



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

• **Annual Report 2023**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing (Chairman)
Ms. Fung Mei Po (Chief Executive Officer)
Mr. Lee Chun Sing
Mr. Lee Kwok Sing Stanley
Mr. Leung Cho Wai
Mr. Tsui Chi Yuen
Mr. Lee Hon Sing Alan

Non-executive Directors

Mr. Cheung Tze Man Edward
Ms. Lee Ka Yee

Independent Non-executive Directors

Mr. Tsui Chi Him Steve
Mr. Ho Tak Kay
Mr. Hui Chi Kuen Thomas
Ms. Tsang Wing Yee
Ms. Hong Ting

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, FCCA, CPA

COMPANY SECRETARY

Mr. Tsui Chi Yuen, CPA

PRINCIPAL OFFICE

Flat A, 18th Floor
Bold Win Industrial Building
16-18 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank
HSBC
Bank of China
Hang Seng Bank
DBS Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

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

In the Cayman Islands

The R&H Trust Co. Ltd.
P.O. Box 897
Windward 1
Regatta Office Park
Grand Cayman KY1-1103
Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

<http://www.worldhse.com>

Summary of Notice of Annual General Meeting

Set out below is a summary of the notice of annual general meeting, the full version of which is set out in the circular to shareholders dispatched at 26 April 2024.

An Annual General Meeting of World Houseware (Holdings) Limited (the “Company”) will be held at The Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City, Kowloon, Hong Kong at 3:30 p.m. on Thursday, 13 June 2024 for the following purposes:

1. To receive and adopt the audited Financial Statements of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 31 December 2023.
2. To re-elect of retiring Directors and to authorise the Board to fix the Directors’ remuneration.
3. To re-appoint Auditors and authorise the Board to fix their remuneration.
4.
 - A. To grant a general mandate to the Directors to allot shares.
 - B. To grant a general mandate to the Directors to repurchase the Company’s own shares.
 - C. To add the nominal amount of the shares repurchased under resolution 4B to the mandate granted to the Directors under resolution 4A.

By Order of the Board

Lee Tat Hing

Chairman

Hong Kong

26 March 2024

Chairman's Statement

BUSINESS REVIEW

For the year ended 31 December 2023, the Group recorded a consolidated turnover of HK\$380,630,000, representing a decrease of 39.5% when comparing with HK\$628,672,000 last year. Gross profit and gross profit margin were HK\$43,499,000 and 11.4% respectively. Loss for the year was HK\$172,132,000.

The Covid-19 pandemic is still not perished and it still affected the world while economy, the production and sale volume of the products of the Group all experienced decreases of business turnover and gross profit.

For the household products business, the business turnover was HK\$62,602,000 which represented a decrease of 51.8% when comparing with HK\$129,959,000 last year. The business had recorded a segment profit of HK\$4,813,000.

For PVC pipes and fittings manufacturing business, in order to co-operate with the Shenzhen Government's land resumption project for the sale of the Group's land in Pinghu, Longgang District Shenzhen city, the Pinghu production factories still use the temporary rented factories in Dongguan for production during the transitional period, the business performance has been affected. The business turnover was HK\$316,493,000 representing a decrease of 36.4% when comparing with HK\$497,440,000 last year. The business had a recorded segment loss of HK\$33,436,000.

The loss arising from changes in fair value of investment properties and long-term other assets were HK\$1,083,000 and HK\$106,089,000.

PROSPECTS

Looking ahead, as the Covid-19 is still subsisting, coupled with the tense international political situation, it still has adverse effect and challenge to the world economy.

For the Pingshan Good Time Urban Renewal Project (花樣年旭輝好時光家園) in Shenzhen, Pingshan, the Developer has completed the constructions and decorations for the residential properties. For the commercial properties they may all be completed during 2024 and it is expected that the developer will complete all relevant constructions and the issuance of the title certificates of the Property and hand over to the Group in 2024.

Regarding the Group's land parcel no. G05701-4 located at Pinghu Street, Longgang District Shenzhen city sold to the Shenzhen Government's land resumption project, the Group is now still in the stage of negotiating, the basic details of receiving the replacement land with PRC government and will timely announce when it actually comes into effect.

Regarding the voluntary announcement on 20 July, 2023 in which the Group had made the future development of joint co-operation for the two industrial lands at Shaxi Town, Zhongshan, the Group will consider to develop one of the industrial land of about 119 mu (mu is a Chinese unit of land measurement that is commonly 666.7 square meters) and plan to move the recent rented factories for PVC pipe business to Zhongshan new factories to continue the production. The remaining 50% factories and other properties may be used for the sale or rental purpose and the Group will timely announce when it comes into effect.

By Order of the Board

Lee Tat Hing

Chairman

Hong Kong

26 March 2024

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK\$380,630,000 for the year ended 31 December 2023, representing a decrease of 39.5% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$43,499,000 and 11.4%, representing a decrease of HK\$3,919,000 and a decrease of 8.3% respectively as compared to the same period last year.
- Loss for the year was HK\$172,132,000 as compared to a loss of HK\$213,452,000 for the same period last year.
- Basic loss per share was 21.80 HK cents, as compared to loss per share of 27.45 HK cents for the same period last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2023, the Group had bank balances and cash, short-term bank deposits and pledged bank deposits of approximately HK\$716,404,000 (31.12.2022: HK\$593,280,000) and had interest-bearing secured bank borrowings of approximately HK\$0 (31.12.2022: HK\$33,340,000). The Group's interest-bearing secured bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2023 amounted to HK\$382,416,000; of which no banking facilities was utilised (utilisation rate was at 0%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 31 December 2023, the Group had current assets of approximately HK\$1,131,688,000 (31.12.2022: HK\$1,116,008,000). The Group's current ratio was approximately 1.03 as at 31 December 2023 as compared with approximately 1.10 as at 31 December 2022. Total shareholders' funds of the Group as at 31 December 2023 decreased by 11.7% to HK\$1,451,396,000 (31.12.2022: HK\$1,642,880,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2023 was 1.11 (31.12.2022: 0.95).

Management Discussion and Analysis

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, right-of-use assets and bank deposits with an aggregate net book value of HK\$125,128,000 (31.12.2022: HK\$132,437,000) were pledged to banks for general banking facilities granted to the Group.

In addition, the Group also pledged the life insurance to a bank to secure general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2023, the Group employed a total workforce of about 536 staff (31.12.2022: 570) including 509 staff (31.12.2022: 545) in our factories located in the PRC. The total staff remuneration incurred during the year was HK\$51,600,000 (31.12.2022: HK\$69,617,000). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training programmes were also provided to staff in our PRC factories.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Tat Hing, aged 85, is the Chairman of the Group. Mr. Lee has over 40 years' experience in the trading and manufacture of household products and is responsible for the strategic planning and business development of the Group.

FUNG Mei Po, aged 67, is the wife of Mr. Lee Tat Hing and Chief Executive Officer of the Group. She has over 30 years' experience in marketing, production planning and factory management and has been with the Group for over 30 years. Ms. Fung is in charge of sales of the Group's North American markets and the Group's Hong Kong operations and administration.

LEE Chun Sing, aged 62, is the son of Mr. Lee Tat Hing. He is responsible for the planning and production management of the Group's PRC operations and has been with the Group since 1985.

LEE Kwok Sing Stanley, aged 61, is the son of Mr. Lee Tat Hing. He is responsible for the administration and management of factory in the PRC. He joined the Group in 1989 and has over 30 years' experience in factory management.

LEUNG Cho Wai, aged 57, is the Financial Controller and Qualified Accountant of the Group. He joined the Group in 2007. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institution of Certified Public Accountants. He has gained extensive experience in auditing, accounting, taxation and financial management by working in certified public accountants firm and publicly listed companies in Hong Kong. He is responsible for the overall financial management and planning of the Group.

TSUI Chi Yuen, aged 59, is the Company Secretary of the Company and joined the Group in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsui has over 25 years of experience in auditing, accounting and financial management.

LEE Hon Sing Alan, aged 60, is the son of Mr. Lee Tat Hing. He is responsible for the administration, management and production of the production plant in the PRC. He joined the Group in 1989 and has over 30 years' experience in factory management.

NON-EXECUTIVE DIRECTORS

CHEUNG Tze Man Edward, aged 71, is a practising solicitor in Hong Kong. He obtained his Bachelor of Laws degree from the University of London and Master of Laws in Chinese Law from University of Hong Kong and is a member of the Law Society in Hong Kong and in England and Wales. He is also a member of the Institute of Chartered Secretaries and Administrators.

LEE Ka Yee, aged 31, is the daughter of Mr. Lee Tat Hing. She is a Practising Solicitor in Hong Kong. Ms. Lee graduated from University of Warwick of the United Kingdom in Bachelor of Laws, also obtained Postgraduate Certificate of Laws by City University of Hong Kong and Master of Laws in Corporate and Financial Law by University of Hong Kong. Ms. Lee has diverse experience of legal affairs and compliance by working in the industry of banking, law firm and publicly listed company in Hong Kong. She joined the Group in 2023.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI Chi Him Steve, aged 67, had engaged in managerial positions in major British and Chinese banks in Hong Kong in the past with more than 20 years' experience in credit, credit audit and credit risk management, involving many medium size and some large corporations listed in China or in Hong Kong. He joined the Group in 2007.

HO Tak Kay, aged 67, is a fellow member of the Association of Chartered Certified Accountants as well as the Hong Kong Institute of Certified Public Accountants. He had worked in certain international accounting firms before and has over 30 years' experience in audit, accounting and financial fields. He joined the Group in 2004.

HUI Chi Kuen Thomas, aged 66, is a professional accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia and CPA Australia. He has over 20 years' experience in accounting, taxation and financial management gained in certain multinational corporations and publicly listed companies in Hong Kong and Australia. He joined the Group in 2004.

TSANG Wing Yee, aged 52, is currently the Managing Director and a responsible officer of Crescendo Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the laws of Hong Kong). She is responsible for the overall management of the company and the provision of financial advisory services to clients. She is a Chartered Financial Analyst Charterholder, a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Registered Business Valuer of the Hong Kong Business Valuation Forum. Ms. Tsang attained a bachelor's degree in business administration from The University of Hong Kong and a master's degree of science in financial management from The University of London. She has been a licensed person under the permitted to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO since August 2003. Ms. Tsang has extensive experience in corporate finance, investment and corporate management. She joined the Group in 2023.

HONG Ting, aged 37, is currently the Managing Director of a certified public accountants firm in Hong Kong. She obtained a Bachelor of Business degree from The Chinese University of Hong Kong in 2008. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant (Practising) in Hong Kong. She worked for an international audit firm and has over 14 years of experience in accounting, auditing, taxation and financial consulting. She joined the Group in 2023.

SENIOR MANAGEMENT

LEE Fung Mei Belinda, aged 57, is the daughter of Mr. Lee Tat Hing and senior sales manager of the Group. Ms. Lee graduated from York University in Canada with a Bachelor's degree in Economics. Ms. Lee assists Ms. Fung Mei Po in the marketing of the Group's products in the United States of America and Canada and she has been with the Group since 1989.

WANG Wen Bi, aged 57, graduated from the Taiwan Culture University. He is the engineering and technology manager of PVC pipes and fittings segment. He joined the Group in 1995 and has over 20 years' experience in technological management, production and administration.

LAI Lai Wah, aged 65, is the wife of Mr. Lee Chun Sing, Ms. Lai is responsible for the administration, management and production of the production plant the PRC factory. Ms. Lai has been with the Group over 20 years, and has over 15 years' experience in factory management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board regularly reviews the Company’s corporate governance guidelines and developments. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors:

Lee Tat Hing (Chairman)
Fung Mei Po (Chief Executive Officer)
Lee Chun Sing
Lee Kwok Sing Stanley
Leung Cho Wai
Tsui Chi Yuen
Lee Hon Sing Alan

Non-executive Directors:

Cheung Tze Man Edward
Lee Ka Yee

Independent Non-executive Directors:

Tsui Chi Him Steve
Ho Tak Kay
Hui Chi Kuen Thomas
Tsang Wing Yee
Hong Ting

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Two Non-executive Directors and five Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of legal, accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Ms. Fung Mei Po, the Chief Executive Officer, is the wife of Mr. Lee Tat Hing, the Chairman whereas Mr. Lee Chun Sing, Mr. Lee Kwok Sing Stanley and Mr. Lee Hon Sing Alan, Executive Directors are the sons and Ms. Lee Ka Yee, a Non-executive Director is the daughter of Mr. Lee Tat Hing, the Chairman.

During the year, four full board meetings were held and the attendance of each director is set out as follows:

Name of directors	Number of board meetings attended in 2023	Attendance rate
Lee Tat Hing	4/4	100%
Fung Mei Po	4/4	100%
Lee Chun Sing	4/4	100%
Lee Kwok Sing Stanley	4/4	100%
Leung Cho Wai (<i>Appointed on 1 July 2023</i>)	2/2	100%
Tsui Chi Yuen (<i>Appointed on 1 July 2023</i>)	2/2	100%
Lee Hon Sing Alan (<i>Appointed on 1 July 2023</i>)	2/2	100%
Cheung Tze Man Edward	4/4	100%
Lee Ka Yee (<i>Appointed on 1 July 2023</i>)	2/2	100%
Tsui Chi Him Steve	4/4	100%
Ho Tak Kay	4/4	100%
Hui Chi Kuen Thomas	4/4	100%
Tsang Wing Yee (<i>Appointed on 1 July 2023</i>)	2/2	100%
Hong Ting (<i>Appointed on 1 July 2023</i>)	2/2	100%

The Board formulates overall strategy of the Company, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Company's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The regular Board meeting schedule for any year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board has a defined schedule of matters reserved for the Board decision in various major categories and events.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interests declares his interest and is required to abstain from voting.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Board reviews the extent of this insurance annually.

Composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors are disclosed in all corporate communications.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Lee Tat Hing and Ms. Fung Mei Po respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has fixed a term of 3 years' appointment for all Directors and subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

All Directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years.

DIRECTORS' TRAINING

According to Code provision A6.5 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises the Chairman, one Executive Director, two Non-executive Directors and five Independent Non-executive Directors.

