ANNUAL 2021
REPORT

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

Stock Code: 1692

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee

BOARD COMMITTEES

Audit Committee

Mr. Chan Ping Yim *(Chairman)*
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee

Remuneration Committee

Mr. Chan Shing Jee *(Chairman)*
Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny

Nomination Committee

Mr. Choi Chi Leung Danny *(Chairman)*
Mr. Chan Ping Yim
Mr. Chan Shing Jee

COMPANY SECRETARY

Mr. Chiu Wai Kwong

AUTHORISED REPRESENTATIVES

Mr. Chan Wai Ming
Mr. Chiu Wai Kwong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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15 Hing Yip Street, Kwun Tong
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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Hong Kong

LEGAL ADVISER

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

PRINCIPAL BANKERS

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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Quarry Bay
Hong Kong

COMPANY'S WEBSITE

www.townray.com

STOCK CODE

1692

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Town Ray Holdings Limited (the “**Company**” or “**Town Ray**”, together with its subsidiaries, collectively, the “**Group**” or “**we**”, “**ours**” or “**us**”), I am pleased to present to our valued shareholders (the “**Shareholder(s)**”) the annual report of our Group for the year ended 31 December 2021 (the “**Year**”).

The Group delivered a set of strong results for 2021. As the global economy gradually normalised and adapted to the COVID-19 pandemic (the “**Pandemic**”), a steady recovery in consumer demand can be observed and the demand for electrothermic household appliances remained strong due to the effect of previously suppressed demand and resumption of marketing activities of brands. The Pandemic also fundamentally changed the consumers’ behaviour in many markets, which develop a strong consciousness for modern and healthy living at home. Town Ray was able to capture these market opportunities and realised continual growth with its cooking and garment care appliances.

However, this sudden increase in consumer demand and the ripple effect of the Pandemic have caused new challenges including the disruption of the supply chain, the global shortage of raw materials, and power supply shortage in China. These macroeconomic factors unavoidably created pressure on the Group’s manufacturing costs. To alleviate said impacts, the Group diligently maintained communication with our customers, suppliers, as well as logistic service providers throughout the Year. I would like to take this opportunity to express my sincere gratitude and appreciation to all employees of Town Ray, whose tireless commitment during the Year has effectively lessened the said external impacts and helped realise our sustaining growth during the Year.

During the Year, our revenue amounted to HK$763.1 million, representing an increase of 40.9% as compared to last year. Gross profit for the Year amounted to HK$221.0 million, with gross profit margin amounted to 29.0%. Net profit attributable to equity holders of the Company was HK$106.5 million, with net profit margin amounted to 14.0%. Earnings per share for the Year amounted to HK29.67 cents (2020: HK27.53 cents).

Town Ray has achieved solid and sustainable growth in the past three years. I am delighted that the Group’s performance has once again been acknowledged by the market during the Year that we received several industry-renowned awards in 2021, including the Merit Award in Hong Kong Management Association’s 2021 Quality Award, the “ListCo Excellence Awards 2021” co-organised by two major media in Hong Kong and China, and also was named “The Best Home Appliance Manufacturer”, “The Best Corporate Leader” and “The Best Corporate Social Responsibility” by a financial magazine in Hong Kong.

To show our appreciation to our Shareholders for their continuous support, the Board of Directors recommended the payment of a final dividend of HK16.0 cents per share (2020: HK14.4 cents) for the Year.

PROSPECTS

Looking ahead to 2022, although there are a number of positive market factors, including steady progress of vaccination and boosters and tentative lifting of COVID-19 related lockdown policies in key markets, the latest wave of the Pandemic, driven by the highly transmissible OMICRON variant, may cast gloom over the recovery of business environment. Against this backdrop, existing market uncertainties including the shortage in raw materials and shipping containers, may continue to exert pressure to the Group until the new wave of Pandemic is tamed.

