
<p>The assessment is significant to our audit due to (i) the significance of the carrying amount; and (ii) significant estimates involved in determining the future cash flows that the Group expects to receive from such receivables based on, among others, the correlation among historical observed default rates, forecast economic conditions (i.e. gross domestic product) and ECLs.</p>	
<p>The Group's accounting policies, disclosures of accounting estimates on the provision for ECLs on trade receivables and information about the ECLs on trade receivables are included in notes 2.4, 3 and 16 to the consolidated financial statements, respectively.</p>	

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, 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.

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.

INDEPENDENT AUDITOR'S REPORT

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

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 Tsz Tat.

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

18 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	5	704,417	823,658
Cost of sales		(459,042)	(561,198)
Gross profit		245,375	262,460
Other income and gains, net	5	14,471	11,078
Selling and distribution expenses		(17,213)	(15,035)
General and administrative expenses		(93,965)	(91,845)
Other expenses, net		679	(1,655)
Finance costs	6	(2,587)	(3,972)
PROFIT BEFORE TAX	7	146,760	161,031
Income tax expense	10	(24,554)	(26,720)
PROFIT FOR THE YEAR		122,206	134,311
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		HK34.04 cents	HK37.41 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
PROFIT FOR THE YEAR	122,206	134,311
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(4,317)	(20,359)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	117,889	113,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	78,130	79,783
Right-of-use assets	14(a)	70,648	85,331
Deposits paid for purchases of items of property, plant and equipment		1,970	3,963
Prepayments	17	212	181
Deferred tax assets	22	2,364	1,848
Total non-current assets		153,324	171,106
CURRENT ASSETS			
Inventories	15	60,100	146,623
Trade receivables	16	67,040	98,067
Prepayments, deposits and other receivables	17	9,016	17,047
Tax recoverable		61	–
Pledged deposits	18	88	87
Cash and cash equivalents	18	187,719	148,920
Total current assets		324,024	410,744
CURRENT LIABILITIES			
Trade payables	19	42,855	79,726
Other payables and accruals	20	43,531	76,997
Interest-bearing bank borrowings	21	21,386	35,755
Lease liabilities	14(b)	12,501	12,683
Tax payable		8,898	5,746
Total current liabilities		129,171	210,907
NET CURRENT ASSETS		194,853	199,837
TOTAL ASSETS LESS CURRENT LIABILITIES		348,177	370,943
NON-CURRENT LIABILITIES			
Accrual	20	412	584
Lease liabilities	14(b)	–	12,005
Deferred tax liabilities	22	3,087	8,428
Total non-current liabilities		3,499	21,017
Net assets		344,678	349,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<hr/>			
EQUITY			
Issued capital	23	3,590	3,590
Reserves	24	341,088	346,336
		<hr/>	<hr/>
Total equity		344,678	349,926

Chan Wai Ming
Director

Chiu Wai Kwong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Note	Issued capital HK\$'000	Share premium account HK\$'000	Merger reserve HK\$'000 (note 24(a))	Capital contribution reserve HK\$'000 (note 24(b))	Share-based payment reserve HK\$'000 (note 24(c))	Statutory reserve funds HK\$'000 (note 24(d))	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2022		3,590	73,524	10,000	63,000	10,050	-	8,055	163,967	332,186
Profit for the year		-	-	-	-	-	-	-	134,311	134,311
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(20,359)	-	(20,359)
Total comprehensive income for the year		-	-	-	-	-	-	(20,359)	134,311	113,952
Final 2021 dividend	11	-	-	-	-	-	-	-	(57,440)	(57,440)
Interim 2022 dividend	11	-	-	-	-	-	-	-	(38,772)	(38,772)
Transfer to statutory reserve funds		-	-	-	-	-	14,695	-	(14,695)	-
At 31 December 2022 and at 1 January 2023		3,590	73,524	10,000	63,000	10,050	14,695	(12,304)	187,371	349,926
Profit for the year		-	-	-	-	-	-	-	122,206	122,206
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(4,317)	-	(4,317)
Total comprehensive income for the year		-	-	-	-	-	-	(4,317)	122,206	117,889
Final 2022 dividend	11	-	-	-	-	-	-	-	(69,287)	(69,287)
Interim 2023 dividend	11	-	-	-	-	-	-	-	(53,850)	(53,850)
At 31 December 2023		3,590	73,524*	10,000*	63,000*	10,050*	14,695*	(16,621)*	186,440*	344,678