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2023. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2023	Attendance rate
Tsui Chi Him Steve (<i>Chairman of remuneration committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Lee Chun Sing	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Lee Ka Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Tsang Wing Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Hong Ting (<i>Appointed on 1 July 2023</i>)	1/1	100%

The emoluments payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 12 (i) to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the directors, the Chief Executive Officer and key senior management officers.
2. To review annually the performance of the Executive Directors, the Chief Executive Officer and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.
3. To ensure that the level of remuneration for Non-executive Directors and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of Company.
4. To review and approve the compensation payable to Executive Directors, the Chief Executive Officer and key senior management officers in connection with any loss or termination of their office or appointment.
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.
6. To ensure that no director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are available from the Company Secretary on request.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises the Chairman, two Executive Directors, one Non-executive Director and five Independent Non-executive Directors. The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year. Two meetings were held in 2023. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2023	Attendance rate
Lee Tat Hing (<i>Chairman of nomination committee</i>)	2/2	100%
Fung Mei Po	2/2	100%
Lee Chun Sing	2/2	100%
Tsui Chi Him Steve	2/2	100%
Ho Tak Kay	2/2	100%
Hui Chi Kuen Thomas	2/2	100%
Lee Ka Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Tsang Wing Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Hong Ting (<i>Appointed on 1 July 2023</i>)	1/1	100%

The Nomination Committee which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The Nomination Committee responsibilities are as follows:

- a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
- c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
- d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
- e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

Corporate Governance Report

NOMINATION COMMITTEE – *continued*

The terms of reference of the Nomination Committee are available from the Company Secretary on request.

The Board recognize the importance and benefit of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience.

With the existing Board members coming from a variety of business and professional background and one out of the nine Board members being woman, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the company's business.

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2023, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises two Non-executive Directors and five Independent Non-executive Directors.

The Audit Committee shall meet at least two times a year. Two meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2023	Attendance rate
Tsui Chi Him Steve (<i>Chairman of audit committee</i>)	2/2	100%
Cheung Tze Man Edward	2/2	100%
Hui Chi Kuen Thomas	2/2	100%
Ho Tak Kay	2/2	100%
Lee Ka Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Tsang Wing Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Hong Ting (<i>Appointed on 1 July 2023</i>)	1/1	100%

Corporate Governance Report

AUDIT COMMITTEE – *continued*

During the meetings held in 2023 the Audit Committee had performed the following work:

- (i) reviewed the financial reports for the year ended 31 December 2022 and for the six months ended 30 June 2023;
- (ii) reviewed the effectiveness of internal control system;
- (iii) discussed with the external auditors the audit fee in respect of the financial statements for the year ended 31 December 2022.

The major roles and functions of the Audit Committee are as follows:

- 1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Company.
- 2. To discuss with the external auditors the nature and scope of the audit.
- 3. To review the interim and annual financial statements before submission to the Board.
- 4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

The terms of reference of the Audit Committee are available from the Company Secretary on request.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmastu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	3,100
Review on interim financial statements	560
Non-audit services – taxation and other services	275
	<hr/>
	3,935
	<hr/> <hr/>

Corporate Governance Report

RISK COMMITTEE

The Risk Committee of the Company comprises the Chairman, three Executive Directors, two Non-executive Directors and five independent Non-executive Directors. The Risk Committee was formed in 1 April 2016. One meeting was held in 2023. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2023	Attendance rate
Tsui Chi Him Steve (<i>Chairman of risk committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Fung Mei Po	1/1	100%
Lee Chun Sing	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Leung Cho Wai	1/1	100%
Lee Ka Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Tsang Wing Yee (<i>Appointed on 1 July 2023</i>)	1/1	100%
Hong Ting (<i>Appointed on 1 July 2023</i>)	1/1	100%

The Risk Committee is responsible for monitoring the Group's business, assess the Group's ability to respond to changes in its business and external environment; deciding the Group's risk level and risk appetite; and to consider solutions and provide appropriate guidance. Oversee the Group's risk management and internal control systems, review the effectiveness of the systems including the financial control system, operation control system and compliance control system.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Risk Assessment

The Board has the overall responsibilities of the risk management and internal controls systems of the Group. With the support from the Risk Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management system on an ongoing basis.

Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Essential to the Group's risk management and internal control systems are policies and procedures that are documented and communicated to employees.

Corporate Governance Report

OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK – *continued*

Risk Management and Risk Assessment – *continued*

To provide sound and effective risk management, the Group has established a risk management system which includes the following key features:

- An organisational structure for different responsible parties with defined authority, responsibilities and risk management roles;
- The Board sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly;
- A Risk Management Policy has been established to provide a framework, which includes a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks to support the achievement of the organisation's overall strategic objectives.

Risk assessment has been performed by management to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Remedial measures are developed to manage these risks to an acceptable level. The results of risk assessment is reported to and discussed with the Board.

INTERNAL CONTROL

The Company maintains a comprehensive and effective internal control system. The Company's internal control cover a number of procedures and policies which covers all material controls, including financial, operational, compliance controls and risk management functions.

The management of the Company had reviewed the Company's internal control system for the year ended 31 December 2023 and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Through the Risk Committee, the Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of risk management and the internal control systems have been assessed. No significant areas of concern that may affect the Group to achieve strategic goals have been identified.

The Board has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration and Nomination Committees together with the external auditors are present to answer shareholders' questions. Moreover, the briefing on the Company's business and the questions and answers session at the annual general meeting allow Shareholders to stay informed of the Company's strategies and goals. Shareholders may at any time put enquiries to the Board. Any such questions shall be directed to the Company Secretary. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in our investor relations website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner as laid down in the Listing Rules after the end of the relevant periods in 2023.

After the Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the annual general meeting and the handling of queries received (if any) which were conducted during the year ended 31 December 2023, the Shareholders' Communication Policy was found to be effective and adequate.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Boundary

This report summarises the sustainable development vision of the Group and the environmental, social, and governance (“ESG”) practices and performance for the financial year from 1st January 2023 to 31st December 2023. The ESG Report focuses on the Group’s sustainability approach and performance in environmental and social aspects of the household products business and the PVC pipes and fittings manufacturing in the People’s Republic of China and Hong Kong.

Reporting Framework

The ESG Report has been prepared in accordance with Appendix C2 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The ESG Report follows all the principles as stipulated in Appendix C2:

- **Materiality:** The Group focuses on ESG issues that have a significant impact on the Company’s business and stakeholders. Based on the results of the materiality assessment set out in the Stakeholder Engagement and Materiality Assessment, the Group has identified the content of the ESG report, covering the key ESG issues of concern to stakeholders
- **Quantitative:** The Group records and calculates quantitative information, where available, and provides comparisons against past performance.
- **Balance:** The Group prepares the ESG Report in an objective and balanced manner to ensure that the performance of the Group in terms of sustainable development is faithfully reflected.
- **Consistency:** The Group applies consistent reporting and calculation methods. Any changes that may affect comparisons with previously reported information and performance will be explained in the ESG Report accordingly.

Report Approval

The Board is responsible for overseeing ESG measures, policies and procedures, and has reviewed and approved the publication of this report.

BOARD STATEMENT

As the Group’s top leadership, the Board assumes responsibility for the overall monitoring, guidance, and review of the Group’s ESG issues. The Board is accountable for planning the Group’s overarching sustainability strategic direction and reviewing the progress made against ESG-related goals and targets.

By participating in stakeholder engagement and endorsing materiality assessment, the Board provides oversight of the evaluation and prioritisation of ESG-related issues. The Board is committed to taking proactive actions to identify, mitigate and adapt to the ESG-related risks of the Group. For details, please refer to Stakeholder Engagement and Materiality Assessment section in this report. At the operational level, the senior management is responsible for ensuring the implementation of ESG-related targets and policies is relevant and effective.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To understand our stakeholders' viewpoints and expectations on the Group's ESG issues, the Group has maintained close communication with internal and external stakeholders comprising employees, customers, shareholders and investors, suppliers and community. There are various channels of communication with these stakeholders including meetings.

During the year, we have conducted a materiality assessment with reference to the peer analysis results. A list of material ESG issues are identified as below:

Aspects	ESG issues
Environmental	<ul style="list-style-type: none">• Water and wastewater• Emissions and waste management• Climate change• Energy management
Social	<ul style="list-style-type: none">• Staff remuneration and benefit• Occupational health and safety• Product quality and safety• Supply chain management• Inclusion and equality• Privacy and data security
Governance	<ul style="list-style-type: none">• Business ethics

ENVIRONMENTAL PROTECTION

The Group is committed to minimising the potential environmental impact of our business operations. The Group has established environmental protection policies and carried out regular review to ensure their effectiveness.

The Group strictly complies with all relevant environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. During the year, there was no material non-compliance with relevant environmental protection laws and regulations.

Environmental, Social and Governance Report

Emissions

Air Emissions

The major source of the Group's air emissions is from the petrol and diesel consumed by vehicles. The Group has actively taken the following measures to control air emissions:

- Reduce their emissions by replacing business travel with video or teleconferencing;
- Optimise driving route planning;
- Encourage staff to use green transport for travelling or avoiding unnecessary traffic;
- Conduct regular inspection and maintenance of vehicles; and
- Collect more documents together for delivery to save fuel.

Air pollutant data is summarised as follows:

**For the year ended
31 December 2023**

Air pollutants¹

Sulphur oxides (SOx)	1,988 kg
Nitrogen oxides (NOx)	62 kg
Particulate matter	155 kg

Greenhouse Gas Emissions

The principal sources of Scope 1 GHG emissions of the Group were generated from fuels consumed by vehicles and fugitive emissions of refrigerants, while Scope 2 GHG emissions were generated from purchased electricity. The Group targets to minimise environmental impacts on the surrounding environment of the operating facilities due to emissions and resource use. For details for GHG emission reduction measures, please refer to Energy Management section.

¹ These figures were newly collected in 2023, therefore, the data for 2022 is unavailable.

Environmental, Social and Governance Report

GHG emission data are summarised as follows:

GHG emissions²	For the year ended 31 December	
	2023	2022
Scope 1	261 tonnes of CO₂-e	N/A
Scope 2 ³	15,698 tonnes of CO₂-e	16,052 tonnes of CO ₂ -e
Total GHG emissions (Scope 1 and 2)	15,959 tonnes of CO₂-e	16,052 tonnes of CO ₂ -e
GHG emissions intensity (Scope 1 and 2)	42 tonnes of CO₂-e/HKD million turnover	26 tonnes of CO ₂ -e/HKD million turnover

Waste Management

The Group has implemented various waste management measures to promote waste reduction and recycling. The Group aims to set waste reduction targets and regularly monitors the quantity, treatment and condition of waste disposal.

For non-hazardous waste, the waste mainly involves commercial waste, office paper, plastics and packaging waste generated in the course of operations. The Group encourages employees to implement waste separation activities and promotes the reduction of the use of disposable products. To raise employees' awareness of waste reduction, the Group has issued guidelines on proper waste management practices. The Group also advocate paperless operation by implementing paper saving initiatives such as adopting electronic communication and electronic filing and encourages printing on both sides of the paper.

For hazardous waste, it mainly includes waste machinery rotors and waste motor oil. The Group appoints licensed hazardous waste collectors for disposal. Also, industrial wastewater is properly treated before discharge.

² Scope 1 data was newly collected in 2023. Therefore, the data for 2022 is unavailable, and the total GHG emissions and GHG emissions intensity in 2022 and 2023 are not comparable.

³ For Scope 1 emissions, the emissions factors are referenced from How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange of Hong Kong, and Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industries Enterprises (Trial). For scope 2 emissions, the data were calculated based on the emission factors provided by CLP Holdings Limited and 2022 national grid average emission factor for Mainland China.

Environmental, Social and Governance Report

Hazardous waste and non-hazardous waste generated by the Group is summarised as follows:

**For the year ended
31 December 2023**

Waste⁴

Total non-hazardous waste	25,601 tonnes
Non-hazardous waste intensity	67 tonnes/ HKD million turnover
Total hazardous waste	2 tonnes
Hazardous waste intensity	0.006 tonnes/ HKD million turnover

Use of Resources

Energy Management

The Group has advocated the concept of energy saving and emission reduction into its business operations. We have set energy saving targets and closely monitored our energy consumption levels. To achieve the energy reduction targets, we have implemented an array of measures, including:

- Replace or upgrade electronic appliances by switching to energy-saving LED light tubes;
- Switch off the lighting and some air-conditioning units in an area if the area is not occupied;
- Change computer settings to activate standby or hibernation modes for computers so that the monitors will be automatically switched off or put into power-saving mode;
- Set the air-conditioning temperature at 24-26 degrees Celsius;
- Regularly clean dust traps and coil fans and set up a maintenance schedule to ensure the air-conditioning system operates efficiently; and
- Select electronic appliances with energy efficient labels or energy-efficient appliances.

⁴ These figures were newly collected in 2023, therefore, the data for 2022 is unavailable.

Environmental, Social and Governance Report

Energy consumption by the Group is summarised as follows:

Energy⁵⁶	For the year ended 31 December	
	2023	2022
Direct energy consumption – Fuel	448 MWh	N/A
Indirect energy consumption – Purchased energy	27,551 MWh	28,173 MWh
Total energy consumption	27,999 MWh	28,173 MWh
Energy consumption intensity	74 MWh/HKD	45 MWh/HKD
	million turnover	million turnover

Water Management

The Group takes proactive actions to minimise water consumption. We have set water saving targets and closely monitored our water consumption levels. To support water conservation, the Group checks taps and pipes regularly for leakage and arranges repairs when necessary. During the year, the Group did not encounter any issue in sourcing water that is fit for purpose.

Water consumption by the Group is summarised as follows:

Water	For the year ended 31 December	
	2023	2022
Total water consumption	96,014 m³	193,392 m ³
Water consumption intensity	252 m³/HKD	308 m ³ /HKD
	million turnover	million turnover

Packaging Materials

Packaging materials consumption by the Group is summarised as follows:

	For the year ended 31 December 2023⁷
Packaging Materials	
Cardboard	38.41 tonnes
Carton boxes	289.49 tonnes
Plastic tape	4.16 tonnes
Plastic films	6.95 tonnes
Packing tape	0.82 tonnes
Total packaging materials	339.83 tonnes
	0.89 tonnes/ HKD million turnover
Packaging materials intensity	

⁵ Direct energy consumption was newly collected in 2023. Therefore, the data for 2022 is unavailable, and the total energy consumption and energy consumption intensity in 2022 and 2023 are not comparable.

⁶ Energy conversion factors used are referenced from Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industries Enterprises (Trial).

⁷ These figures were newly collected in 2023, therefore, the data for 2022 is unavailable.

Environmental, Social and Governance Report

The Environment and Natural Resources

The Group practices environmental and sustainable development concept and actively takes measures to protect the environment in its operations. The Group understands that its manufacturing process involves different kinds of emissions which cause harm to the nearby environment and natural resources. As such, the Group has formulated relevant internal policies and procedures and implemented appropriate measures to minimise the negative impact of manufacturing activities on the environment. We also convey environmental messages to employees to promote environmental awareness.