To help alleviate such pressure, the Group will continue to commit towards the enhancement of our production efficiency to reduce manufacturing costs. The Group is delegating resources towards upgrading our operations to meet Industry 4.0 Standards, going beyond simple automation in the production level, and integrating the latest technologies to different facets, including organisational management, quality assurance, internal communication, etc., with the aim of reducing slack on all levels of the Company and thereby maximises the Group’s profitability.

CHAIRMAN'S STATEMENT

Market demand is on the rise in our key markets despite concerns over the latest outbreak of the Pandemic. Our growing order book reflects that our customers are experiencing accelerated growth. To keep up with the pace of growth in demand and better align with the development roadmaps of our customers, we will continuously invest in the increase in production capacity of the Group. We believe that it will be a worthwhile investment as the increased production capacity will not only allow the Group to better serve our existing customers but will also provide the Group with more room for taking orders from new customers, which will diversify our customer base.

On the other hand, climate change presents a severe threat to the Earth as well as the Group's long-term development. To combat climate change, the Group is committed to upholding high environmental standards in our operation, leveraging our research and development capabilities to reduce energy usage and our carbon footprint. Our target is to achieve a 15% reduction of emission, hazardous wastes and water consumption per production unit by 2025 from the base year of 2020.

The Pandemic has hastened the development of the electrothermic household appliance market, and demand for products with various upgrades and technological implementation has risen. To maintain our competitive advantage in this expanding market, the Group will leverage our vast research and development capabilities to expedite the pace of innovation in our products. The Group intends to facilitate this goal by further expanding our research and development centre in Hong Kong and exploring the integration of cutting-edge technologies including artificial intelligence, Internet of Things, and extended reality to our products, which will bring greater value to our customers and secure our market presence.

Although there has been a slowdown of economic growth in China in 2021, the National Bureau of Statistics of China reported a 8.1% year-on-year growth of gross domestic product in 2021, which is an impressive showcase of the economy's resilience at a time where major economies were battered by the Pandemic. The Group acknowledges the great market potential in China, particularly in the Greater Bay Area, and is aiming to eventually establish a solid foundation to tap into this potential market. However, due to the rapid increase in demand from our existing customers in Europe, the Group's priority is to support their growth by expanding our production capacity and efficiency. As Town Ray grows further in size, we will keep abreast of market trends in the Greater Bay Area and consider the best timing and approach to enter the Chinese market.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to the Board, the management and all our staff for their dedicated support and commitment. The past year has been challenging, and Town Ray would not have realised such splendid results without their tireless efforts. I would also like to extend my heartfelt appreciation to our business partners, customers and Shareholders. Their continuous trust and constant support have been invaluable to the Group. We will continue to dedicate ourselves to maximizing long-term returns for our stakeholders.

Chan Kam Kwong Charles
Chairman and non-executive Director

Hong Kong, 18 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

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

BUSINESS REVIEW

2021 was another record high year for Town Ray in terms of financial results, with continuous growth achieved in both revenue and profit for three consecutive years, despite the evolving Pandemic and its ripple effect on the global market in the past two years.

In 2021, there was no doubt that all governments had been taking actions to mitigate the socio-economic impact of the prolonged Pandemic and support the recovery. In Europe (where most of the Group's key customers are headquartered), as vaccination campaigns progressed and anti-Pandemic restrictions started to be lifted, economic growth resumed in spring of 2021 and continued unabated through summer, underpinned by the re-opening of the economy in the second half of 2021. With the rebound of the overall consumer sentiment, the demand for electrothermic household appliances continued its growth momentum as people still spent more time at home and brands restarted their marketing and product launch plans. The Group's cooking appliances segment seized the opportunities with new models launched to market in time and successfully expanded to new geographic markets, which further diversified its clientele. The average selling price of the Group's cooking appliances had also been raised, thanks to the introduction of new product features. The expanded production lines of the Group had been operating at full capacity to fulfill its growing order book.