* These reserve accounts comprise the consolidated reserves of HK\$341,088,000 (2022: HK\$346,336,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		146,760	161,031
Adjustments for:			
Finance costs	6	2,587	3,972
Interest income	5	(6,132)	(877)
Depreciation of property, plant and equipment	7	14,322	12,449
Depreciation of right-of-use assets	7	14,413	15,469
Gain on early termination of a lease	7	-	(4)
Impairment/(reversal of impairment) of trade receivables, net	7	(694)	1,024
Loss on disposal of items of property, plant and equipment, net	7	15	631
Write-down of inventories to net realisable value	7	14,913	1,451
		186,184	195,146
Decrease in inventories		67,529	37,978
Decrease in trade receivables		31,706	19,920
Decrease in prepayments, deposits and other receivables		7,813	7,950
Decrease in trade payables		(35,951)	(3,293)
Increase/(decrease) in other payables and accruals		(33,403)	18,021
		223,878	275,722
Cash generated from operations		223,878	275,722
Hong Kong profits tax paid		(11,793)	(6,785)
Overseas tax paid		(15,389)	(11,289)
		196,696	257,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,132	877
Purchases of items of property, plant and equipment		(13,567)	(45,755)
Decrease in deposits paid for purchases of items of property, plant and equipment		1,949	14,230
Proceeds from disposal of items of property, plant and equipment		82	48
Additions to right-of-use assets		-	(63,582)
Increase in pledged deposits		(2)	(7)
		(5,406)	(94,189)
Net cash flows used in investing activities		(5,406)	(94,189)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings	25(b)	4,477	189,763
Repayment of bank borrowings	25(b)	(18,846)	(234,152)
Principal portion of lease payments	25(b)	(11,907)	(12,522)
Dividends paid		(123,137)	(96,212)
Interest paid		(2,587)	(4,025)
Net cash flows used in financing activities		(152,000)	(157,148)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		148,920	144,923
Effect of foreign exchange rate changes, net		(491)	(2,314)
CASH AND CASH EQUIVALENTS AT END OF YEAR		187,719	148,920
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		52,013	67,307
Non-pledged time deposits with original maturity of less than three months when acquired		135,706	81,613
		187,719	148,920

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Town Ray Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Workshop A, 25th Floor, Reason Group Tower, No. 403 Castle Peak Road – Kwai Chung, Kwai Chung, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of electrothermic household appliances.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Modern Expression Limited (“Modern Expression”), a company incorporated in the British Virgin Islands.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2023	2022	
Tunbow Group Limited	Hong Kong	HK\$10,000,000	100	100	Trading of electrothermic household appliances
登輝電器(惠州)有限公司*	People’s Republic of China (“PRC”)/ Chinese Mainland	HK\$30,000,000	100	100	Manufacture and sale of electrothermic household appliances
Kwun Tong 1008 Properties Limited	Hong Kong	HK\$1	100	100	Holding of property
Leighton 2338 Properties Limited	Hong Kong	HK\$1	100	100	Holding of properties
Leighton 2348 Properties Limited	Hong Kong	HK\$1	100	100	Holding of properties

* This subsidiary is registered as a wholly-foreign-owned enterprise under PRC law.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES

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 (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 Group for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

2.2 Changes in accounting policies and disclosures

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 22 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies

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 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.

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 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) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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	4%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	9%
Furniture, fixtures and equipment	18% to 20%
Moulds	18% to 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.

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. At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components as a single lease component.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

(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.

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

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement of 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.

Derecognition of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 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.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | — | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | — | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | — | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 recognised 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 recognised in the statement of profit or loss.

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/jurisdictions 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future 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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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.

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 be that 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.

(a) Sale of electrothermic household appliances and tooling

Revenue from the sale of electrothermic household appliances and tooling is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the electrothermic household appliances and acceptance of the tooling.

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.

Consultancy income is recognised over time as consultancy services are rendered.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

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 and property, plant and equipment, 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.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those 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 Chinese Mainland 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material accounting policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. 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.

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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:

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

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

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 (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the electrothermic household appliance manufacturing sector, 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 16 to the financial statements.

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. As at 31 December 2023, the carrying amount of inventories was HK\$60,100,000 (2022: HK\$146,623,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of electrothermic household appliances. Information reported to the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Europe	617,319	743,512
Asia	70,727	54,035
United States	13,069	20,109
Others	3,302	6,002
Total revenue	704,417	823,658

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

(b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
Hong Kong	81,844	84,944
Chinese Mainland	69,116	84,314
Total non-current assets	150,960	169,258

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue from external customers contributing over 10% of the total revenue of the Group is as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A	243,544	332,544
Customer B	79,492	163,396

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers	704,417	823,658

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 HK\$'000	2022 HK\$'000
Types of goods		
Sale of electrothermic household appliances	695,388	813,181
Sale of tooling	9,029	10,477
Total	704,417	823,658
Timing of revenue recognition		
Goods transferred at a point in time	704,417	823,658

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

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of electrothermic household appliances	40,452	23,633
Sale of tooling	3,138	4,646
Total	43,590	28,279

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of electrothermic household appliances

The performance obligation is satisfied upon delivery of the electrothermic household appliances and payment is generally due within 30 to 120 days from delivery, except for new customers, where payment in advance is normally required.