Climate Change

Climate change is one of the biggest challenges the world is facing. The Group recognises climate change may pose threat to industry assets and operational safety. For physical risks, acute risks such as typhoons and floodings and chronic risks such as changes in temperature and rising sea level may cause damage to our buildings and facilities, as well as threaten the safety of employees. Transition risks such as regulatory change and shifting consumer preferences may also pose challenges to the Group.

As such, the Group has formulated an emergency plan for extreme weather conditions and closely monitored the climate change policy and landscape. The Group also implements various measures to reduce energy use and carbon emissions in daily operations to mitigate climate risks.

EMPLOYMENT AND LABOUR PRACTICE

Employees are recognised as the most valuable assets in our business. The Group is dedicated to providing them with a safe, positive and productive work environment. A comprehensive set of human resources management policies has been established to govern compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The Group strictly adheres to all relevant employment laws and regulations, including but not limited to the Labour Law of the People's Republic of China and Employment Ordinance (Cap. 57). During the year, there was no material non-compliance with relevant labour-related laws and regulations.

Employment

The Group is dedicated to creating a fair and equitable workplace for employees in respect of recruitment, job advancement, training, compensation and benefits. We attract, retain and develop suitable talents that align with the Group's business development and goals. The Group does not tolerate any discrimination on the basis of gender, age, sexual orientation, ethnic, skin colour, religion, disability and pregnancy. To ensure employees adhere to our expectations, the Group has issued a clear policy statement related to equal opportunities, discrimination and harassment. In addition, communication channels and complaint mechanisms are established which allow employee to report any suspected cases regarding equal opportunities, human rights, and anti-discrimination issues.

The Group offer competitive remuneration to employees. We conduct annual performance appraisal to evaluate employees' performance and conduct review on the remuneration packages accordingly.

Environmental, Social and Governance Report

As at 31 December 2023, the Group has a total of 536 employees with the breakdowns as follows:

		As at 31 December 2023
Employee composition		
By gender	Male	339
	Female	197
By age group	Below 25	35
	25-44	178
	45 or above	323
By geographical region	Mainland China	515
	Hong Kong, Macau and Taiwan	21
By employment category	Permanent	443
	Contract	93
By employee rank	Senior level	134
	Junior level	402

For the year ended 31 December 2023, the Group's employee turnover rate was 64%⁸. The breakdown of the employee turnover rate is as follows:

		For the year ended 31 December 2023
Turnover Rate⁹		
By gender	Male	66%
	Female	61%
By age group	Below 25	143%
	25-44	65%
	45 or above	55%
By geographical region	Mainland China	66%
	Hong Kong, Macau and Taiwan	24%

Employee Health and Safety

The Group has put the health and safety of employees as its top priority during business operation. The Group strictly abides by relevant laws and regulations, including but not limited to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Work Safety Law of the People's Republic of China. During the year, there was no material non-compliance with relevant health and safety laws and regulations.

⁸ The Group has recorded a high turnover rate due to the relocation of its factories and office buildings.

⁹ The employee turnover rate is calculated by dividing the number of employees left during the year by the number of employees as at 31 December 2023.

Environmental, Social and Governance Report

To provide a safe and healthy working environment, the Group encourages employees to identify potential workplace safety hazards and take precautions to mitigate the risks. Also, every worker who operates factory plants is required to attend training on using the equipment and plant safely. No work-related fatality was recorded in the past three years, including the reporting period. During the year, there was a total of 14 work-related injuries which resulted in 595 lost days.

Development and Training

The Group is committed to supporting employees' professional development. We offer different kinds of training programmes for employees. Also, we provide tailor made internal training programmes to employees working in the factories in Mainland China.

During the year, the Group has provided training to 41.6% of employees, with an average of 2.1 training hours. The breakdown of the employee training statistics is as follows:

**For the year ended
31 December 2023**

Percentage of employees trained¹⁰

By gender	Male	46.31%
	Female	33.50%
By employee rank	Senior level	51.49%
	Junior level	38.31%

Average training hours¹¹

By gender	Male	1.90 hours
	Female	2.44 hours
By employee rank	Senior level	3.41 hours
	Junior level	1.66 hours

Labour Standards

The Group has a zero-tolerance policy for the use of child or forced labour. The recruitment process is strictly abided by the guidelines of the Group's Human Resource Department. Every job applicant is required to fill in their information in a recruitment questionnaire, which is checked by Human Resource Department to ensure information's accuracy. If any cases of child labour or forced labour are found, the Group will take prompt action to terminate the employment relationship, and investigations will be carried out. In addition, policies on overtime work are in place to protect employee rights and interests. If overtime work is required, appropriate overtime compensation or compensatory work off are provided in accordance with applicable laws and regulations. During the year, there was no child labour or forced labour in the Group's operations.

¹⁰ Percentage of employees trained is calculated by dividing the number of employees trained during the year by the number of employees as at 31 December 2023.

¹¹ Average training hours is calculated by dividing the number of training hours provided during the year by the number of employees as at 31 December 2023.

Environmental, Social and Governance Report

OPERATING PRACTICE

Supply Chain Management

The Group maintains close communication with its suppliers and has established management policies and procedures to minimise potential environmental and social risks along the supply chain.

In selecting our suppliers, the Group considers various criteria, including the quality of products, prices, reputation, and credibility. The Group maintains a Qualified Supplier List and only qualified suppliers shall participate in our tendering processes. We conduct ongoing monitoring and regular reviews of all our suppliers based on their overall performance with considerations of various factors, including quality and compliance to environmental and social laws and regulations. In case of a significant change in supplier qualification or serious quality issue, the Group will stop the suppliers from delivering the product immediately and may consider terminate the contract with the suppliers.

As at 31 December 2023, the Group engaged with 619 suppliers. The majority of our suppliers are located in Mainland China, which allows us to minimise GHG emissions from delivery. The geographical distribution of the suppliers is detailed below:

**For the year ended
31 December 2023**

Supplier composition

Mainland China	589
Hong Kong	18
Asia (excluding Hong Kong and Mainland China)	11
Others	1

Product Responsibility

The Group attaches great importance to product quality and has established internal quality control standards, requirements, and processes to monitor product quality. In case of quality issues identified, the Group will evaluate the associated risks and initiate appropriate recall procedures. With stringent quality control process, there were no records of products sold or shipped subject to recall for safety and health reasons during the year.

The Group values customers' feedbacks and has implemented measures to enhance customer satisfaction. We have achieved a customer satisfaction rate of 99.7% during the year, demonstrating our commitment to delivering high-quality products. In addition, we have established customer complaint handling and response mechanisms. When a complaint is received, we will follow up with customers within 24 hours and take appropriate actions based on their feedback. During the year, the Group received 25 products and service related complaints and all complaints were resolved.

The Group carefully manages the personal information of our customers to protect their privacy. Access controls have been established to restrict data access to authorised personnel only, reducing the risk of data leakage. We also implement system encryption and strictly control the maintenance and disposal of system equipment, such as having authorised personnel handle equipment repairs according to supplier agreements.

Environmental, Social and Governance Report

The Group also strictly safeguard intellectual property and corporate confidentiality, and have established clear internal guidelines for handling intellectual property rights and trade secrets. Where necessary, the Group's employees and relevant employees of its business partners will sign confidentiality agreements for the protection of information assets.

During the year, there was no non-compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters regarding products and services provided.

Anti-corruption

The Group is committed to maintaining the highest standards of business ethics. In strict compliance with national laws and regulations and its internal policies, the Group requires its employees abstain from engaging in any form of misconducts such as offering or accepting bribery and corruption, insider dealings and anti-competition. Directors and staff are informed periodically of the latest requirement regarding anti-corruption practices. Whistle-blowing policy and relevant procedures are in place which allows employees to report suspected misconduct without fear of retaliation.

During the year, there were no reported cases relating to bribery, extortion, fraud and money laundering.

COMMUNITY

The Group is actively engaged in a range of charity activities, from making donations to volunteer work, demonstrating its commitment to social responsibility. We encourage our employees to participate in public welfare activities, collectively spreading positive energy throughout society. The Group has contributed to different charitable themes such as elderly care, social service and environmental protection. During the year, our employees devoted 245 volunteering hours and the Group has donated a total of HK\$406,000.

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42.

The directors do not recommend the payment of a dividend for the year ended 31 December 2023.

INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2023, resulting in a net decrease in fair value of HK\$1,083,000, which has been recognised directly to profit or loss.

Details of these and other movements of investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$42,680,000 on additions to production and other facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2023 represent the aggregate of share premium, special reserve and accumulated losses which amounted to approximately HK\$185,000,000 (2022: HK\$199,491,000). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Lee Tat Hing	<i>(Chairman)</i>
Fung Mei Po	<i>(Chief Executive Officer)</i>
Lee Chun Sing	
Lee Kwok Sing Stanley	
Leung Cho Wai	<i>(Appointed on 1 July 2023)</i>
Tsui Chi Yuen	<i>(Appointed on 1 July 2023)</i>
Lee Hon Sing Alan	<i>(Appointed on 1 July 2023)</i>

Non-executive Directors:

Cheung Tze Man Edward	
Lee Ka Yee	<i>(Appointed on 1 July 2023)</i>

Independent Non-executive Directors:

Tsui Chi Him Steve	
Ho Tak Kay	
Hui Chi Kuen Thomas	
Tsang Wing Yee	<i>(Appointed on 1 July 2023)</i>
Hong Ting	<i>(Appointed on 1 July 2023)</i>

In accordance with Article 116 of the Company's Articles of Association, Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing, Mr. Ho Tak Kay and Mr. Hui Chi Kuen Thomas retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE AGREEMENTS

All directors have entered into service agreements with the Company for a term of three years, the details are as follows:

Name of directors	Date of commencement	Date of Expiration
Mr. Lee Tat Hing	14 June 2022	13 June 2025
Ms. Fung Mei Po	14 June 2022	13 June 2025
Mr. Lee Chun Sing	14 June 2022	13 June 2025
Mr. Lee Kwok Sing Stanley	31 May 2023	30 May 2026
Mr. Leung Cho Wai	01 July 2023	30 June 2026
Mr. Tsui Chi Yuen	01 July 2023	30 June 2026
Mr. Lee Hon Sing Alan	01 July 2023	30 June 2026
Mr. Cheung Tze Man Edward	31 May 2023	30 May 2026
Ms. Lee Ka Yee	01 July 2023	30 June 2026
Mr. Tsui Chi Him Steve	31 May 2023	30 May 2026
Mr. Ho Tak Kay	25 June 2021	24 June 2024
Mr. Hui Chi Kuen Thomas	25 June 2021	24 June 2024
Ms. Tsang Wing Yee	01 July 2023	30 June 2026
Ms. Hong Ting	01 July 2023	30 June 2026

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31 December 2023, the interests of the directors, chief executive and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Number of issued ordinary shares held				Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	20,756,072	58,121,087 (a)	28,712,551 (c)	280,895,630 (d)	388,485,340	49.04%
Fung Mei Po	58,121,087	49,468,623 (b)	-	280,895,630 (d)	388,485,340	49.04%
Lee Chun Sing	34,315,830	2,526,000 (e)	-	280,895,630 (d)	317,737,460	40.11%
Lee Kwok Sing Stanley	5,623,280	-	-	280,895,630 (d)	286,518,910	36.17%
Leung Cho Wai	5,000,000	-	-	-	5,000,000	0.63%
Tsui Chi Yuen	1,401,000	-	-	-	1,401,000	0.18%
Lee Hon Sing Alan	2,884,300	-	-	280,895,630 (d)	283,779,930	35.83%
Cheung Tze Man Edward	2,000,000	-	-	-	2,000,000	0.25%
Lee Ka Yee	-	-	-	280,895,630 (d)	280,895,630	35.46%
Tsui Chi Him Steve	1,200,000	-	-	-	1,200,000	0.15%
Hui Chi Kuen Thomas	1,300,000	-	-	-	1,300,000	0.16%

Notes:

- (a) Mr. Lee Tat Hing is the husband of Ms. Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Ms. Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Ms. Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing. Mr. Lee Tat Hing is the sole director of Lees International Investments Limited.
- (d) 280,895,630 shares are wholly owned by a discretionary trust company namely Goldhill Profits Limited of which Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing, Mr. Lee Kwok Sing Stanley, Mr. Lee Hon Sing Alan and Ms. Lee Ka Yee and other persons who are not directors and chief executive of the Company are the beneficiaries of the Company. Mr. Lee Tat Hing is the sole director of Goldhill Profits Limited.
- (e) The shares are held by Ms. Lai Lai Wah, the wife of Mr. Lee Chun Sing whose personal interests are also the family interests of Mr. Lee Chun Sing.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES – *continued*

At 31 December 2023, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of director	Name of subsidiary	Number of deferred non-voting shares held
Fung Mei Po	World Home Linen Manufacturing Company Limited	100

The deferred shares do not carry any rights to vote at general meetings of these subsidiaries or to participate in any distributions of profits until the profits of these subsidiaries which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of these subsidiaries.

At 31 December 2023, save as aforesaid and options holdings disclosed under the heading of “Share Options and Directors' Rights to Acquire Shares or Debentures” and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors, chief executives or their associates had any interests or short positions in the shares or any securities of the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interests representing 5 percent or more of the Company's issued share capital as at 31 December 2023.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 31 to the consolidated financial statements.

Directors' Report

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$	Exercisable period (Note a)	Outstanding as at 31.12.2022	Exercised during the year	Reclassified during the year (Note b)	Outstanding as at 31.12.2023	Weighted average closing price immediately before exercise HK\$
Category 1: Directors								
Lee Tat Hing	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000	(6,500,000)	-	-	0.50
	22.12.2020	0.357	22.12.2020 to 21.12.2030	7,500,000	-	-	7,500,000	-
Fung Mei Po	22.12.2020	0.357	22.12.2020 to 21.12.2030	7,500,000	-	-	7,500,000	-
Lee Chun Sing	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	-	-	3,000,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	5,000,000	-	-	5,000,000	-
Lee Kwok Sing Stanley	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	-	-	3,000,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	1,100,000	-	-	1,100,000	-
Leung Cho Wai (Note b)	01.09.2015	0.580	01.09.2015 to 31.08.2025	-	-	100,000	100,000	-
Tsui Chi Yuen (Note b)	01.09.2015	0.580	01.09.2015 to 31.08.2025	-	-	2,000,000	2,000,000	-
Lee Hon Sing Alan (Note b)	01.09.2015	0.580	01.09.2015 to 31.08.2025	-	-	3,000,000	3,000,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	-	-	1,100,000	1,100,000	-
Cheung Tze Man Edward	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000	-	-	500,000	-
Tsui Chi Him Steve	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	-	300,000	-
Hui Chi Kuen Thomas	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	-	300,000	-
Ho Tak Kay	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	-	300,000	-
Category 2: Employees								
	01.09.2015	0.580	01.09.2015 to 31.08.2025	9,100,000	-	(5,100,000)	4,000,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	3,700,000	-	(1,100,000)	2,600,000	-
				<u>47,800,000</u>	<u>(6,500,000)</u>	<u>-</u>	<u>41,300,000</u>	

Notes:

- (a) These share options are exercisable, starting from the date of options granted for a period of 10 years.
- (b) On 1 July 2023, three employees were appointed as directors of the Company. The classification of outstanding number of such employees' share options are reclassified to directors' section.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance subsisting to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for 6.0% and 25.7%, respectively, of the Group's turnover for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 33.2% and 71.0%, respectively, of the Group's purchases for the year.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the share options as disclosed above, the Company had no convertible securities, options, warrants or other similar rights in issue during the year or at 31 December 2023.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company had adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 31 to the consolidated financial statements.