Despite the market demand recovery, the international trade and supply chains were heavily disrupted by the Pandemic, which had affected product delivery throughout the Year. The shortage of raw materials and shipping containers, caused by on and off travel restrictions and lockdown measures in different regions, had resulted in raw materials prices hikes and delivery schedule delays. The appreciation of the Renminbi ("**RMB**") against the United States dollars ("**USD**") also inevitably increased the Group's operating costs. The power supply shortage in China in the second half of 2021, however, did not have impact on the Group's production. In summary, Town Ray was still the most preferred supplier of its customers for it had demonstrated its resilience and agility over the unprecedented challenges by keeping its excellent service commitment and ensuring product delivery to its customers.

PROSPECTS

Looking into 2022, the business environment is no less complicated, yet Town Ray is cautiously optimistic that there are new opportunities amid challenges. In step with the international market expansions of the Group's customers, a number of new models will be launched with various features by the Group, which adopted to cater for consumers' needs. It is believed that these catalysts would continue to fuel the Group's growth momentum in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Being entrusted by its customers in supporting their business development and growth, it would be an unwavering task for Town Ray in its advancement to provide the best quality, best design, best value products to its customers with best service and communications. In the first quarter of 2022, the Group has also started its test run of its Industry 4.0 production lines with enhanced digitalisation and further automation to boost production efficiency. Additional resources have also been allocated to upgrade and digitalise its organisational management, operation flows and internal communications with the latest IT systems to expedite the full implementation of the Industry 4.0 smart manufacturing and management. In response to the Chinese national targets for carbon peaking by 2030 and carbon neutrality by 2060, the Group has also been working on its manufacturing facility upgrade for energy saving and reducing environmental impact. The Group planned to achieve a 15% reduction of emission, hazardous wastes and water consumption per production unit by 2025 from the base year of 2020. Town Ray believes that its commitment to environmental protection to build a greener and healthier environment is important to the sustainability of the world, its community as well as its business.

The latest wave of the Pandemic, driven by the highly transmissible OMICRON variant, may cast gloom over the business environment's recovery. Higher vaccine coverage, improved treatments and reduced mortality over the globe have been observed, and yet the evolution of the virus, outbreaks and respective mitigation measures are all expected to go on for some time. Therefore, the global supply chain disruption is expected to continue. The stability of the raw material supply and prices could thus be affected, putting pressure again on manufacturers and exporters in China. The Group will maintain its close communication with customers and suppliers and its sourcing capability for alternative solutions, which have proven to be an advantage of the Group to minimise the impacts to its profitability in 2021. In the meantime, the Group has adjusted upward the average selling price of its products. This does not only protect the Group's profitability from the potential fluctuation of costs but also proves its pricing power and its indispensable role in the value chain.

In conclusion, Town Ray sees ample opportunities in the electrothermic household appliances market despite the challenges in the macro environment. The Group will stay agile and responsive to the changes and pursue fruitful and sustainable values for its customers and Shareholders by leveraging on its expertise, excellent management and execution.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK$221.4 million or approximately 40.9% from approximately HK$541.7 million for the year ended 31 December 2020 to approximately HK$763.1 million for the year ended 31 December 2021. Such increase was mainly attributable to the increase in the sales of cooking appliances during the Year.

Gross Profit and Gross Profit Margin

The gross profit margin of the Group decreased by 5.0 percentage points from approximately 34.0% for the year ended 31 December 2020 to approximately 29.0% for the year ended 31 December 2021. The decrease in gross profit margin was mainly attributable to the appreciation in RMB against USD and the increase in raw material costs. The gross profit of the Group increased from approximately HK$184.0 million for the year ended 31 December 2020 to approximately HK$221.0 million for the year ended 31 December 2021, representing an increase of approximately HK$37.0 million or approximately 20.1%. The increase in gross profit was primarily attributable to the increase in sales of cooking appliances during the Year.