Sale of tooling

The performance obligation is satisfied upon transfer of control of the tooling and payment is generally due upon achievement of milestone and customer acceptance.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of goods are a part of contracts that have an original expected duration of one year or less.

An analysis of other income and gains, net is as follows:

	2023 HK\$'000	2022 HK\$'000
Bank interest income	6,132	877
Consultancy income	4,381	1,396
Government subsidies*	135	2,899
Foreign exchange differences, net	2,720	5,335
Gain on early termination of a lease	–	4
Others	1,103	567
Total other income and gains, net	14,471	11,078

* There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank loans	1,546	2,208
Interest on lease liabilities	1,041	1,764
Total	2,587	3,972

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT BEFORE TAX

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

	Notes	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold		459,042	561,198
Depreciation of property, plant and equipment*	13	14,322	12,449
Depreciation of right-of-use assets*	14(a)	14,413	15,469
Lease payments not included in the measurement of lease liabilities	14(c)	39	18
Gain on early termination of a lease	14(c)	–	(4)
Auditor's remuneration		2,030	1,780
Employee benefit expense (including directors' remuneration (note 8))*:			
Wages, salaries, bonuses and allowances		120,195	116,998
Pension scheme contributions (defined contribution schemes)#		16,040	14,768
Total		136,235	131,766
Impairment/(reversal of impairment) of trade receivables, net^	16	(694)	1,024
Loss on disposal of items of property, plant and equipment, net^		15	631
Write-down of inventories to net realisable value*		14,913	1,451

* The cost of sales for the year included depreciation charge of property, plant and equipment of HK\$10,643,000 (2022: HK\$10,104,000), depreciation charge of right-of-use assets of HK\$10,923,000 (2022: HK\$11,425,000), employee benefit expense of HK\$62,456,000 (2022: HK\$59,530,000) and write-down of inventories to net realisable value of HK\$14,913,000 (2022: HK\$1,451,000).

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

^ Included in "Other expenses, net" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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, 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:

	2023 HK\$'000	2022 HK\$'000
Fees	740	630
Other emoluments:		
Salaries, bonuses and allowances	14,999	14,928
Pension scheme contributions	104	134
Subtotal	15,103	15,062
Total	15,843	15,692

(a) Independent non-executive directors

	Fees HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2023			
Mr. Chan Ping Yim	242	–	242
Mr. Choi Chi Leung Danny	242	–	242
Mr. Chan Shing Jee	242	–	242
Ms. Chan Tak Yi*	7	–	7
Ms. Leung Lai Yee Edwina*	7	–	7
Total	740	–	740
2022			
Mr. Chan Ping Yim	210	–	210
Mr. Choi Chi Leung Danny	210	–	210
Mr. Chan Shing Jee	210	–	210
Total	630	–	630

* Ms. Chan Tak Yi and Ms. Leung Lai Yee Edwina were appointed as independent non-executive directors of the Company on 21 December 2023.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(b) Executive directors and non-executive directors

	Fees HK\$'000	Salaries, bonuses and allowances HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2023				
Executive directors:				
Mr. Chan Wai Ming	–	1,931	24	1,955
Mr. Chiu Wai Kwong	–	1,781	24	1,805
Ms. Tang Mei Wah	–	1,199	24	1,223
Mr. Yu Kwok Wai	–	1,148	24	1,172
Non-executive directors:				
Dr. Chan Kam Kwong Charles	–	4,689	8	4,697
Ms. Cheng Yuk Sim Connie	–	4,251	–	4,251
Total	–	14,999	104	15,103
2022				
Executive directors:				
Mr. Chan Wai Ming	–	1,924	24	1,948
Mr. Chiu Wai Kwong	–	1,772	24	1,796
Ms. Tang Mei Wah	–	1,184	24	1,208
Mr. Yu Kwok Wai	–	1,131	24	1,155
Non-executive directors:				
Dr. Chan Kam Kwong Charles	–	4,628	24	4,652
Ms. Cheng Yuk Sim Connie	–	4,289	14	4,303
Total	–	14,928	134	15,062

During the year, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2022: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2022: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, bonuses and allowances	3,668	1,827
Pension scheme contributions (defined contribution scheme)	36	18
Total	3,704	1,845

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

	Number of employees	
	2023	2022
HK\$1,500,001 to HK\$2,000,000	2	1

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023 HK\$'000	2022 HK\$'000
Current — Hong Kong		
Charge for the year	14,547	11,139
Overprovision in prior years	(12)	(20)
Current — Chinese Mainland		
Charge for the year	14,933	13,285
Underprovision in prior years	880	—
Deferred (<i>note 22</i>)	(5,794)	2,316
Total tax charge for the year	24,554	26,720