Directors' Report

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independency pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2023.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$406,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lee Tat Hing

CHAIRMAN

Hong Kong

26 March 2024



TO THE SHAREHOLDERS OF WORLD HOUSEWARE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of World Houseware (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 42 to 125, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other exploratory 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 (“HKSA”) 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.

Independent Auditor's Report

KEY AUDIT MATTERS – continued

Key audit matter

How our audit addressed the key audit matter

Valuation of Compensated Properties included in long-term other assets

We identified the valuation of the Compensated Properties included in the consideration for the disposal of the Group's land and building arising from the Redevelopment Project (details in note 19) as a key audit matter due to the significant estimation required by the management in assessing the fair value of the Compensated Properties.

As disclosed in note 19 to the consolidated financial statements, the Group disposed the land and building under a Redevelopment Project and part of the consideration included certain residential or commercial properties (the "Compensated Properties") to be received upon the completion of Redevelopment Project. The fair value of the Compensated Properties to be received is based on the valuations performed by an independent firm of qualified professional property valuer (the "Valuer"). The valuation was determined based on direct comparison method making reference to market observable transactions of similar properties with adjustment to reflect the conditions and locations of the subject properties. Other key inputs and significant assumptions involving judgements, included discount rate and time to completion. As at 31 December 2023, the carrying amount of the Compensated Properties is HK\$1,403,721,000.

Our procedures in relation to evaluating the valuation of the Compensated Properties included:

- Understanding the key controls relating to the process that the management performed on the valuation of the Compensated Properties including the fair value calculation;
- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation basis and methodology, the performance of the property markets, significant assumptions adopted and key inputs used in the valuations; and
- Assessing the reasonableness of key inputs and significant assumptions used in the valuation by 1) comparing to relevant market information of transaction prices in other similar properties in the neighborhood, 2) assessing the estimated time to completion with the latest available information and 3) benchmarking the discount rates against historical data, market trend and applicable market yields, with the involvement of our valuation specialists.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 skepticism 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Turnover	5	380,630	628,672
Cost of sales		(337,131)	(581,254)
Gross profit		43,499	47,418
Other income	6	30,352	37,254
Other gains and losses	7	(5,387)	93,604
Loss arising from changes in fair value of long-term other assets	19	(106,089)	(198,430)
Selling and distribution costs		(32,269)	(60,269)
Administrative expenses		(87,268)	(124,843)
Net impairment losses reversed under expected credit loss model	9	2,076	7,651
Finance costs	8	(13,434)	(21,838)
Loss before taxation		(168,520)	(219,453)
Taxation (charge) credit	10	(3,612)	6,001
Loss for the year	11	(172,132)	(213,452)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(26,901)	(86,195)
Total comprehensive expense for the year		(199,033)	(299,647)
		HK cents	HK cents
Basic and diluted loss per share	14	(21.80)	(27.45)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Investment properties	15	29,924	31,007
Property, plant and equipment	16	260,508	265,462
Right-of-use assets	17	76,053	129,636
Deposits paid for acquisition of property, plant and equipment		17,906	17,383
Deposit and prepayments for a life insurance policy	18	47,264	47,490
Long-term prepayment	19	10,750	10,750
Long-term other assets	19	1,482,320	1,586,183
		1,924,725	2,087,911
Current assets			
Inventories	20	133,553	172,694
Trade and other receivables	21	273,297	342,000
Contract assets	22	7,648	7,494
Taxation recoverable		786	540
Pledged bank deposits	23	6,281	6,206
Short-term bank deposits	23	73,974	–
Bank balances and cash	23	636,149	587,074
		1,131,688	1,116,008
Current liabilities			
Trade and other payables	24	1,024,120	899,013
Contract liabilities	25	10,808	16,308
Amounts due to directors	26	43,643	46,471
Taxation payable		94	1,405
Lease liabilities	27	19,408	21,847
Secured bank borrowings	28	–	33,340
		1,098,073	1,018,384
Net current assets		33,615	97,624
Total assets less current liabilities		1,958,340	2,185,535
Non-current liabilities			
Amounts due to directors	26	127,436	130,789
Deposits received	19	120,032	119,542
Lease liabilities	27	41,978	63,122
Deferred taxation	29	217,498	229,202
		506,944	542,655
Net assets		1,451,396	1,642,880

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	30	79,212	78,562
Reserves		1,372,184	1,564,318
Total equity		<u>1,451,396</u>	<u>1,642,880</u>

The consolidated financial statements on pages 42 to 125 were approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

LEE TAT HING
CHAIRMAN

FUNG MEI PO
CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Non- distributable reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Translation reserve HK\$'000	PRC statutory surplus reserve HK\$'000 (Note c)	Retained profits HK\$'000	
At 1 January 2022	77,612	347,990	251,393	10,345	13,215	316,462	49,432	873,142	1,939,591
Loss for the year	-	-	-	-	-	-	-	(213,452)	(213,452)
Other comprehensive expense for the year	-	-	-	-	-	(86,195)	-	-	(86,195)
Total comprehensive expense for the year	-	-	-	-	-	(86,195)	-	(213,452)	(299,647)
Exercise of share options	950	3,395	-	-	(1,409)	-	-	-	2,936
Release of lapsed share options	-	-	-	-	(89)	-	-	89	-
Transfers	-	-	-	-	-	-	2,453	(2,453)	-
At 31 December 2022	78,562	351,385	251,393	10,345	11,717	230,267	51,885	657,326	1,642,880
Loss for the year	-	-	-	-	-	-	-	(172,132)	(172,132)
Other comprehensive expense for the year	-	-	-	-	-	(26,901)	-	-	(26,901)
Total comprehensive expense for the year	-	-	-	-	-	(26,901)	-	(172,132)	(199,033)
Deemed contribution arising from future cashflow estimates on amount due to a director	-	-	-	3,779	-	-	-	-	3,779
Exercise of share options	650	5,120	-	-	(2,000)	-	-	-	3,770
At 31 December 2023	79,212	356,505	251,393	14,124	9,717	203,366	51,885	485,194	1,451,396

Notes:

- The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- The capital reserve of the Group arose from deemed contribution from the controlling shareholders of the Company.
- As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Statutory surplus reserve fund is non-distributable. Appropriations to such reserve are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(168,520)	(219,453)
Adjustments for:		
Bank interest income	(10,546)	(4,837)
Depreciation of property, plant and equipment	28,987	47,583
Compensation income from Redevelopment Project	(16,642)	(22,928)
Depreciation of right-of-use assets	23,835	23,177
Foreign exchange difference on inter-company balances	(6,784)	(27,244)
Loss arising from changes in fair value of long-term other assets	106,089	198,430
Loss arising from changes in fair value of investment properties	1,083	5,412
(Loss) gain on disposal/write-off of property, plant and equipment and right-of-use assets	11,533	(53,516)
Net impairment losses reversed on trade receivables	(2,076)	(7,651)
Interest income from a deposit placed for a life insurance policy	(1,257)	(1,231)
Imputed interest income from compensation income receivables from Redevelopment Project	(287)	(1,102)
Finance costs	13,434	21,838
Premium charges on a life insurance policy	1,747	1,689
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(19,404)	(39,833)
Decrease in inventories	34,587	19,280
Decrease in trade and other receivables	61,602	21,348
(Increase) decrease in contract assets	(360)	608
Decrease in trade and other payables	(44,734)	(66,671)
(Decrease) increase in contract liabilities	(5,091)	10,175
	<hr/>	<hr/>
Net cash generated from (used in) operations	26,600	(55,093)
Tax paid in the PRC	(4,087)	(5,240)
Withholding tax paid	(9,349)	(504)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	13,164	(60,837)
	<hr/>	<hr/>

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023	2022
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Compensation receipt in advance for land resumption	222,984	22,686
Interest received	10,546	4,837
Proceeds from disposal of property, plant and equipment and right-of-use assets	2,391	74,587
Pledged bank deposits raised during the period	(75)	(44)
Deposits paid for acquisition of property, plant and equipment	(5,583)	(4,846)
Purchase of property, plant and equipment	(42,560)	(41,073)
Placement of short-term bank deposits	(73,974)	–
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	113,729	56,147
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Repayments of bank loans	(32,616)	(245,040)
Repayments of lease liabilities	(21,364)	(18,821)
Repayment to directors	(4,700)	–
Interest paid	(6,736)	(20,466)
Net decrease in trust receipts and import loans	(574)	(22,163)
Bank loans raised	–	97,160
Exercise of share options	3,770	2,936
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(62,220)	(206,394)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,673	(211,084)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	587,074	843,431
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(15,598)	(45,273)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	636,149	587,074
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

World Houseware (Holdings) Limited (the “Company”) is a public limited company incorporated in the Cayman Islands, which is under the Companies Law of the Cayman Islands and registered as an exempted company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling parties are Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, who are also the Chairman and Chief Executive Officer of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (the “Group”) have applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

New and amendments to HKFRSs that are mandatorily effective for the current year – *continued*

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in 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.

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and long-term other assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 “Financial Instruments” (“HKFRS 9”). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Revenue from contracts with customers – continued

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Property, plant and equipment – continued

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position (except for those that are classified and accounted for as investment properties under the fair value model). When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Definition of a lease

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Leases – *continued*

The Group as a lessee

Allocation of consideration to components of a contract

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Leases – *continued*

The Group as a lessee – continued

Right-of-use assets – continued

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

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

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

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Leases – *continued*

The Group as a lessor

Classification and measurement of leases

All leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Foreign currencies – *continued*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) in Hong Kong and retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit/loss before taxation” because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transactions does not give rise to equal taxable and deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Taxation – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Taxation – *continued*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Completed Properties (as defined in note 19)

Compensated properties included in the long-term other assets are initially measured at fair value and subsequently at fair value through profit or loss (“FVTPL”).

The fair value of the compensated properties changes from time to time, the carrying amount recognised by the Group is subject to remeasurement at fair value at the end of each subsequent reporting date.

Gain or losses arising from the changes in fair value of the Compensated Properties are recognised in profit or loss for the period in which they arise.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Impairment on property, plant and equipment and right-of-use assets – continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including compensation income receivables included in long-term other assets, trade and other receivables, pledged bank deposit, short-term bank deposits and bank balances), and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired and/or collectively based on internal credit rating.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under HKFRS 9 – *continued*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets subject to impairment assessment under HKFRS 9 – *continued*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – *continued*

Financial assets – *continued*

(iv) Measurement and recognition of ECL – *continued*

Lifetime ECL for trade receivables and contract assets are considered on a collective basis takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – *continued*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to directors, secured bank borrowings and deposits received are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees, directors and non-executive directors

Equity-settled share based payments to employees, directors and non-executive directors are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgement in determining the amount and timing for recognition of the consideration and compensations from the Land Resumption Project (as defined in note 24)

As described in note 24, the Group received RMB502,692,000 (equivalent to approximately HK\$553,016,000) from the Office, Centre, and Bureau (as defined in note 24) as an advance payment for the Land Compensation Price Difference (as defined in note 24) as at 31 December 2023. The amount of Land Compensation Price Difference will be finalised by the Office, Centre, and Bureau upon approval process and subject to the final valuation of the Replacement Land (as defined in note 24). In addition, the Group received Relocation Compensation (as defined in note 24) of RMB385,434,000 (equivalent to approximately HK\$424,019,000) and Underground Compensation (as defined in note 24) of RMB19,419,000 (equivalent to approximately HK\$21,363,000) from the Office, Centre, and Bureau.

The directors of the Company assessed the timing and amount for the recognition of the consideration and compensation from the Land Resumption Project. As the consideration for the provision of the Existing Land (as defined in note 24), the Office, Centre, and Bureau will provide the Group with the Replacement Land as well as the Land Compensation Price Difference in cash. The directors of the Company considered that the range of the outcomes for the consideration of the Existing Land are too wide and there is significant uncertainty regarding the finalisation of the Replacement Land and the Land Compensation Price Difference, which is subject to the approval by the Shenzhen Municipal Government and acceptability by the Group with the agreed specification, the consideration is not reasonably estimable and thus is not recognised as at 31 December 2023. Moreover, the amount of Relocation Compensation and Underground Compensation are subject to final review and further actions by the Group are required. As a result, the directors of the Company concluded that the compensation received is not recognised in full and shall be recognised as compensation receipt in advance for land resumption and be included in trade and other payable.

As at 31 December 2023, the Group had demolished the buildings, structures, greening and relevant fixtures erected on the Existing Land (as defined in note 24), and had passed the ownership of the Existing Land to the Office, Centre, and Bureau. In addition, the Group had incurred necessary expenses for the relocation. The Group recognised the compensation received pursuant to the Land Resumption Agreement (as defined in note 24) to the extent of the property, plant and equipment demolished, right-of-use assets derecognised and expenses incurred for the relocation because the directors of the Company considered these losses could be recovered through the compensations received from the Land Resumption Project (as defined in note 24). Such compensation received is deducted from the related expenses/losses incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

Trade receivables with significant balances or credit-impaired are assessed for ECL individually.

In addition, for trade receivables which are individually insignificant, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 9, 21 and 36 respectively.

Valuation of Compensated Properties (as defined in note 19) included in long-term other assets

The Compensated Properties included in long-term other assets of HK\$1,403,721,000 at 31 December 2023 (2022: HK\$1,522,673,000) are measured at fair value. The amount was based on a valuation conducted by Asset Appraisal Limited, an independent firm of qualified professional property valuer (the "Valuer"). The valuations were determined based on direct comparison method making reference to market observable transactions of similar properties with adjustments to reflect the conditions and locations of the Compensated Properties. Other key inputs and significant assumptions which involve judgements, included discount rate and time to completion.