Other Income and Gain, Net

Other income and gain, net of the Group decreased from approximately HK$13.2 million for the year ended 31 December 2020 to approximately HK$4.5 million for the year ended 31 December 2021. Such decrease was due to the Group recorded an exchange gain of approximately HK$5.7 million and the receipt of government subsidies of approximately HK$3.5 million for the year ended 31 December 2020, while the Group only recorded an exchange gain of approximately HK$0.6 million and the receipt of government subsidies of approximately HK$0.9 million for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

General and administrative expenses of the Group increased from approximately HK$63.2 million for the year ended 31 December 2020 to approximately HK$84.5 million for the year ended 31 December 2021, representing an increase of approximately HK$21.3 million. Such increase was due to the increase in employee benefit expense (including directors' remuneration) from approximately HK$38.5 million for the year ended 31 December 2020 to approximately HK$55.9 million for the year ended 31 December 2021, representing an increase of approximately HK$17.4 million. Increase in employee benefit expense was due to the increase in directors' remuneration, the increase in the total number of staff during the Year and the absence of temporary reduction and exemption of payment of social insurance premium in the PRC during the Year.

Finance Costs

Finance costs of the Group decreased from approximately HK$1.7 million for the year ended 31 December 2020 to approximately HK$0.8 million for the year ended 31 December 2021. Such decrease was due to the decrease in approximately HK$0.7 million in interest on lease liabilities and decrease in approximately HK$0.2 million in interest on bank loans for operations during the Year.

Income Tax Expense

The income tax expense of the Group slightly increased by approximately HK$0.8 million, representing an increase of approximately 4.4%, from approximately HK$18.5 million for the year ended 31 December 2020 to approximately HK$19.3 million for the year ended 31 December 2021. The effective tax rate was approximately 15.1% and 15.4% for the years ended 31 December 2020 and 2021, respectively.

Net Profit

As a result of the foregoing, the net profit of the Group increased by approximately HK$2.3 million, or approximately 2.2%, from approximately HK$104.2 million for the year ended 31 December 2020 to approximately HK$106.5 million for the year ended 31 December 2021. The net profit margin of the Group for the years ended 31 December 2020 and 2021 were approximately 19.2% and 14.0%, respectively, representing a decrease of approximately 5.2 percentage points.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the Year.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group has capital commitments in respect of purchases of property, plant and equipment, which had been contracted but not provided for in the consolidated financial statements, in the total amount of approximately HK$78.7 million, of which approximately HK$7.6 million will be settled through the net proceeds (the "**Net Proceeds**") raised from the share offer of the Company (the "**Share Offer**"). Save as disclosed above, the Group did not have other capital commitments for the year ended 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain transactions denominated in foreign currencies, mainly in USD and RMB, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. As at 31 December 2021, the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. However, the management monitors foreign exchange exposure closely to keep the net exposure to an acceptable level.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group entered into the provisional agreement for sales and purchase of property which is located at Workshop A on 25th Floor, Reason Group Tower, No. 403 Castle Peak Road, Kwai Chung, New Territories ("**Workshop 25A**") with an independent third party at a consideration of approximately HK$49.7 million on 1 September 2021. The formal agreement of Workshop 25A was signed on 15 September 2021. The acquisition of Workshop 25A was completed on 18 January 2022. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in respect of the acquisition of Workshop 25A exceeded 5% but all were less than 25%, the acquisition of Workshop 25A constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. For further information in relation to this acquisition, please refer to the announcement of the Company dated 1 September 2021 and 3 September 2021.

The Group also entered into the provisional agreements for sales and purchase of properties which are located at Car Parking Space No. P1, P2, P3, P4 and P14 on the Ground Floor ("**Car Parking Spaces**") and Workshop D & E on 12th Floor, Reason Group Tower, No. 403 Castle Peak Road, Kwai Chung, New Territories ("**Workshop 12D&E**") with respective independent third parties at considerations of approximately HK$11.0 million on 6 September 2021 and approximately HK$16.3 million on 27 October 2021, respectively. The formal agreements of Car Parking Spaces and Workshop 12D&E were signed on 20 September 2021 and 11 November 2021, respectively. The acquisition of Workshop 12D&E was completed on 19 January 2022 and the completion of the acquisition of Car Parking Spaces is expected to be on 30 April 2022. Upon completion of the acquisition of Workshop 25A and Workshop 12D&E, the Company intended to relocate the existing workshop, godown and ancillary office of the Group in Hong Kong to Workshop 25A and Workshop 12D&E. Upon completion of the acquisition of Car Parking Spaces, they would also be self-used by the Group.