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

	2023 HK\$'000	2022 HK\$'000
Profit before tax	146,760	161,031
Tax at the Hong Kong statutory tax rate of 16.5% (2022: 16.5%)	24,215	26,570
Lower tax rate under two-tiered profits tax rates regime	(165)	(165)
Difference in tax rates applied for specific provinces or local authority	(986)	(1,577)
Effect of withholding tax at 5% on the distributable profits of a PRC subsidiary of the Group	2,947	3,870
Adjustments in respect of current tax of previous periods	868	(20)
Super deduction on eligible research and development expenses of a PRC subsidiary of the Group	(2,180)	(3,202)
Income not subject to tax	(951)	(320)
Expenses not deductible for tax	814	1,578
Tax losses not recognised	3	—
Others	(11)	(14)
Tax charge at the Group's effective tax rate	24,554	26,720

NOTES TO FINANCIAL STATEMENTS

31 December 2023

11. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Dividends recognised as distribution during the year:		
Final 2022 — HK19.3 cents (2021: HK16.0 cents) per ordinary share	69,287	57,440
Interim 2023 — HK15.0 cents (2022: HK10.8 cents) per ordinary share	53,850	38,772
Total	123,137	96,212
Dividend proposed after the end of the reporting period:		
Proposed final 2023 — HK15.1 cents (2022: HK19.3 cents) per ordinary share	54,209	69,287

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$122,206,000 (2022: HK\$134,311,000), and the weighted average number of ordinary shares of 359,000,000 (2022: 359,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Moulds HK\$'000	Total HK\$'000
31 December 2023						
At 31 December 2022 and at 1 January 2023:						
Cost	16,710	17,947	46,706	9,853	32,108	123,324
Accumulated depreciation	(597)	(7,076)	(15,068)	(3,828)	(16,972)	(43,541)
Net carrying amount	16,113	10,871	31,638	6,025	15,136	79,783
At 1 January 2023, net of accumulated depreciation	16,113	10,871	31,638	6,025	15,136	79,783
Additions	-	3,423	2,858	1,468	5,818	13,567
Disposals	-	(51)	(12)	-	(34)	(97)
Depreciation provided during the year	(660)	(3,888)	(3,788)	(1,711)	(4,275)	(14,322)
Exchange realignment	-	(56)	(446)	(72)	(227)	(801)
At 31 December 2023, net of accumulated depreciation	15,453	10,299	30,250	5,710	16,418	78,130
At 31 December 2023:						
Cost	16,710	21,160	48,760	11,188	37,236	135,054
Accumulated depreciation	(1,257)	(10,861)	(18,510)	(5,478)	(20,818)	(56,924)
Net carrying amount	15,453	10,299	30,250	5,710	16,418	78,130
31 December 2022						
At 1 January 2022:						
Cost	-	7,188	41,642	7,967	30,783	87,580
Accumulated depreciation	-	(5,562)	(13,114)	(2,586)	(14,408)	(35,670)
Net carrying amount	-	1,626	28,528	5,381	16,375	51,910
At 1 January 2022, net of accumulated depreciation	-	1,626	28,528	5,381	16,375	51,910
Additions	16,710	11,488	9,643	2,646	5,268	45,755
Disposals	-	-	(100)	(31)	(548)	(679)
Depreciation provided during the year	(597)	(2,012)	(3,757)	(1,516)	(4,567)	(12,449)
Exchange realignment	-	(231)	(2,676)	(455)	(1,392)	(4,754)
At 31 December 2022, net of accumulated depreciation	16,113	10,871	31,638	6,025	15,136	79,783
At 31 December 2022:						
Cost	16,710	17,947	46,706	9,853	32,108	123,324
Accumulated depreciation	(597)	(7,076)	(15,068)	(3,828)	(16,972)	(43,541)
Net carrying amount	16,113	10,871	31,638	6,025	15,136	79,783

As at 31 December 2023, the Group's buildings with a net carrying amount of HK\$15,453,000 (2022: HK\$16,113,000) were pledged to secure banking facilities granted to the Group (note 21).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. LEASES

The Group as a lessee

The Group leases its workshop, ancillary office, factory, warehouse and staff quarters from related companies and an independent third party under operating lease arrangements. The leases are negotiated for terms ranging from one to three years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 25 years, and no ongoing payments will be made under the terms of these land leases. The office equipment leased by the Group are of low value.