The basis of valuation is disclosed in note 19. Changes to these assumptions and inputs would result in changes in the fair value of the Compensated Properties and corresponding adjustments to the amount of gain or loss reported in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Deferred tax asset

As at 31 December 2023, a deferred tax asset of HK\$10,063,000 (2022: HK\$3,494,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$490,956,000 (2022: HK\$421,708,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated write-down of inventories

The Group writes down for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The amount of allowance would be changed as a result of the changes in the current market conditions subsequently.

The carrying amount of inventories at 31 December 2023 is HK\$133,553,000 (net of allowance for inventories of nil) (2022: HK\$172,694,000 (net of allowance for inventories of HK\$2,580,000)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is arranged and organised.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segment" are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Property investments	–	investment in properties

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segments.

For the year ended 31 December 2023

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Consolidated HK\$'000
Turnover				
Sales of goods recognised at a point in time	57,612	316,266	–	373,878
Revenue from contracts with customers	57,612	316,266	–	373,878
Rental income	4,990	227	1,535	6,752
Total segment revenue	62,602	316,493	1,535	380,630
Segment profit (loss)	4,813	(33,436)	(107,172)	(135,795)
Bank interest income				10,546
Interest income from a deposit placed for a life insurance policy				1,257
Finance costs				(13,434)
Premium charges on a life insurance policy				(1,747)
Unallocated corporate expenses				(29,347)
Loss before taxation				(168,520)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment turnover and results – continued

For the year ended 31 December 2022

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Consolidated HK\$'000
Turnover				
Sales of goods recognised at a point in time	124,715	496,913	–	621,628
Revenue from contracts with customers	124,715	496,913	–	621,628
Rental income	5,244	527	1,273	7,044
Total segment revenue	129,959	497,440	1,273	628,672
Segment profit (loss)	16,549	6,381	(196,796)	(173,866)
Bank interest income				4,837
Interest income from a deposit placed for a life insurance policy				1,231
Finance costs				(21,838)
Premium charges on a life insurance policy				(1,689)
Unallocated corporate expenses				(28,128)
Loss before taxation				(219,453)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of bank interest income, interest income from a deposit placed for a life insurance policy, finance costs, premium charges on a life insurance policy and unallocated corporate expenses including directors' remuneration paid or payable by the Company and certain administrative expenses for corporate use. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION – *continued*

Segment turnover and results – *continued*

Performance obligations for contracts with customers

(a) Manufacture and distribution of household products

The Group sells household products to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to customers. When the customer initially places sales order and makes upfront payment, the amount received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The normal credit term is up to 60 days upon delivery.

(b) Manufacture and distribution of PVC pipes and fittings

The Group sells PVC pipes and fittings to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to customers. When the customer initially places sales order and makes upfront payment, the amount received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The normal credit term is up to 180 days upon delivery.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which is usually one year from the date of the delivery. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the products supplied comply with agreed-upon specifications and such assurance cannot be purchased separately.

All contracts for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Consolidated HK\$'000
At 31 December 2023				
Assets				
Segment assets	187,144	511,395	1,536,977	2,235,516
Unallocated assets				820,897
				3,056,413
Consolidated total assets				
				3,056,413
Liabilities				
Segment liabilities	19,609	154,393	355,320	529,322
Unallocated liabilities				1,075,695
				1,605,017
Consolidated total liabilities				
				1,605,017
	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Consolidated HK\$'000
At 31 December 2022				
Assets				
Segment assets	181,251	682,514	1,642,105	2,505,870
Unallocated assets				698,049
				3,203,919
Consolidated total assets				
				3,203,919
Liabilities				
Segment liabilities	24,714	202,128	368,740	595,582
Unallocated liabilities				965,457
				1,561,039
Consolidated total liabilities				
				1,561,039

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments other than deposit and prepayments for a life insurance policy, taxation recoverable, pledged bank deposits, certain bank balances and cash as well as certain leasehold land and buildings where such buildings are provided to group directors as residential accommodation (see note 12(i)).
- all liabilities are allocated to operating segments other than amounts due to directors, certain deferred tax liabilities, taxation payable, secured bank borrowings, compensation receipt in advance for land resumption and accruals of administrative expenses in head office.

Other segment information

For the year ended 31 December 2023

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to property, plant and equipment	4,564	38,116	-	42,680	-	42,680
Depreciation of property, plant and equipment	9,483	17,565	-	27,048	1,939	28,987
Depreciation of right-of-use assets	652	23,183	-	23,835	-	23,835
Net impairment losses reversed on trade receivables	(330)	(1,746)	-	(2,076)	-	(2,076)
Net foreign exchange gain	(3,765)	(3,464)	-	(7,229)	-	(7,229)
Loss on disposal/write-off of property, plant and equipment and right-of-use assets	869	10,664	-	11,533	-	11,533
Loss arising from changes in fair value of investment properties	-	-	1,083	1,083	-	1,083
Loss arising from changes in fair value of long-term other assets	-	-	106,089	106,089	-	106,089

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2022

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to property, plant and equipment	704	42,299	-	43,003	-	43,003
Depreciation of property, plant and equipment	14,456	31,188	-	45,644	1,939	47,583
Depreciation of right-of-use assets	688	22,489	-	23,177	-	23,177
Net impairment losses reversed on trade receivables	-	(7,651)	-	(7,651)	-	(7,651)
Net foreign exchange gain	(29,698)	(14,915)	-	(44,613)	-	(44,613)
Loss (gain) on disposal/write-off of property, plant and equipment and right-of-use assets	414	(53,930)	-	(53,516)	-	(53,516)
Loss arising from changes in fair value of investment properties	-	-	5,412	5,412	-	5,412
Loss arising from changes in fair value of long-term other assets	-	-	198,430	198,430	-	198,430

Geographical information

More than 90% of the sales of the Group's household products were made to customers in the United States of America.

More than 90% of the sales of the Group's PVC pipes and fittings made to customers in the PRC.

More than 90% of the Group's non-current assets are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. TURNOVER AND SEGMENT INFORMATION – continued

Information about major customer

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	Year ended	
	2023	2022
	HK\$'000	HK\$'000
Customer A ¹	N/A ²	66,338

¹ Revenue from household products

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Bank interest income	10,546	4,837
Courier and transportation income	747	1,446
Imputed interest income from compensation income receivables from Redevelopment Project (note 19)	287	1,102
Interest income from a deposit placed for a life insurance policy	1,257	1,231
Government grants (Note)	–	4,762
Compensation income from Redevelopment Project	16,642	22,928
Others	873	948
	30,352	37,254

Note: The amounts mainly represent the incentives granted by the relevant PRC government authorities to the Group for recognition of establishment of environmental friendly manufacturing factories by enhancing energy efficiency during the manufacturing process.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Net foreign exchange gain	7,229	44,613
Loss arising from changes in fair value of investment properties	(1,083)	(5,412)
(Loss) gain on disposal/write-off of property, plant and equipment and right-of-use assets	(11,533)	53,516
Recovery of trade receivables previously written off	-	887
	<u>(5,387)</u>	<u>93,604</u>

8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on:		
– secured bank borrowings	1,003	4,584
– lease liabilities	4,037	5,032
Interest/imputed interest on:		
– amounts due to directors	4,595	4,637
– Deposits Received from Redevelopment Project	3,799	7,585
	<u>13,434</u>	<u>21,838</u>

9. NET IMPAIRMENT LOSSES REVERSED UNDER EXPECTED CREDIT LOSS MODEL

	2023 HK\$'000	2022 HK\$'000
Net impairment losses reversed on trade receivables	<u>2,076</u>	<u>7,651</u>

Details of impairment assessment are set out in note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. TAXATION (CHARGE) CREDIT

	2023 HK\$'000	2022 HK\$'000
PRC Enterprise Income Tax ("EIT")		
– charge for the year	(2,717)	(1,451)
– underprovision in prior years	(91)	(168)
– withholding tax on profits of a non-resident in the PRC	(9,349)	–
	<u>(12,157)</u>	<u>(1,619)</u>
PRC Land Appreciation Tax	–	(5,094)
Deferred taxation credit (note 29)		
– credit for the year	2,390	6,160
– withholding tax on profits of a non-resident in the PRC	6,155	6,554
	<u>8,545</u>	<u>12,714</u>
Total	<u><u>(3,612)</u></u>	<u><u>6,001</u></u>

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

PRC withholding income tax of 10% shall be levied on the income earned in the PRC by a foreign subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. TAXATION (CHARGE) CREDIT – *continued*

The taxation (charge) credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	HK\$'000	HK\$'000
Loss before taxation	168,520	219,453
Taxation credit at the domestic income tax rate of 25%	42,130	54,863
Tax effect of expenses not deductible for tax purpose	(33,161)	(51,031)
Tax effect of income not taxable for tax purpose	7,653	20,807
Tax effect of tax losses not recognised as deferred tax asset	(18,243)	(21,571)
Withholding tax on profits of a non-resident in the PRC	(3,194)	6,554
Land Appreciation Tax	–	(5,094)
Underprovision in prior years	(91)	(168)
Additional deduction for qualified research and development cost (Note)	1,294	1,641
Taxation (charge) credit for the year	(3,612)	6,001

Note: Under the PRC Corporate Income Tax Law and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 12)	17,204	16,636
Other staff's salaries and wages	48,752	66,910
Other staff's retirement benefit scheme contributions	2,848	2,707
	<hr/>	<hr/>
Total staff costs	68,804	86,253
	<hr/>	<hr/>
Depreciation of property, plant and equipment	28,987	47,583
Depreciation of right-of-use assets	23,835	23,177
	<hr/>	<hr/>
Total depreciation	52,822	70,760
	<hr/>	<hr/>
Auditors' remuneration	3,100	2,893
Cost of inventories recognised as an expense	337,131	570,698
Premium charges on a life insurance policy	1,747	1,689
	<hr/>	<hr/>
and after crediting:		
Gross rental income from investment properties	1,535	1,273
Less: direct operating expenses that generated rental income	(285)	(235)
	<hr/>	<hr/>
	1,250	1,038
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2023				
Executive directors:				
Lee Tat Hing	-	6,273	-	6,273
Fung Mei Po	-	2,862	-	2,862
Lee Chun Sing	-	2,862	18	2,880
Lee Kwok Sing Stanley	-	2,160	18	2,178
Leung Cho Wai (Note a)	-	377	9	386
Tsui Chi Yuen (Note a)	-	438	9	447
Lee Hon Sing Alan (Note a)	-	1,080	9	1,089
Non-executive directors:				
Cheung Tze Man Edward	198	-	-	198
Lee Ka Yee (Note b)	99	-	-	99
Independent non-executive directors:				
Tsui Chi Him Steve	198	-	-	198
Hui Chi Kuen Thomas	198	-	-	198
Ho Tak Kay	198	-	-	198
Tsang Wing Yee (Note c)	99	-	-	99
Hong Ting (Note c)	99	-	-	99
	<u>1,089</u>	<u>16,052</u>	<u>63</u>	<u>17,204</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

– *continued*

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2022				
Executive directors:				
Lee Tat Hing	–	7,288	–	7,288
Fung Mei Po	–	3,180	–	3,180
Lee Chun Sing	–	3,180	18	3,198
Lee Kwok Sing Stanley	–	2,160	18	2,178
Non-executive director:				
Cheung Tze Man Edward	198	–	–	198
Independent non-executive directors:				
Tsui Chi Him Steve	198	–	–	198
Hui Chi Kuen Thomas	198	–	–	198
Ho Tak Kay	198	–	–	198
	<u>792</u>	<u>15,808</u>	<u>36</u>	<u>16,636</u>

Notes:

- (a) Appointed as executive director on 1 July 2023.
- (b) Appointed as non-executive director on 1 July 2023.
- (c) Appointed as independent non-executive director on 1 July 2023.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

– *continued*

Ms. Fung Mei Po is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as residential accommodation for Mr. Lee Tat Hing and Ms. Fung Mei Po. The estimated monetary value of such accommodation, using the ratable value as an approximation, amounted to HK\$1,685,000 (2022: HK\$1,685,000) for the year.

(ii) Information regarding employees' emoluments

Of the five individuals with the highest emoluments in the Group, five (2022: four) were directors including the Chief Executive of the Company whose emoluments are included in the disclosures in (i) above. The emoluments of the remaining Nil (2022: one) individual is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	–	2,160
Retirement benefit scheme contributions	–	18
	<u>–</u>	<u>2,178</u>

The emoluments was within the following bands:

	Number of employees	
	2023	2022
HK\$2,000,001 to HK\$2,500,000	<u>–</u>	<u>1</u>

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or Chief Executive has waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. DIVIDENDS

No final dividend was paid or proposed during both years ended 31 December 2023 and 31 December 2022, nor has dividend been proposed since the end of both reporting periods.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2023	2022
	HK\$'000	HK\$'000
Loss for the purposes of calculating basic and diluted loss per share	(172,132)	(213,452)
	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	789,766,736	777,729,750

The diluted loss per share for the year ended 31 December 2023 and 31 December 2022 have not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

15. INVESTMENT PROPERTIES

	2023	2022
	HK\$'000	HK\$'000
FAIR VALUE		
At 1 January	31,007	36,419
Change in fair value recognised in profit or loss	(1,083)	(5,412)
At 31 December	29,924	31,007

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15. INVESTMENT PROPERTIES – *continued*

The carrying amounts of investment properties shown above comprises:

	2023	2022
	HK\$'000	HK\$'000
Properties situated in Hong Kong	21,300	21,200
Properties situated in the PRC	8,624	9,807
	29,924	31,007

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties situated in Hong Kong and the PRC as at 31 December 2023 and 2022 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited, independent qualified professional valuers not connected to the Group. The fair value of investment properties situated in Hong Kong was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets and the fair value of investment properties situated in the PRC was determined based on income capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The financial controller determines the appropriate valuation techniques and inputs to the model. The financial controller reports the findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15. INVESTMENT PROPERTIES – *continued*

Investment properties	Fair value as at 31.12.2023 HK\$'000	Fair value as at 31.12.2022 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to the fair value
Residential properties in Hong Kong	21,300	21,200	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.	N/A	N/A
Commercial properties in the PRC	8,624	9,807	Level 3	Income capitalisation method The key inputs are: (1) Capitalisation rate; and (2) Monthly rent.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition which range from 5.65% to 6.93% (2022: 4.59% to 7.02%). Monthly rent, using direct market comparables and taking into account age, location and individual factors such as road frontage, size of property and layout/design which range from RMB115/ sq.m. to RMB127/sq.m. (2022: RMB123/sq.m. to RMB133/sq.m).	The higher the capitalisation rate, the lower the fair value, and vice versa. The higher the monthly rent, the higher the fair value, and vice versa.

There were no transfers into or out of Level 2 or Level 3 during both years.