Save as disclosed above and except for the commitments in note 26(a) to the consolidated financial statements, the Group did not have any specific plans for material investments and capital assets as at 31 December 2021.

GEARING RATIO

As at 31 December 2021, the gearing ratio of the Group (calculated by the total of interest-bearing bank borrowings divided by total equity) was approximately 24.1% (2020: approximately 12.8%). Such increase was mainly due to the increase in interest-bearing bank borrowings of the Group.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has principally funded the liquidity and capital requirements through capital contributions from the Shareholders, bank borrowings and net cash generated from operating activities. As at 31 December 2021, the Group had cash and cash equivalents of approximately HK$144.9 million (2020: approximately HK$223.9 million). The gearing ratio of the Group as at 31 December 2021 was approximately 24.1% (2020: approximately 12.8%). As at 31 December 2021, the current ratio of the Group was approximately 2.0 times (2020: approximately 2.6 times). The financial resources presently available to the Group include bank borrowings and the Net Proceeds, the Directors are of the view that the Group has sufficient working capital for its future requirements.

There was no change in the capital structure of the Group during the Year.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately HK$80.1 million as at 31 December 2021 (2020: approximately HK$39.6 million). As at 31 December 2021, the Group had a pledged deposit of approximately HK$0.1 million in support of the issue of a letter of credit by a bank. Other than the above, no charge was made or subsisting on assets of the Group as at 31 December 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) The Group's business and operation may be seriously affected by the outbreak of the Pandemic or other public health incident, which may cause lockdown, travel restrictions and suspension of work in the PRC, Hong Kong or elsewhere.

(ii) The Group's sales are subject to changes in consumer preferences and other macroeconomic factors that affect consumer spending patterns. If the Group fails to design and develop products with acceptable quality, or falls behind its competitors in improving its product quality or product variety, the Group's operating results and financial condition may be adversely affected.

(iii) The Group relies on a few major customers and its performance will be materially and adversely affected if the Group's relationship with any one of them deteriorates.

(iv) The Group's business and financial position may be adversely affected if it is not able to continue servicing the European market effectively or if there is any adverse change in the macroeconomic situation or economic downturn in Europe.

(v) The Group's results of operations could be adversely affected if it fails to keep pace with customer demands and preferences on product design, research and development and manufacturing of its products.

(vi) The Group may not be successful in the development of new initiatives or improvement in the quality of its existing products.

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

SIGNIFICANT INVESTMENTS HELD

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group has a total of 866 full-time employees (2020: 792). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as qualifications, experience, performance, merits, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, annual leave and share options which may be granted under the share option scheme (the "**Share Option Scheme**") adopted by the Company on 3 October 2019. The total staff costs (excluding directors' remuneration) incurred by the Group during the year ended 31 December 2021 was approximately HK$94.1 million (2020: approximately HK$73.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the production of the Group mainly takes place in PRC, the Group's business is subject to the relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in the section headed "Regulatory overview" in the Prospectus.

During the Year, the Group is not subject to any material environmental claims, lawsuits, penalties, administrative or disciplinary actions.

For further information in relation to the environmental policies of the Group, please refer to the environmental, social and governance report for the Year, which will be published on the Group's website according to the requirements under the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

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

DIVIDEND

The Directors recommended the payment of a final dividend of HK16.0 cents per share for the year ended 31 December 2021 (2020: HK14.4 cents). Payment of the final dividend is subject to the Shareholders' approval in the annual general meeting of the Company scheduled to be held on Friday, 27 May 2022 ("**2022 AGM**").