(a) Right-of-use assets

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

	Leasehold land	Leased properties	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	–	35,151	35,151
Additions	63,582	5,027	68,609
Early termination of a lease	–	(341)	(341)
Depreciation charge during the year	(2,270)	(13,199)	(15,469)
Exchange realignment	–	(2,619)	(2,619)
At 31 December 2022 and at 1 January 2023	61,312	24,019	85,331
Depreciation charge during the year	(2,502)	(11,911)	(14,413)
Exchange realignment	–	(270)	(270)
At 31 December 2023	58,810	11,838	70,648

As at 31 December 2023, the Group's leasehold land with a net carrying amount of HK\$58,810,000 (2022: HK\$61,312,000) was pledged to secure banking facilities granted to the Group (note 21).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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:

	2023 HK\$'000	2022 HK\$'000
At 1 January	24,688	35,173
New lease	–	5,027
Early termination of a lease	–	(345)
Accretion of interest recognised during the year	1,041	1,764
Payments during the year	(12,948)	(14,286)
Exchange realignment	(280)	(2,645)
	12,501	24,688
At 31 December	12,501	24,688
Analysed into:		
Due within one year	12,501	12,683
Due in the second year	–	12,005
	12,501	24,688
Total	12,501	24,688

The maturity analysis of lease liabilities is disclosed in note 30 to the financial statements.

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

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	1,041	1,764
Depreciation charge of right-of-use assets	14,413	15,469
Expense relating to short-term leases (included in administrative expenses)	20	–
Expense relating to leases of low-value assets (included in administrative expenses)	19	18
Gain on early termination of a lease	–	(4)
	15,493	17,247
Total amount recognised in profit or loss	15,493	17,247

(d) The total cash outflow for leases is disclosed in note 25(c) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	31,786	72,858
Work in progress	10,715	26,234
Finished goods	17,599	47,531
Total	60,100	146,623

16. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	67,471	99,192
Impairment	(431)	(1,125)
Net carrying amount	67,040	98,067

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to four months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	25,904	58,157
31 to 90 days	26,124	36,706
Over 90 days	15,012	3,204
Total	67,040	98,067

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. TRADE RECEIVABLES (Continued)

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

	2023 HK\$'000	2022 HK\$'000
At beginning of year	1,125	101
Impairment losses/(reversal of impairment losses), net (note 7)	(694)	1,024
At end of year	431	1,125

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 (i.e., by geographical region). 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 120 days 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 December 2023

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	0.38%	0.76%	3.52%	-	0.64%
Gross carrying amount (HK\$'000)	46,185	17,902	3,384	-	67,471
Expected credit losses (HK\$'000)	176	136	119	-	431

As at 31 December 2022

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	0.80%	1.68%	8.12%	72.76%	1.13%
Gross carrying amount (HK\$'000)	76,206	21,621	1,305	60	99,192
Expected credit losses (HK\$'000)	612	364	106	43	1,125

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepayments	5,241	8,685
Deposits	256	237
Other receivables	3,731	8,306
Total	9,228	17,228
Less: Portion classified as non-current assets	(212)	(181)
Portion classified as current assets	9,016	17,047

The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances	52,101	67,394
Time deposits	135,706	81,613
Subtotal	187,807	149,007
Less: Pledged deposits for credit facilities	(88)	(87)
Cash and cash equivalents	187,719	148,920

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK\$16,071,000 (2022: HK\$54,059,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. TRADE PAYABLES

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	11,330	34,403
31 to 90 days	26,775	43,004
Over 90 days	4,750	2,319
Total	42,855	79,726

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

20. OTHER PAYABLES AND ACCRUALS

	Notes	2023 HK\$'000	2022 HK\$'000
Contract liabilities	(a)	14,656	45,927
Other payables	(b)	2,621	1,132
Accruals		26,666	30,522
Total		43,943	77,581
Less: Portion classified as non-current liabilities		(412)	(584)
Portion classified as current liabilities		43,531	76,997

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000	1 January 2022 HK\$'000
Short-term advances received from customers for the sale of goods	14,656	45,927	32,870

The decrease (2022: increase) in contract liabilities in 2023 was mainly due to the decrease (2022: increase) in short-term advances received from customers for the sale of goods at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of three months.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

21. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Portions of bank loans due for repayment within one year or on demand – secured	Hong Kong Interbank Offered Rate (“HIBOR”) +1	2024	2,488	HIBOR +1	2023	3,851
Portion of bank loan due for repayment within one year or on demand – unsecured	HIBOR +1.2	2024	602	-	-	-
Portions of bank loans due for repayment after one year which contain repayment on demand clause (note) – secured	HIBOR +1	2025–2032	18,033	HIBOR +1	2024–2032	31,904
Portion of bank loan due for repayment after one year which contains repayment on demand clause (note) – unsecured	HIBOR +1.2	2025	263	-	-	-
Total			21,386			35,755

Note:

Certain term loans of the Group containing repayable on demand clauses as at 31 December 2023 with a carrying amount of HK\$21,386,000 (2022: HK\$35,755,000) have been classified in total as current liabilities. Accordingly, portions of the bank loans due for repayment after one year as at 31 December 2023 with a carrying amount of HK\$18,296,000 (2022: HK\$31,904,000) have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of these term loans, the Group's bank borrowings are repayable:

	2023 HK\$'000	2022 HK\$'000
Within one year	3,090	3,851
In the second year	2,750	3,851
In the third to fifth years, inclusive	7,462	11,551
Beyond five years	8,084	16,502
Total	21,386	35,755

(a) The Group's bank borrowings are secured by the pledge of leasehold land and buildings with an aggregate carrying value of HK\$74,263,000 (2022: HK\$77,425,000) as at 31 December 2023 (notes 13 and 14(a)).