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For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2022	536,612	44,474	96,789	22,945	559,777	11,188	1,271,785
Currency realignment	(22,047)	(2,036)	(3,918)	(319)	(37,240)	(822)	(66,382)
Additions	409	1,296	15,533	453	22,066	3,246	43,003
Disposals/write-off	(243,159)	(8,302)	(93,761)	(621)	(12,615)	–	(358,458)
Transfer	–	139	1,951	–	6,666	(8,756)	–
At 31 December 2022	271,815	35,571	16,594	22,458	538,654	4,856	889,948
Currency realignment	(5,626)	(617)	(296)	(273)	(11,144)	(129)	(18,085)
Additions	839	1,168	21,448	1,145	17,957	123	42,680
Disposals/write-off	(32,785)	(15,060)	–	(3,054)	(224,176)	–	(275,075)
Transfer	541	–	–	–	376	(917)	–
At 31 December 2023	234,784	21,062	37,746	20,276	321,667	3,933	639,468
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	327,613	38,091	76,004	18,284	454,070	–	914,062
Currency realignment	(15,273)	(3,067)	(3,270)	(521)	(23,870)	–	(46,001)
Provided for the year	22,857	2,096	7,139	1,048	14,443	–	47,583
Eliminated on disposals/write-off	(205,712)	(8,152)	(69,501)	(587)	(7,206)	–	(291,158)
At 31 December 2022	129,485	28,968	10,372	18,224	437,437	–	624,486
Currency realignment	(2,350)	(479)	(225)	(314)	(10,015)	–	(13,383)
Provided for the year	9,661	1,289	6,394	794	10,849	–	28,987
Eliminated on disposals/write-off	(21,134)	(13,320)	–	(2,944)	(223,732)	–	(261,130)
At 31 December 2023	115,662	16,458	16,541	15,760	214,539	–	378,960
CARRYING VALUES							
At 31 December 2023	119,122	4,604	21,205	4,516	107,128	3,933	260,508
At 31 December 2022	142,330	6,603	6,222	4,234	101,217	4,856	265,462

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT – *continued*

The cost of leasehold land and buildings is depreciated over the shorter of the term of the lease or twenty-five to fifty years on a straight line basis.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance basis, at the following rates per annum:

Furniture, fixtures and equipment	18-20%
Leasehold improvements	Over shorter of the term of leases or 20%
Motor vehicles	20%
Plant and machinery	9-20%

As at 31 December 2023, the directors of the Company considered there was no impairment on property, plant and equipment and right-of-use assets relating to the PVC pipes and fitting segment as losses incurred in the relocation could be recovered through the compensations received from the Land Resumption Project. Please refer to notes 4 and 24 for the details of the Land Resumption Project.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. RIGHT-OF-USE ASSETS

	Leasehold lands	Leasehold land and buildings	Total
	HK\$'000	HK\$'000	HK\$'000
COST			
At 1 January 2022	108,472	4,508	112,980
Additions	–	103,790	103,790
Disposals	(2,858)	–	(2,858)
Currency realignment	(8,008)	(3,287)	(11,295)
	97,606	105,011	202,617
At 31 December 2022	97,606	105,011	202,617
Disposals	(59,983)	–	(59,983)
Currency realignment	(2,355)	(2,764)	(5,119)
	35,268	102,247	137,515
At 31 December 2023	35,268	102,247	137,515
DEPRECIATION			
At 1 January 2022	50,212	4,508	54,720
Currency realignment	(3,800)	(669)	(4,469)
Provided for the year	2,066	21,111	23,177
Eliminated on disposals	(447)	–	(447)
	48,031	24,950	72,981
At 31 December 2022	48,031	24,950	72,981
Currency realignment	(1,140)	(689)	(1,829)
Provided for the year	709	23,126	23,835
Eliminated on disposals	(33,525)	–	(33,525)
	14,075	47,387	61,462
At 31 December 2023	14,075	47,387	61,462
CARRYING VALUES			
At 31 December 2023	21,193	54,860	76,053
At 31 December 2022	49,575	80,061	129,636
		2023	2022
		HK\$'000	HK\$'000
Expense relating to short-term leases		174	74
Total cash outflow for leases		25,575	23,927

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. RIGHT-OF-USE ASSETS – *continued*

For both years, the Group leases various offices and a factory for its operations. Lease contracts are entered into for fixed term of 2 to 5 years (2022: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several leasehold land and buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for motor vehicles and plant and machinery. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

18. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY

During the year ended 31 December 2014, a subsidiary of the Company entered into a life insurance policy (the "Policy") with a bank to insure a director of the Company, Ms. Fung Mei Po. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is USD20,000,000 (equivalent to HK\$155,000,000). At inception of the Policy, the Group paid a gross premium of approximately USD6,785,000 (equivalent to HK\$52,587,000). The bank will pay the Group a guaranteed interest rate of 4.2% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.0% per annum) during the effective period of the Policy. The Group can terminate the Policy at any time and can receive cash back at the date of termination based on the account value of the Policy ("Account Value"), which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If termination is made between the first policy year to the end of surrender period stated in the Policy, there is a specified amount of surrender charge deducted from Account Value. The directors of the Company consider that the subsidiary of the Company may terminate the Policy at the end of the tenth policy year in 2024 and accordingly, there will be a specified surrender charge of USD749,000 (equivalent to HK\$5,805,000) in accordance with the Policy.

During the year ended 31 December 2023, the directors of the Company reassessed the expected life of the Policy due to the intention of renewing the existing banking facilities and expected that the Policy will be terminated at 20th anniversary from date of inception, which is 2034, and there will be no expected surrender charge.

The directors of the Company consider that the financial impact of the option to terminate the Policy was not significant.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the tenth policy year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

18. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY – *continued*

As at 31 December 2023, deposit and prepayments for the life insurance policy amounts to HK\$48,747,000 (2022: HK\$49,237,000) in aggregate, of which HK\$47,264,000 (2022: HK\$47,490,000) and HK\$1,483,000 (2022: HK\$1,747,000), are classified as non-current assets and current assets, respectively.

19. REDEVELOPMENT PROJECT

	Fair value of compensated properties HK\$'000	Present value of compensation income receivables HK\$'000	Total HK\$'000
At 1 January 2022	1,760,605	43,489	1,804,094
Loss arising from changes in fair value of long-term other assets	(198,430)	–	(198,430)
Imputed interest income from compensation income receivables from Redevelopment Project (note 6)	–	1,102	1,102
Compensation income from Redevelopment Project	–	22,928	22,928
Exchange realignment/difference	(39,502)	(4,009)	(43,511)
	1,522,673	63,510	1,586,183
At 31 December 2022			
Loss arising from changes in fair value of long-term other assets	(106,089)	–	(106,089)
Imputed interest income from compensation income receivables from Redevelopment Project (note 6)	–	287	287
Compensation income from Redevelopment Project	–	16,642	16,642
Exchange realignment/difference	(12,863)	(1,840)	(14,703)
	1,403,721	78,599	1,482,320
At 31 December 2023			

Included in compensation income receivables are the following amounts denominated in currency other than the functional currency of the relevant group company:

	2023 HK\$'000	2022 HK\$'000
RMB	42,016	37,851

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

19. REDEVELOPMENT PROJECT – *continued*

On 11 August 2011, one of the subsidiaries of the Company, Welidy Limited (“Welidy”), has entered into a conditional provisional removal remedy agreement (“Provisional Agreement”) with an independent third party property developer (the “Developer”) in relation to the redevelopment of a piece of land owned by the Group (the “Land”) and this Land constituted part of a redevelopment project (“Redevelopment Project”) proposed by the Developer. The factory building built on the Land is owned by another subsidiary of the Company, namely 世界塑膠餐墊 (寶安) 有限公司 World Plastic Mat (Baoan) Company Limited (“World (Baoan)”).

Under the Provisional Agreement, the Group agreed to surrender the Land, in the future, to the Developer for certain residential or commercial properties (the “Compensated Properties”) to be built under the Redevelopment Project (the “Transaction”).

Upon signing the Provisional Agreement, an interest-free refundable deposit amounting to RMB30,000,000 (equivalent to approximately HK\$33,003,000 (2022: RMB30,000,000 (equivalent to approximately HK\$33,937,000)) was received by the Group, which is refundable on the date of receipt of all the Compensated Properties (the “Compensated Properties Receipt Date”) or acknowledgement from PRC government authorities on the termination of Redevelopment Project, whichever is earlier. The Group also prepaid HK\$21,500,000 for legal and consultancy services to be provided by a PRC lawyer in respect of the Redevelopment Project and the amount is recognised as long-term prepayment in the consolidated statement of financial position (“Prepayment”). As at 31 December 2023, the carrying amount of the Prepayment amounted to HK\$10,750,000 (2022: HK\$10,750,000).

On 16 August 2017, Welidy and World (Baoan) further entered into a supplementary agreement to the Provisional Agreement (the “Supplementary Agreement”) with a fellow subsidiary of the Developer (the “Ultimate Developer”). In the Supplementary Agreement, the consideration for the Transaction have been finalised which includes the details of the Compensated Properties to be received upon completion of Redevelopment Project and unconditional and non-refundable monthly compensation income (“Compensation Income”) to be received by the Group from the Ultimate Developer up to the Compensated Properties Receipt Date. Upon signing the Supplementary Agreement, further refundable deposits amounting to RMB80,000,000, in which RMB30,000,000 is interest-free and RMB50,000,000 is interest bearing at 6%, were received by the Group, together with the deposit received in 2011 as mentioned above, hereinafter referred to as the “Deposits Received”.

The Transaction with the Ultimate Developer was completed on 8 August 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

19. REDEVELOPMENT PROJECT – *continued*

As at 31 December 2023, the principal amount of the Deposits Received is RMB110,000,000 (equivalent to approximately HK\$121,012,000) (2022: RMB110,000,000 (equivalent to approximately HK\$124,434,000)) with carrying amount of HK\$120,032,000 (2022: HK\$119,542,000). The Deposits Received is measured at amortised cost using the effective interest rate at 6% per annum.

As at 31 December 2023, the Compensation Income receivable is expected to receive after at least twelve months from reporting date.

As the fair value of the Compensated Properties changes from time to time, the carrying amount recognised by the Group would be subject to remeasurement at fair value at each subsequent reporting date prior to obtaining control of the Compensated Properties. The fair values of the Compensated Properties at the end of the reporting period have been arrived at on the basis of a valuation carried out by the Valuer not connected with the Group, in accordance with the HKIS Valuation Standards issued by Hong Kong Institute of Surveyors.

Included in Deposits Received are the following amounts denominated in currency other than the functional currency of the relevant group company:

	2023	2022
	HK\$'000	HK\$'000
RMB	65,026	62,981

As at 31 December 2023 and 2022, the fair value of Compensated Properties was determined based on direct comparison method making reference to market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties. The market unit rate of the Compensated Properties used in the valuation was referenced to similar commercial properties, which ranged from RMB18,000 to RMB40,000 (2022: RMB19,800 to RMB44,000) per square meter and similar residential properties, at RMB36,000 (2022: RMB37,100) per square meter. Market unit rate, which mainly taking into account of the location, frontage and size are considered as significant unobservable input. A significant increase in the market unit rate used would result in a significant increase in the fair value of the Compensated Properties, and vice versa. Other key inputs and significant assumptions which involve judgements, included discount rate and time to completion. The discount rate used in the valuation was referenced to the applicable market yield of similar properties. The fair value measurements of Compensated Properties are categorised as Level 3 of the fair value hierarchy. There were no transfers into or out of Level 2 or Level 3 during both years.

Subsequent to the year ended 31 December 2023, the Group has obtained control of certain residential properties under the Redevelopment Project.

20. INVENTORIES

	2023	2022
	HK\$'000	HK\$'000
Raw materials and consumables	76,783	115,286
Work in progress	18,277	17,551
Finished goods	38,493	39,857
	133,553	172,694

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

21. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, net of allowance for credit losses and breakdown of other receivables and prepayments at the end of the reporting period:

	2023	2022
	HK\$'000	HK\$'000
0 – 30 days	37,757	52,384
31 – 60 days	48,156	62,791
61 – 90 days	25,145	37,225
91 – 180 days	41,318	53,478
Over 180 days	85,037	108,877
	<hr/>	<hr/>
Trade receivables, net of allowance for credit losses	237,413	314,755
Prepayments for raw materials, deposits and other receivables	34,401	25,498
Deposit and prepayments for a life insurance policy (note 18)	1,483	1,747
	<hr/>	<hr/>
Total trade and other receivables	273,297	342,000
	<hr/> <hr/>	<hr/> <hr/>

As at 1 January 2022, the carrying amount of trade receivables, net of allowance for credit losses was HK\$360,839,000.

The Group allows credit period ranging from 30 days to 180 days, depending on the products sold, to its trade customers. Trade and other receivables are unsecured and interest-free.

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2023	2022
	HK\$'000	HK\$'000
USD	12,440	21,500
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$141,936,000 (2022: HK\$167,440,000) which are past due as at the reporting date. Out of the past due balances, HK\$81,780,000 (2022: HK\$108,816,000) has been past due 90 days or more and is not considered as in default based on the good repayment records for those customers and continuous business with the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. CONTRACT ASSETS

	2023	2022
	HK\$'000	HK\$'000
PVC pipes and fittings	7,648	7,494

As at 1 January 2022, the carrying amount of contract assets was HK\$8,804,000.

The Group typically agrees to a retention period of one year from the date of the delivery of PVC and fitting products, for 10% of the contract value. This amount is included in contract assets until the end of the retention period.

Details of impairment assessment of contract assets for the year ended 31 December 2023 are set out in note 36.

23. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bills payable and short-term secured bank borrowings granted to the Group and are therefore classified as current assets. The pledged bank deposits carry interest at market rates at 4.38% (2022: ranged from 0.25% to 2.65%) per annum. The pledged deposits will be released upon the settlement of relevant borrowings.

At 31 December 2023, short-term bank deposits with maturity more than three months but less than one year carry fixed interest rates which range from 4.82% to 5.01% (2022: nil).

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at market rates. Bank balances carry interest at market rates which range from 0.25% to 0.625% (2022: 0.25% to 0.625%) per annum.