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

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

Customers

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

Suppliers

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

Employees

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

During the year ended 31 December 2021, there was no material dispute between the Group and its customers, suppliers and employees, respectively.

USE OF PROCEEDS

The Net Proceeds of the Share Offer received by the Group in relation to the listing (the "**Listing**") of its shares on the Stock Exchange on 25 October 2019 (the "**Listing Date**") were approximately HK$90.7 million, after deducting the underwriting fees and related expenses. Part of the Net Proceeds were applied from the Listing Date to 31 December 2021 and are intended to be applied in accordance with the proposed application set out in the section headed "Future plans and use of proceeds" in the Prospectus. On 23 July 2020, the Board resolved to revise the schedule of the use of the unutilised net proceeds (the "**Unutilised Net Proceeds**"), after having considered the impact of the outbreak of the Pandemic to the economy, the business environment and the customers' demand, details of which were announced by the Company in its announcement dated 23 July 2020. The below table sets out the proposed application and actual usage of the Net Proceeds as at 31 December 2021:

	Total planned use of Net Proceeds HK$ million	**Actual use of Net Proceeds from the Listing Date to 31 December 2021** HK$ million	**Remaining balance of Net Proceeds as at 31 December 2021** HK$ million	**Expected timeline for the intended use**
(A) Upgrading production facilities and enhancing production capacity	50.4	34.5	15.9	By December 2022
(B) Strengthening product design and development capabilities and increasing product offerings	31.6	11.2	20.4	By December 2022
(C) Strengthening customer base	3.0	2.1	0.9	By December 2022
(D) Upgrading information technology systems	5.7	1.0	4.7	By June 2022
Total	90.7	48.8	41.9	

From the Listing Date to 31 December 2021, the Company utilised approximately HK$48.8 million of Net Proceeds and the Unutilised Net Proceeds amounted to approximately HK$41.9 million. There has been delay in the use of the Net Proceeds for upgrading production facilities and enhancing production capacity during the Year due to a delay in the upgrading schedule and for some of the machineries and equipment, the Group has placed orders but, under the relevant contracts, the Group has not yet required to make full payment under the agreed payment schedule. It is expected that the portion of the Net Proceeds allocated to upgrading production facilities and enhancing production capacity will be fully utilised by 31 December 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Wai Ming (陳偉明先生) ("Mr. Chan"), aged 53, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. He also serves as the chief executive officer of our Group. He is primarily responsible for the overall administration management and formulation of business strategies of our Group. He is also a director of Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Mr. Chan has over 24 years of experience in accounting. He was a staff accountant at Ernst & Young, certified public accountants in Hong Kong, from October 1997 to January 2000. He was an accountant from February 2000 to December 2000 and the chief accountant from January 2001 to March 2002 of China Sci-Tech Holdings Limited (currently known as CST Group Limited) (stock code: 985), a company listed on the Stock Exchange, respectively. He was also the financial controller of Full Apex (Holdings) Limited, a company listed on the Singapore Exchange Limited, from March 2002 to September 2004. He worked as the financial controller of Tunbow Industries Limited from August 2004 to December 2004 and Tunbow Electrical Limited from January 2005 to April 2016. Mr. Chan joined Tunbow Group Limited as corporate finance and business development officer in May 2016.

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

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

Mr. Chiu Wai Kwong (趙維光先生) ("Mr. Chiu"), aged 57, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. He is the company secretary of our Company and also serves as the finance director of our Group. He is primarily responsible for the overall financial management, investment operation and budgeting of our Group. He is also a director of Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Mr. Chiu has over 34 years of experience in accounting and finance. He worked at the Inland Revenue Department as an assistant assessor from June 1987 to July 1991. He was the financial controller of Oceania Brothers Manufacturing Co., Ltd from August 1991 to November 1997. He worked at Tunbow Industries Limited as the financial controller from January 1998 to December 2004 and Tunbow Electrical Limited as the finance director from January 2005 to March 2009. He joined Tunbow Group Limited as a director in November 2007 and as finance director in April 2009.