(b) The bank borrowings are denominated in Hong Kong dollars.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

22. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Right-of- use assets HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 31 December 2021	10	–	5,906	5,916
Effect of adoption of amendments to HKAS 12 (note 2.2(c))	–	5,110	–	5,110
At 1 January 2022 (restated)	10	5,110	5,906	11,026
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (restated) (note 10)	23	(1,115)	3,135	2,043
Exchange realignment (restated)	–	(393)	(613)	(1,006)
At 31 December 2022 and at 1 January 2023 (restated)	33	3,602	8,428	12,063
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	68	(1,786)	(5,253)	(6,971)
Exchange realignment	–	(41)	(88)	(129)
At 31 December 2023	101	1,775	3,087	4,963

NOTES TO FINANCIAL STATEMENTS

31 December 2023

22. DEFERRED TAX (Continued)

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK\$'000	Lease liabilities HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2021	166	-	-	982	1,148
Effect of adoption of amendments to HKAS 12 (note 2.2(c))	-	5,114	-	(4)	5,110
At 1 January 2022 (restated)	166	5,114	-	978	6,258
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (restated) (note 10)	(150)	(1,014)	122	769	(273)
Exchange realignment (restated)	-	(397)	-	(105)	(502)
At 31 December 2022 and at 1 January 2023 (restated)	16	3,703	122	1,642	5,483
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	211	(1,786)	(75)	473	(1,177)
Exchange realignment	-	(42)	-	(24)	(66)
At 31 December 2023	227	1,875	47	2,091	4,240

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 HK\$'000	2022 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,364	1,848
Net deferred tax liabilities recognised in the consolidated statement of financial position	(3,087)	(8,428)
Net deferred tax liabilities	(723)	(6,580)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

22. DEFERRED TAX (Continued)

At 31 December 2023, the Group had tax losses arising in Hong Kong of HK\$18,000 (2022: Nil), subject to the agreement by the Hong Kong Inland Revenue Department, that were available indefinitely for offsetting against the future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future taxable profit streams.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

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

23. SHARE CAPITAL

	2023 HK\$'000	2022 HK\$'000
Authorised:		
4,000,000,000 ordinary shares of HK\$0.01 each	40,000	40,000
Issued and fully paid:		
359,000,000 ordinary shares of HK\$0.01 each	3,590	3,590

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 64 of the financial statements.

(a) Merger reserve

The merger reserve represents the nominal value of the paid-up capital of a subsidiary acquired by the Company pursuant to a group reorganisation in 2018.

(b) Capital contribution reserve

Capital contribution reserve represents capital contribution of HK\$63,000,000 from the former immediate holding company of the Company in 2018.

(c) Share-based payment reserve

The share-based payment reserve represents the fair value of the 1,003 ordinary shares of the Company awarded to certain key management personnel of the Group in 2017 in exchange for services rendered by them.

(d) Statutory reserve funds

Pursuant to the relevant laws and regulations in Chinese Mainland, a portion of the profits of the Company's subsidiaries in Chinese Mainland has been transferred to the statutory reserve funds which are restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) In the prior year, the Group had non-cash addition to right-of-use assets and lease liabilities of HK\$5,027,000 and HK\$5,027,000, respectively, in respect of a lease arrangement for a leased property.
- (ii) In the prior year, the Group derecognised right-of-use assets and lease liabilities of HK\$341,000 and HK\$345,000, respectively, in respect of early termination of a lease arrangement for a leased property.

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank borrowings HK\$'000	Lease liabilities HK\$'000
At 1 January 2023	35,755	24,688
Changes from financing cash flows	(14,369)	(11,907)
Interest paid classified as financing cash flows	–	(1,041)
Non-cash changes:		
Interest expense	–	1,041
Foreign exchange movement	–	(280)
At 31 December 2023	21,386	12,501
2022		
	Interest-bearing bank borrowings HK\$'000	Lease liabilities HK\$'000
At 1 January 2022	80,144	35,173
Changes from financing cash flows	(44,389)	(12,522)
Interest paid classified as financing cash flows	–	(1,764)
Non-cash changes:		
New lease	–	5,027
Early termination of a lease	–	(345)
Interest expense	–	1,764
Foreign exchange movement	–	(2,645)
At 31 December 2022	35,755	24,688