The Group's pledged bank deposits, short-term bank deposits and bank balances and cash which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2023	2022
	HK\$'000	HK\$'000
USD	16,331	15,937
HK\$	–	8
RMB	18	139

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade and bills payables presented based on the invoice date and other payables at the end of the reporting period:

	2023	2022
	HK\$'000	HK\$'000
0 – 30 days	18,520	37,087
31 – 60 days	4,541	17,905
61 – 90 days	508	6,744
Over 90 days	30,858	35,685
	<hr/>	<hr/>
Total trade and bills payables	54,427	97,421
Other payables	969,693	801,592
	<hr/>	<hr/>
Total trade and other payables	1,024,120	899,013
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of the Group's other payables at the end of the reporting period:

	2023	2022
	HK\$'000	HK\$'000
Accrued expenses	31,851	27,211
Deposits received	9,299	10,875
Payable on acquisition of property, plant and equipment	3,971	8,415
Compensation receipt in advance for land resumption (Note)	906,718	748,705
Others	17,854	6,386
	<hr/>	<hr/>
	969,693	801,592
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods is 90 days.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2023	2022
	HK\$'000	HK\$'000
USD	49	13,367
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. TRADE AND OTHER PAYABLES – *continued*

Note:

On 5 November 2021, two wholly-owned subsidiaries of the Company, World Houseware Producing Company Limited (“World Producing”) and 南塑建材塑膠製品(深圳)有限公司 Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd. (“Nam Sok”) entered into an agreement (the “Land Resumption Agreement”) with 深圳市龍崗區平湖街道辦事處 Pinghu Street Office, 深圳市龍崗區土地整備事務中心 Land Development Affair Centre and 深圳市規劃和自然資源局龍崗管理局 Planning and Natural Resources Bureau (the “Office, Centre, and Bureau”) in relation to land resumption (the “Land Resumption Project”).

Pursuant to the Land Resumption Agreement, World Producing and Nam Sok are responsible for the provision of the existing land which has been used by the Group as production factory and office buildings for its manufacturing and sale of PVC pipes and fittings (the “Existing Land”) and the demolition of the buildings, structures, greening and relevant fixtures erected on the land. The Office, Centre, and Bureau will compensate to World Producing and Nam Sok a piece of land for residential use with ancillary commercial and community uses (the “Replacement Land”). If the fair value of the Replacement Land is less than the fair value of the Existing Land, the difference will be compensated by the Shenzhen Municipal Government as monetary compensation for the land compensation price difference (the “Land Compensation Price Difference”). The Land Compensation Price Difference will be determined based on the final valuation of the Replacement Land, which is subject to the approval by the Shenzhen Municipal Government and acceptability by the Group with the agreed specification.

Apart from the above compensation, in view that the Group is required to relocate its factories and office buildings on the Existing Land to a leased factory as a result of the land resumption and further relocate to new location in the future (the “Relocations”), the Office, Centre, and Bureau agreed to compensate the Group (the “Relocation Compensation”) for the cost of Relocations. The compensation amount is subject to final review and further actions by the Group.

The Office, Centre, and Bureau also agreed to compensate to the Group (the “Underground Compensation”) for the cost of restoration of the underground construction at the Existing Land. The compensation amount is subject to final review and further actions by the Group.

As at 31 December 2023, the Group has received of RMB502,692,000 (equivalent to approximately HK\$553,016,000) (2022: RMB300,000,000 (equivalent to approximately HK\$339,367,000)) from the Office, Centre, and Bureau as an advance payment for the Land Compensation Price Difference. The amount of Land Compensation Price Difference will be finalised by the Office, Centre, and Bureau upon approval process and subject to the final valuation of the Replacement Land. In addition, the Group has received Relocation Compensation of RMB385,434,000 (equivalent to approximately HK\$424,019,000) (2022: RMB385,434,000 (equivalent to approximately HK\$436,011,000)) and Underground Compensation of RMB19,419,000 (equivalent to approximately HK\$21,363,000) (2022: RMB19,419,000 (equivalent to approximately HK\$21,967,000)) from the Office, Centre, and Bureau.

During the year ended 31 December 2023, the compensation received pursuant to the Land Resumption Agreement is recognised to the extent of the right-of-use assets of HK\$26,478,000 (2022: property, plant and equipment of HK\$48,640,000) derecognised and expenses incurred for the relocation of HK\$18,720,000 (2022: nil) as the directors of the Company considered these losses could be recovered through the compensations received from the Land Resumption Project.

As at 31 December 2023, the aggregate amount of the property, plant and equipment demolished, right-of-use assets derecognised and expenses incurred for the relocation is HK\$91,680,000 (2022: HK\$48,640,000) pursuant to the Land Resumption Agreement.

Notes to the Consolidated Financial Statements

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25. CONTRACT LIABILITIES

	2023	2022
	HK\$'000	HK\$'000
PVC pipes and fittings	10,808	16,308

As at 1 January 2022, the carrying amount of contract liabilities was HK\$6,960,000.

The contract liabilities are expected to be settled within the Group's normal operation cycle and therefore are classified as current liabilities.

26. AMOUNTS DUE TO DIRECTORS

At 31 December 2023, the amounts due to directors, who are also the controlling shareholders of the Group, in aggregate of HK\$171,079,000 (2022: HK\$177,260,000) are unsecured.

	2023	2022
	HK\$'000	HK\$'000
Repayable within one year:		
– interest bearing ranged from 2.9% to 4.35% per annum	21,883	24,711
– interest-free	21,760	21,760
	43,643	46,471
Repayable over one year:		
– interest bearing ranged from 2.9% to 4.35% per annum	54,750	56,450
– interest-free (Note)	72,686	74,339
	127,436	130,789
	171,079	177,260

Note: The principal amount outstanding as at 31 December 2023 is HK\$77,020,000 (2022: HK\$75,091,000). At the end of the reporting period, the Group calculates the estimated future cash flows at effective interest rate of 2.9% (2022: 2.9%). During the year ended 31 December 2023, the interest-free balance was agreed to be further extended for repayment and thus fair value adjustment on future cash flow estimates of HK\$3,779,000 (2022: nil) has been deducted from the carrying amount and recorded as deemed contribution in capital reserve.

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27. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:		
Within one year	19,408	21,847
Within a period of more than one year but not exceeding two years	19,357	19,957
Within a period of more than two years but not exceeding five years	22,621	43,165
	61,386	84,969
Less: Amount due for settlement with 12 months shown under current liabilities	(19,408)	(21,847)
Amount due for settlement after 12 months shown under non-current liabilities	41,978	63,122

At 31 December 2023, the weighted average incremental borrowing rates applied to lease liabilities was 5.50% (2022: 5.50%).

Restrictions or covenants on leases

As at 31 December 2023, lease liabilities of HK\$61,386,000 (2022: HK\$84,969,000) were recognised with related right-of-use assets of HK\$54,860,000 (2022: HK\$80,061,000). The lease agreements did not impose any covenants other than the security interests in the leased assets that were held by the lessor. The related leased assets may not be used as security for borrowing purposes. As at 31 December 2023, the lease liabilities were secured by rental deposits with carrying values of HK\$800,000 (2022: HK\$1,097,000).

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28. SECURED BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Variable rate bank loans	-	32,766
Variable rate trust receipts and import loans	-	574
	<u>-</u>	<u>33,340</u>
	<u>-</u>	<u>33,340</u>
The carrying amounts of the above secured bank borrowings are repayable*:		
Within one year	-	17,792
Within a period of more than one year but not exceeding two years	-	5,472
Within a period of more than two years but not exceeding five years	-	10,076
	<u>-</u>	<u>33,340</u>
	<u>-</u>	<u>33,340</u>
The carrying amounts of secured bank borrowings due within one year (excluding those loans with repayment on demand clause) shown under current liabilities	-	6,788
	<u>-</u>	<u>6,788</u>
The carrying amount of secured bank borrowing that contains a repayment on demand clause (shown under current liabilities) but repayable		
Within one year	-	11,004
After one year	-	15,548
	<u>-</u>	<u>26,552</u>
	<u>-</u>	<u>26,552</u>
Amount shown under current liabilities	-	33,340
	<u>-</u>	<u>33,340</u>

* The amounts due were based on the scheduled repayment dates set out in the loan agreements.

The Group has early repaid in full the bank borrowings during the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

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28. SECURED BANK BORROWINGS – continued

The bank loans of the Group, which were borrowed by subsidiaries, that were denominated in currencies other than the functional currency of the relevant group companies were set out below:

	2023	2022
	HK\$'000	HK\$'000
USD	–	13,821

The ranges of interest rates which was repriced every three months, on the Group's borrowings were as follows:

	2022
Variable rate bank loans, trust receipts, import loans and bank overdrafts	Interest rate: Ranging from Hong Kong Inter Bank Offered Rate ("HIBOR") + 1.75% to 2.5%, Prime rate and Central Bank base interest rate of the PRC multiplied by 130% to 150%

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings were as follows:

	2022
Effective interest rates: Variable rate secured bank borrowings	2.42% to 5.96% per annum

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29. DEFERRED TAXATION

The followings are the major deferred taxation assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Fair value changes in investment properties	Tax losses	Withholding tax on profits of a non-resident in the PRC	EIT liabilities arising from Redevelopment Project	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	(4,035)	(1,755)	8,561	(118,067)	(136,615)	(4)	(251,915)
Currency realignment	42	-	(201)	(208)	9,862	-	9,495
(Charge) credit to profit or loss	(155)	528	(4,866)	6,554	10,653	-	12,714
Withholding tax paid	-	-	-	504	-	-	504
At 31 December 2022	(4,148)	(1,227)	3,494	(111,217)	(116,100)	(4)	(229,202)
Currency realignment	14	-	-	(34)	3,179	-	3,159
(Charge) credit to profit or loss	(6,562)	(296)	6,569	6,155	2,679	-	8,545
At 31 December 2023	(10,696)	(1,523)	10,063	(105,096)	(110,242)	(4)	(217,498)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	10,063	3,494
Deferred tax liabilities	(227,561)	(232,696)
	(217,498)	(229,202)

At the end of the reporting period, the Group had unused tax losses of approximately HK\$546,885,000 (2022: HK\$442,886,000) available to offset against future assessable profits. A deferred taxation asset of HK\$10,063,000 (2022: HK\$3,494,000) has been recognised in respect of HK\$55,929,000 (2022: HK\$21,178,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of HK\$490,956,000 (2022: HK\$421,708,000) due to the unpredictability of future profit streams. For the year ended 31 December 2023, approximately HK\$7,977,000 (2022: HK\$21,765,000) of tax loss have expired. Included in unrecognised tax losses are losses of HK\$189,886,000 (2022: HK\$129,231,000) that will expire in 5 years (2022: 5 years). Other losses may be carried forward indefinitely. The Group had no other significant unprovided deferred taxation at the end of the reporting period.

Notes to the Consolidated Financial Statements

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29. DEFERRED TAXATION – *continued*

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiary amounting to HK\$303,417,000 (2022: HK\$382,943,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2022	776,117,421	77,612
Exercise of share options (Note)	9,500,000	950
At 31 December 2022	785,617,421	78,562
Exercise of share options (Note)	6,500,000	650
At 31 December 2023	792,117,421	79,212

Note: During the year ended 31 December 2023, 6,500,000 shares of HK\$0.1 each were issued to the share option holders at HK\$0.58 per share upon exercise of the share options granted on 1 September 2015 under the share option scheme of the Company adopted on 10 June 2011 and all these shares rank pari passu with other ordinary shares of the Company in all respects.

During the year ended 31 December 2022, 9,500,000 shares of HK\$0.1 each were issued to the share option holders at HK\$0.309 per share upon exercise of the share options granted on 12 November 2012 under the share option scheme of the Company adopted on 10 June 2011 and all these shares rank pari passu with other ordinary shares of the Company in all respects.

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31. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme"), was adopted at an extraordinary general meeting of the Company held on 10 June 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 9 June 2022. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2023, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 41,300,000 (2022: 47,800,000), representing 5.2% (2022: 6.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 1 month of the date of grant, upon payment of HK\$1 from each grantee upon acceptance of offer. Options may be exercised immediately from the date of grant of the share options to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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For the year ended 31 December 2023

31. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

The following tables disclose the movements of the Company's share options in both years:

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2022	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2022	Exercised during the year	Lapsed during the year	Reclassified during the year (Note)	Outstanding at 31.12.2023
2012 share options												
Executive directors	12.11.2012	Nil	12.11.2012 -11.11.2022	0.309	4,500,000	(4,500,000)	-	-	-	-	-	-
Independent non-executive directors	12.11.2012	Nil	12.11.2012 -11.11.2022	0.309	600,000	-	(600,000)	-	-	-	-	-
Employees	12.11.2012	Nil	12.11.2012 -11.11.2022	0.309	5,000,000	(5,000,000)	-	-	-	-	-	-
					<u>10,100,000</u>	<u>(9,500,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2015 share options												
Executive directors	01.09.2015	Nil	01.09.2015 -31.08.2025	0.580	12,500,000	-	-	12,500,000	(6,500,000)	-	5,100,000	11,100,000
Non-executive director	01.09.2015	Nil	01.09.2015 -31.08.2025	0.580	500,000	-	-	500,000	-	-	-	500,000
Independent non-executive directors	01.09.2015	Nil	01.09.2015 -31.08.2025	0.580	900,000	-	-	900,000	-	-	-	900,000
Employees	01.09.2015	Nil	01.09.2015 -31.08.2025	0.580	9,100,000	-	-	9,100,000	-	-	(5,100,000)	4,000,000
					<u>23,000,000</u>	<u>-</u>	<u>-</u>	<u>23,000,000</u>	<u>(6,500,000)</u>	<u>-</u>	<u>-</u>	<u>16,500,000</u>
2020 share options												
Executive directors	22.12.2020	Nil	22.12.2020 -21.12.2030	0.357	19,100,000	-	-	19,100,000	-	-	1,100,000	20,200,000
Employees	22.12.2020	Nil	22.12.2020 -21.12.2030	0.357	5,700,000	-	-	5,700,000	-	-	(1,100,000)	4,600,000
					<u>24,800,000</u>	<u>-</u>	<u>-</u>	<u>24,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,800,000</u>
					<u>57,900,000</u>	<u>(9,500,000)</u>	<u>(600,000)</u>	<u>47,800,000</u>	<u>(6,500,000)</u>	<u>-</u>	<u>-</u>	<u>41,300,000</u>
Exercisable at the end of the year					<u>57,900,000</u>			<u>47,800,000</u>				<u>41,300,000</u>
Weighted average exercise price					<u>0.437</u>	<u>0.309</u>	<u>0.309</u>	<u>0.464</u>	<u>0.58</u>	<u>N/A</u>	<u>-</u>	<u>0.446</u>

Note: On 1 July 2023, three employees were appointed as directors of the Company. The classification of outstanding number of such employees' share options are reclassified to directors' section.

In respect of share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.510 (2022: HK\$0.500).

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32. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK\$1,500 per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions.

The total contribution to the retirement benefit schemes charged to the consolidated statement of profit or loss and other comprehensive income is HK\$2,911,000 (2022: HK\$2,743,000).