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

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

Ms. Tang Mei Wah (鄧美華女士) ("Ms. Tang"), aged 47, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. She also serves as the managing director of our Group. She is primarily responsible for the overall operation management, formulation of business strategies and overall administration of our Group. She is also a director of Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Ms. Tang has over 23 years of experience in the household appliances industry. From September 1998 to January 2005, Ms. Tang worked at Tunbow Industries Limited with the last position as account manager. From January 2005 to April 2009, Ms. Tang worked at Tunbow Electrical Limited with the last position as marketing manager. She joined Tunbow Group Limited as a director in November 2007 and was promoted to managing director in March 2013.

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

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

Mr. Yu Kwok Wai (俞國偉先生) ("Mr. Yu"), aged 45, was appointed as a Director on 28 September 2017 and was re-designated as an executive Director on 28 February 2019. He also serves as the marketing director of our Group. He is primarily responsible for the overall management, formulation of business strategies and overall marketing management, daily operation management and product development planning of our Group. He is also a director of Tunbow Group Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited.

Mr. Yu has over 19 years of experience in the sales and marketing of household appliances. Mr. Yu was a sales executive of Sweda Limited from October 1994 to September 1995, a marketing and sales executive of Hon Hing Computer and Machinery Company Limited from February 1996 to May 1997 and a marketing assistant of Joint Publishing (Hong Kong) Company Limited from August 1997 to July 1998. He joined Tunbow Industries Limited as a sales executive from July 2002 to December 2004 and Tunbow Electrical Limited as a marketing manager from January 2005 to March 2009. He joined Tunbow Group Limited as a director in November 2007 and as a marketing director in April 2009.

Mr. Yu graduated from Bond University in June 2002 with a bachelor's degree of arts. He subsequently obtained a master's degree of social sciences in applied psychology from the City University of Hong Kong in October 2013. Mr. Yu further obtained an international award in barista skills (Chinese) from The City and Guilds of London Institute in December 2016 and certification in barista skills intermediate, roasting intermediate, green bean professional, brewing intermediate and a coffee diploma from The Specialty Coffee Association from 2017 to 2021.

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

NON-EXECUTIVE DIRECTORS

Dr. Chan Kam Kwong Charles (陳鑑光博士) ("Dr. Chan"), aged 63, is one of the founders of our Group. He was appointed as a Director on 28 September 2017 and was re-designated as a non-executive Director on 28 February 2019. He also serves as the chairman of our Board. He is primarily responsible for overall strategic planning, development planning and investment planning of our Group. He is also a director of all our subsidiaries, namely Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Leighton 2338 Properties Limited, Leighton 2348 Properties Limited, Kwun Tong 1008 Properties Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited. Dr. Chan is the husband of Ms. Cheng, a non-executive Director.

Dr. Chan has over 45 years of experience in the household appliances industry. He worked at Dixons Stores Group (Far East) Limited from January 1977 to October 1993 with the first position as assistant buyer and last positions as senior buyer and director. He was a director of Town Ray International Limited from July 1994 to April 2015. He was a director of Tunbow Limited from July 1992 to November 1993 and rejoined as a director since March 1994. He has been a director of Tunbow Industries Limited and Tunbow Electrical Limited since November 1993 and July 1995, respectively. He has been a director of Tunbow Electrical (Huizhou) Limited and Tunbow Electronics Limited since December 2005 and April 2007, respectively. He became a director of Tunbow Group Limited in September 2017.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng Yuk Sim Connie, MH (鄭玉嬋女士) ("Ms. Cheng") (also known as Ms. Cheng Yuk Yee Connie (鄭玉而女士)), aged 64, is one of the founders of our Group. She was appointed as a Director on 28 September 2017 and was re-designated as a non-executive Director on 28 February 2019. She is primarily responsible for overall finance control, operation management and human resource management of our Group. She is also a director of all our subsidiaries, namely Town Ray Investments (BVI) Limited, Town Ray Development Limited, Town Ray Enterprises Limited, Town Ray Hong Kong Limited, Tunbow Group Limited, Leighton 2338 Properties Limited, Leighton 2348 Properties Limited, Kwun Tong 1008 Properties Limited, Town Ray Business Development & Marketing Limited and Town Ray Electrical (Huizhou) Limited. Ms. Cheng is the spouse of Dr. Chan, chairman of our Board and a non-executive Director, and the aunt of Mr. Lee Kwok Ho, a member of our senior management.