NOTES TO FINANCIAL STATEMENTS

31 December 2023

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

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

	2023 HK\$'000	2022 HK\$'000
Within operating activities	39	18
Within financing activities	12,948	14,286
Total	12,987	14,304

26. COMMITMENTS

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

	2023 HK\$'000	2022 HK\$'000
Leasehold improvements	130	706
Plant and machinery	136	855
Furniture, fixtures and equipment	20	235
Moulds	1,259	2,391
Total	1,545	4,187

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. RELATED PARTY TRANSACTIONS

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

	Note	2023 HK\$'000	2022 HK\$'000
Tunbow Properties Limited*:			
Lease payments	(i)	–	730
東保利電業(惠州)有限公司 (“Tunbow (Huizhou)”)^:			
Lease payments	(i)	12,948	13,542
Tunbow Charity Foundation Limited^:			
Charitable contributions		1,100	921

* These related companies are controlled by Modern Expression.

^ The directors of this charity fund are Dr. Chan Kam Kwong Charles and Ms. Cheng Yuk Sim Connie, directors and controlling shareholders of the Company.

Note:

(i) The lease payments were charged by the related companies at monthly fixed amounts as detailed in notes 27(b)(i) and 27(b)(ii).

(b) Other transactions with related parties:

- (i) On 30 September 2021, the Group entered into a tenancy agreement with Tunbow Properties Limited for the lease of premises for a term of 1 year ended 31 December 2022 at a monthly rent of HK\$89,775. The tenancy agreement was early terminated on 5 September 2022.
- (ii) On 30 September 2021, the Group entered into a tenancy agreement with Tunbow (Huizhou) for the lease of premises for a term of 3 years ending 31 December 2024 at a monthly rent of RMB1,020,433 (inclusive of value-added tax).

(c) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' and chief executive's remuneration as disclosed in note 8 to the financial statements, is as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term employee benefits	21,447	22,260
Post-employment benefits	212	242
Total compensation paid to key management personnel	21,659	22,502

NOTES TO FINANCIAL STATEMENTS

31 December 2023

28. 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

	2023 HK\$'000	2022 HK\$'000
Financial assets at amortised cost:		
Trade receivables	67,040	98,067
Financial assets included in prepayments, deposits and other receivables	806	1,662
Pledged deposits	88	87
Cash and cash equivalents	187,719	148,920
Total	255,653	248,736

Financial liabilities

	2023 HK\$'000	2022 HK\$'000
Financial liabilities at amortised cost:		
Trade payables	42,855	79,726
Financial liabilities included in other payables and accruals	5,921	9,862
Interest-bearing bank borrowings	21,386	35,755
Lease liabilities	12,501	24,688
Total	82,663	150,031

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTES TO FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to finance 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 payables, financial liabilities included in other payables and accruals, and lease liabilities, which mainly 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. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk. The Group mitigates this risk by closely monitoring the movements in interest rates and reviewing its available credit facilities and their utilisation regularly.

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 floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000
2023		
Hong Kong dollar	25	(53)
Hong Kong dollar	(25)	53
2022		
Hong Kong dollar	25	(89)
Hong Kong dollar	(25)	89

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and United States dollar ("USD") exchange rates, with all other variables held constant, of the Group's profit before tax (arising from RMB and USD denominated financial instruments).

	Increase/ (decrease) in RMB/USD rate %	Increase/ (decrease) in profit before tax HK\$'000
2023		
If the Hong Kong dollar weakens against the RMB	5.0	(162)
If the Hong Kong dollar strengthens against the RMB	(5.0)	162
If the Hong Kong dollar weakens against the USD	5.0	11,355
If the Hong Kong dollar strengthens against the USD	(5.0)	(11,355)
2022		
If the Hong Kong dollar weakens against the RMB	5.0	5,836
If the Hong Kong dollar strengthens against the RMB	(5.0)	(5,836)
If the Hong Kong dollar weakens against the USD	5.0	8,547
If the Hong Kong dollar strengthens against the USD	(5.0)	(8,547)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group mainly transacts with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	-	-	-	67,471	67,471
Financial assets included in prepayments, deposits and other receivables					
— Normal**	806	-	-	-	806
Pledged deposits					
— Not yet past due	88	-	-	-	88
Cash and cash equivalents					
— Not yet past due	187,719	-	-	-	187,719
Total	188,613	-	-	67,471	256,084

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month	Lifetime ECLs			Total HK\$'000
	ECLs	Stage 2	Stage 3	Simplified approach	
	Stage 1 HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables*	–	–	–	99,192	99,192
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,662	–	–	–	1,662
Pledged deposit					
– Not yet past due	87	–	–	–	87
Cash and cash equivalents					
– Not yet past due	148,920	–	–	–	148,920
Total	150,669	–	–	99,192	249,861