33. CAPITAL COMMITMENTS

	2023 HK\$'000	2022 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– plant and equipment	340	3,254
– buildings	2,638	16,683
	<u>2,978</u>	<u>19,937</u>

34. OPERATING LEASES

The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	2,028	3,318
In the second year	937	879
In the third year	615	422
In the fourth year	–	440
	<u>3,580</u>	<u>5,059</u>

The properties held have committed tenants for periods of up to three years (2022: four years).

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35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes amounts due to directors, lease liabilities and secured bank borrowings, disclosed in respective notes, net of pledged bank deposits, short-term bank deposits, cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debts.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Amortised cost	<u>1,055,221</u>	<u>974,583</u>
Financial liabilities		
Amortised cost	<u>373,412</u>	<u>443,661</u>

Financial risk management objectives and policies

The Group's major financial instruments include compensation income receivables included in long-term other assets, trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, amounts due to directors, secured bank borrowings and deposits received. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 15% (2022: 20%) and 16% (2022: 63%) of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currencies of the group entities making the sale and the purchase.

Several subsidiaries of the Company have foreign currency bank balances, compensation income receivables included in long-term other assets, trade and other receivables, trade and other payables, secured bank borrowings and deposits received that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2023 and 2022 are as follows:

	Assets		Liabilities	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
USD (HK\$ as functional currency)	28,771	37,437	49	14,136
USD (RMB as functional currency)	–	–	–	13,052
HK\$	–	8	–	–
RMB	42,034	37,990	65,026	62,981
	70,805	75,435	65,075	90,169

In addition, the Group is also exposed to foreign currency risk arising from intra-group loans/trading transactions denominated in HK\$ involving PRC entities whose functional currency is RMB. The foreign currency denominated net monetary liabilities (2022: net monetary assets) in relation to these intra-group balances amounted to approximately HK\$357,268,000 (2022: HK\$359,751,000). The Group has not formulated a policy to hedge the foreign currency risk.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Currency risk – continued

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$ and USD. Exposures on balances which are denominated in USD in group companies with HK\$ as functional currency, are not considered significant as HK\$ is pegged to USD. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB (functional currency of the relevant group companies) against HK\$ and USD while all other variables are held constant. The sensitivity analysis includes outstanding foreign currency denominated monetary items including external loans in USD as well as intra-group loans/trading transactions denomination in HK\$ involving the PRC entities whose functional currency is RMB. A positive number below indicates a decrease in loss (2022: a decrease in loss) for the year where RMB weakens against HK\$ and USD. For a 5% strengthening of RMB against HK\$ and USD, there would be an equal and opposite impact on the results for the year and the balances below would be negative.

	2023 HK\$'000	2022 HK\$'000
RMB against HK\$	(14,260)	12,554
RMB against USD	–	(489)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate secured bank borrowings (see note 28). In relation to these variable rate secured bank borrowings, the Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Market risk – *continued*

Interest rate risk – continued

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable rate secured bank borrowings at the end of the reporting period. At 31 December 2022, a 100 basis points increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. At 31 December 2022, if interest rates had been 100 basis points higher and all other variable held constant, the potential effect on loss for the year is as follows:

	2022 HK\$'000
Increase in loss for the year	273

For decreasing interest rate of 100 basis points, there would be an equal and opposite impact on the results for the year.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to compensation income receivables included in long-term other assets, trade and other receivables, contract assets, pledged bank deposits, short-term bank deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period. As at 31 December 2023, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on debtors with significant outstanding balances or credit-impaired individually and based on internal credit rating for the remaining balance.

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36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – *continued*

At 31 December 2023, the Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 95% (2022: 93%) of the total trade receivables and contract assets.

At 31 December 2023, the Group has concentration of credit risk on trade receivables and contract assets as 9.3% (2022: 20.6%) of the total trade receivables and contract assets was due from the Group's largest debtor within the PVC pipes and fittings segment.

Trade receivables arising from contracts with customers and contract assets

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK\$142,072,000 (2022: HK\$98,735,000) and HK\$58,949,000 (2022: HK\$55,835,000) respectively with loss allowances of HK\$5,585,000 (2022: HK\$4,463,000) and HK\$58,949,000 (2022: HK\$55,835,000) respectively were assessed individually.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The Group's internal credit risk rating comprises the following categories:

Low:	The customer has a low risk of default and does not have any past-due amounts
Medium:	The customer regularly repays on time but sometimes settles after due date
High:	The customer frequently repays after due dates but usually settles after due date

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Trade receivables arising from contracts with customers and contract assets – continued

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on internal credit rating as at 31 December 2023 and 2022 within lifetime ECL (not credit-impaired).

	Gross carrying amount HK\$'000	Average loss rate %	Loss allowance HK\$'000	Net carrying amount HK\$'000
As at 31 December 2023				
Internal credit rating				
Low	20,838	0.09	19	20,819
Medium	49,358	4.62	2,281	47,077
High	45,609	10.81	4,931	40,678
	115,805		7,231	108,574
	Gross carrying amount HK\$'000	Average loss rate %	Loss allowance HK\$'000	Net carrying amount HK\$'000
As at 31 December 2022				
Internal credit rating				
Low	59,417	0.17	99	59,318
Medium	72,034	4.59	3,306	68,728
High	112,136	10.88	12,205	99,931
	243,587		15,610	227,977

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36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – *continued*

Trade receivables arising from contracts with customers and contract assets – continued

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Other receivables

The management of the Group has considered the consistently low historical default rate in connection with the other receivables, and concluded that credit risk inherent in the Group's other receivables is insignificant.

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For the year ended 31 December 2023

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Reconciliation of loss allowance

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2022	8,244	81,784	90,028
Changes due to financial instruments recognised as at 1 January 2022:			
– Transfer to credit-impaired	(262)	262	–
– Impairment losses recognised	12,485	14,564	27,049
– Impairment losses reversed	(2,622)	(35,318)	(37,940)
New financial assets	3,240	–	3,240
Currency realignment	(1,012)	(5,457)	(6,469)
	20,073	55,835	75,908
As at 31 December 2022			
Changes due to financial instruments recognised as at 1 January 2023:			
– Transfer to credit-impaired	(11,768)	11,768	–
– Impairment losses recognised	12,048	4,344	16,392
– Impairment losses reversed	(7,610)	(11,436)	(19,046)
New financial assets	578	–	578
Currency realignment	(505)	(1,562)	(2,067)
	12,816	58,949	71,765
As at 31 December 2023			

The Group writes off a trade receivable and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Reconciliation of loss allowance – continued

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (credit- impaired) HK\$'000
As at 1 January 2022	1,101
Currency realignment	(49)
Written-off	(1,052)
	<hr/>
As at 31 December 2022 and 31 December 2023	–
	<hr/> <hr/>

The 12m ECL arose from other receivables is insignificant.

Other financial assets subject to ECL

For the compensation income receivables included in long-term other assets, no impairment allowance were made since the directors of the Company consider the loss given default and exposure at default are significantly reduced as the compensation income receivables are subject to offsetting agreement with the Deposits Received.

The management of the Group considers the pledged bank deposits, short-term bank deposits and bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate per annum %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Financial liabilities							
As at 31 December 2023							
Trade and other payables	-	46,394	5,049	30,858	-	82,301	82,301
Amounts due to directors	3.11	43,643	-	-	131,771	175,414	171,079
Deposits received	6.00	-	-	-	121,012	121,012	120,032
Lease liabilities	5.50	2,105	4,210	15,944	44,484	66,743	61,386
		92,142	9,259	46,802	297,267	445,470	434,798
As at 31 December 2022							
Trade and other payables	-	53,185	24,649	35,685	-	113,519	113,519
Amounts due to directors	3.11	46,471	-	-	134,987	181,458	177,260
Secured bank borrowings – variable rate	2.91	26,552	-	9,322	-	35,874	33,340
Deposits received	6.00	-	-	-	127,172	127,172	119,542
Lease liabilities	5.50	2,165	4,329	19,481	68,630	94,605	84,969
		128,373	28,978	64,488	330,789	552,628	528,630

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. At 31 December 2022, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$26,552,000 (2023: nil). Taking into account the Group’s financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank loans will be repaid from one to five years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to HK\$28,102,000 (2023: nil).

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group’s variable rate bank loans based on the scheduled repayment dates set out in the loan agreement as set out in the table below:

	Weighted average interest rate per annum %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Variable rate bank loans							
As at 31 December 2022	2.91	484	6,555	4,372	16,691	28,102	26,552

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Interest payables	Amounts due to directors	Secured bank borrowings	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	14,999	176,060	208,039	–	399,098
Financing cash flows	(15,434)	–	(170,043)	(23,853)	(209,330)
Currency realignment	–	(1,712)	(4,656)	–	(6,368)
New leases entered	–	–	–	103,790	103,790
Finance costs recognised	6,309	2,912	–	5,032	14,253
	5,874	177,260	33,340	84,969	301,443
At 31 December 2022	5,874	177,260	33,340	84,969	301,443
Financing cash flows	(1,003)	(6,396)	(33,190)	(25,401)	(65,990)
Currency realignment	–	(601)	(150)	(2,219)	(2,970)
Finance costs recognised	1,003	4,595	–	4,037	9,635
Deemed director contribution	–	(3,779)	–	–	(3,779)
	5,874	171,079	–	61,386	238,339
At 31 December 2023	5,874	171,079	–	61,386	238,339

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings were secured by the following assets:

	2023	2022
	HK\$'000	HK\$'000
Investment properties	21,300	21,200
Leasehold land and buildings	88,200	95,105
Right-of-use assets	9,347	9,926
Pledged bank deposits	6,281	6,206
	125,128	132,437

In addition, the Group also pledged the life insurance policy to a bank to secure general banking facilities granted to the Group (see note 18).

39. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with related parties:

(a) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2023	2022
	HK\$'000	HK\$'000
Short-term benefits	18,418	19,108
Post-employment benefits	90	72
	18,508	19,180

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. RELATED PARTY TRANSACTIONS – *continued*

- (b) During the year ended 31 December 2023, Joy Tower Limited, a related party of the Group, provided its residential property to secure one of the Group's banking facilities amounting to HK\$57,394,000 (2022: HK\$57,904,000). HK\$14,394,000 was utilised in respect of this banking facility as at 31 December 2022.

Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, the directors and controlling shareholders of the Company, are directors and controlling shareholders of Joy Tower Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

40. PRINCIPAL SUBSIDIARIES

The details of principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company		Principal activities		
			Directly 2023	Indirectly 2022			
Action Land Limited	Hong Kong – limited liability company	HK\$6,000,000	-	-	100%	100%	Provision of transportation services
Greatflow Investments Limited	British Virgin Islands (“BVI”) – limited liability company	USD1	-	-	100%	100%	Property holding
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.*	PRC – wholly foreign owned enterprise	USD15,806,000	-	-	100%	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.*	PRC – wholly foreign owned enterprise	HK\$330,000,000	-	-	100%	100%	Manufacturing of PVC pipes and fittings and moulds
South China Plastic Building Material Manufacturing Limited	Hong Kong – limited liability company	HK\$2	-	-	100%	100%	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited*	PRC – wholly foreign owned enterprise	USD11,910,000	-	-	100%	100%	Manufacturing of household products and operating recycling and reborn resources related business
Welidy	Hong Kong – limited liability company	HK\$10,000	-	-	100%	100%	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$10,000 (Note a)	-	-	100%	100%	Property holding
World Houseware (B.V.) Limited	BVI – limited liability company	HK\$50,000	100%	100%	-	-	Investment holding
World Houseware Producing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$160,500 (Note b)	-	-	100%	100%	Trading in household products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

40. PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2023	2022	2023	2022	
World (Baoan)*	PRC – wholly foreign owned enterprise	HK\$360,000,000	-	-	100%	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong – limited liability company	HK\$32,500,000	-	-	100%	100%	Investment holding
South China Reborn Resources (Hong Kong) Company Limited	Hong Kong – limited liability company	USD10,000	-	-	100%	100%	Operating recycling and reborn resources related business
Guangdong Nam Sok Building Material Products Company Limited*	PRC – wholly foreign owned enterprise	RMB150,000,000	-	-	100%	100%	Manufacturing of PVC pipes and fittings and moulds

* The English name is translated for identification purpose only.

Notes:

- (a) None of the deferred non-voting shares are held by the Group.
- (b) The deferred non-voting shares are held by Welidy.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the subsidiaries operate in their respective places of incorporation/registration except Welidy which holds properties in the PRC, Greatflow Investments Limited which holds properties in Hong Kong and World Houseware (B.V.I.) Limited which operates in Hong Kong.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Notes to the Consolidated Financial Statements

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Investments in subsidiaries	57,188	57,188
Amounts due from subsidiaries	200,000	200,000
	257,188	257,188
Current assets		
Amounts due from a subsidiary	106,050	119,681
Bank balances and cash	122	123
	106,172	119,804
Current liability		
Accrued expenses	2,621	2,538
Net current assets	103,551	117,266
Non-current liability		
Amount due to a director	72,686	74,339
Net assets	288,053	300,115
Capital and reserves		
Share capital	79,212	78,562
Reserves (Note)	208,841	221,553
Total equity	288,053	300,115

Note:

	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	347,990	8,917	10,345	13,215	(142,233)	238,234
Loss and total comprehensive expense for the year	-	-	-	-	(18,667)	(18,667)
Exercise of share options	3,395	-	-	(1,409)	-	1,986
Release of lapsed share options	-	-	-	(89)	89	-
At 31 December 2022	351,385	8,917	10,345	11,717	(160,811)	221,553
Loss and total comprehensive expense for the year	-	-	-	-	(19,611)	(19,611)
Exercise of share options	5,120	-	-	(2,000)	-	3,120
Deemed contribution on arising from cash flow estimates on amount due to a director	-	-	3,779	-	-	3,779
At 31 December 2023	356,505	8,917	14,124	9,717	(180,422)	208,841

Financial Summary

RESULTS

	For the year ended 31 December				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Turnover	809,809	817,298	878,030	628,672	380,630
(Loss) profit before taxation	(102,154)	96,785	38,588	(219,453)	(168,520)
Taxation credit (charge)	5,872	(27,801)	5,434	6,001	(3,612)
(Loss) profit for the year	(96,282)	68,984	44,022	(213,452)	(172,132)

ASSETS AND LIABILITIES

	At 31 December				2023 HK\$'000
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Total assets	2,626,946	2,910,596	3,780,557	3,203,919	3,056,413
Total liabilities	(937,918)	(1,056,399)	(1,840,966)	(1,561,039)	(1,605,017)
Total equity	1,689,028	1,854,197	1,939,591	1,642,880	1,451,396