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 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. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 24% (2022: 53%) and 78% (2022: 82%) of the Group's gross trade receivables were due from the Group's largest customer and five largest customers, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

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

	2023			
	On demand HK\$'000	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	–	42,855	–	42,855
Financial liabilities included in other payables and accruals	–	5,921	–	5,921
Interest-bearing bank borrowings (<i>note</i>)	21,386	–	–	21,386
Lease liabilities	–	12,869	–	12,869
Total	21,386	61,645	–	83,031
	2022			
	On demand HK\$'000	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	–	79,726	–	79,726
Financial liabilities included in other payables and accruals	–	9,862	–	9,862
Interest-bearing bank borrowings (<i>note</i>)	35,755	–	–	35,755
Lease liabilities	–	13,055	13,056	26,111
Total	35,755	102,643	13,056	151,454

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Note:

Included in the above interest-bearing bank borrowings of the Group as at 31 December 2023 are term loans with a carrying amount of HK\$21,386,000 (2022: HK\$35,755,000). The loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months from the end of the reporting period, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans which contain repayment on demand clauses, the maturity profile of those loans as at the end of the reporting period, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	Less than 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
As at 31 December 2023	4,007	12,594	8,671	25,272
As at 31 December 2022	5,397	19,818	18,094	43,309

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

Capital of the Group comprises all components of shareholders' equity.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 29 January 2024, 19 February 2024 and 11 March 2024, the Group entered into sale and purchase agreements with independent third parties to acquire certain leasehold land and buildings situated in Hong Kong at cash considerations of HK\$2,200,000, HK\$8,625,000 and HK\$8,850,000, respectively. The first transaction was completed on 29 February 2024 and the remaining two transactions are expected to be completed on or before 8 April 2024.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. 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:

	2023	2022
	HK\$'000	HK\$'000
<hr/>		
NON-CURRENT ASSET		
Investment in a subsidiary	–	–
<hr/>		
CURRENT ASSETS		
Prepayments	213	360
Due from subsidiaries	149,972	154,057
Cash and cash equivalents	626	845
<hr/>		
Total current assets	150,811	155,262
<hr/>		
CURRENT LIABILITIES		
Accruals	276	302
Tax payable	23	45
<hr/>		
Total current liabilities	299	347
<hr/>		
NET CURRENT ASSETS	150,512	154,915
<hr/>		
Net assets	150,512	154,915
<hr/>		
EQUITY		
Issued capital	3,590	3,590
Reserves (<i>note</i>)	146,922	151,325
<hr/>		
Total equity	150,512	154,915
<hr/>		

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium account HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2022	73,524	63,000	10,162	146,686
Profit and total comprehensive income for the year	–	–	100,851	100,851
Final 2021 dividend	–	–	(57,440)	(57,440)
Interim 2022 dividend	–	–	(38,772)	(38,772)
At 31 December 2022 and at 1 January 2023	73,524	63,000	14,801	151,325
Profit and total comprehensive income for the year	–	–	118,734	118,734
Final 2022 dividend	–	–	(69,287)	(69,287)
Interim 2023 dividend	–	–	(53,850)	(53,850)
At 31 December 2023	73,524	63,000	10,398	146,922

The Company's capital contribution reserve represents capital contribution of HK\$63,000,000 from the former immediate holding company of the Company in 2018.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2024.

FINANCIAL SUMMARY

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

	Results for the year ended 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
REVENUE	704,417	823,658	763,085	541,697	510,198
Cost of sales	(459,042)	(561,198)	(542,097)	(357,660)	(331,670)
Gross profit	245,375	262,460	220,988	184,037	178,528
Other income and gains, net	14,471	11,078	4,522	13,171	4,162
Selling and distribution expenses	(17,213)	(15,035)	(14,648)	(10,142)	(9,621)
General and administrative expenses	(93,965)	(91,845)	(84,515)	(63,234)	(85,967)
Other expenses, net	679	(1,655)	357	566	(2,953)
Finance costs	(2,587)	(3,972)	(840)	(1,657)	(3,273)
PROFIT BEFORE TAX	146,760	161,031	125,864	122,741	80,876
Income tax expense	(24,554)	(26,720)	(19,360)	(18,549)	(20,066)
PROFIT FOR THE YEAR	122,206	134,311	106,504	104,192	60,810
PROFIT FOR THE YEAR	122,206	134,311	106,504	104,192	60,810
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(4,317)	(20,359)	3,577	5,638	(1,010)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	117,889	113,952	110,081	109,830	59,800
	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	477,348	581,850	608,477	474,894	469,613
Total liabilities	132,670	231,924	276,291	165,911	163,058
Total equity	344,678	349,926	332,186	308,983	306,555