Ms. Cheng has over 44 years of experience in management and marketing in the household appliances industry. Ms. Cheng joined Goodway Electrical Company, Limited in 1978 as a quality inspector and was a director from April 1989 to June 1994. She has been a director of Tunbow Electrical Limited since September 1994. She has been a director of Tunbow Electrical (Huizhou) Limited and Tunbow Electronics Limited since December 2005 and April 2007, respectively. She became a director of Tunbow Group Limited in September 2017.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ping Yim (陳炳炎先生), aged 75, was appointed as an independent non-executive Director on 3 October 2019. He is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Mr. Chan has over 47 years of experience in accounting. From May 1969 to September 1974, Mr. Chan worked at Ling-McCann Erickson Limited (currently known as McCann-Erickson (HK) Limited) as an account executive. He worked at Arthur Young & Company as a junior audit assistant from October 1974 and as a semi-senior auditor from April 1976 to August 1976, at John Leung & Company as an audit senior from September 1976 to May 1977 and at Andrew Ma & Company as a senior audit assistant from June 1977 to September 1981. Mr. Chan joined Investment Consolidated Limited as an accountant from September 1981 to December 1984. He practised as a principal of Dominic P.Y. Chan & Co. from January 1985 to March 1999 and as a partner of W.Y. Lam, Dominic Chan & Co. Certified Public Accountants from July 1998 to September 2007 before practising as the principal of Dominic P.Y. Chan, Certified Public Accountant since October 2007. He has also been the chief risk officer of Euto Capital Partners Limited since July 2017 to April 2021.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Choi Chi Leung Danny (蔡志良先生), aged 67, was appointed as an independent non-executive Director on 3 October 2019. He is the chairman of our nomination committee and a member of our audit committee and remuneration committee.

Mr. Choi has approximately 41 years of relevant experience in the industry. He worked as a clerk at Electrical & Electronics Limited from September 1973 to February 1979. He was a founder and director of Ronford Industrial Limited, a company engaging in manufacturing and sale of electrical products, from January 1981 to July 1984 and of Neumax Industrial Limited, a company engaging in manufacturing and sale of electrical products, from September 1984 to September 2018. From October 2014 to August 2019, he was a director of Naree International Limited, a company providing environmental consulting services.

Mr. Choi completed his secondary education in 1972.

Mr. Chan Shing Jee (陳承志先生), aged 35, was appointed as an independent non-executive Director on 3 October 2019. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee.

Mr. Chan has over 10 years of work experience. He was a junior client service associate of Morgan Stanley from January 2010 to March 2011 and a client servicing officer of Bank of East Asia from March 2011 to March 2013. He also works as a business manager of Prudential Hong Kong Limited since March 2015. He worked at Mega Marketing & Media Company Limited as senior project director from March 2016 to August 2016 and at Cobot Business Strategy Limited as an investment manager from September 2016 to April 2017. He was a project director of Vibes Management Company Limited from November 2016 to July 2018. He has been an administration executive of Fleming International Limited, a wholly-owned subsidiary of Hyfusin Group Holdings Limited (stock code: 8512) since August 2018 to February 2021.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Leung Yat Cheong, Albert (梁鎰昌先生), aged 59, is the quality director of our Group. He is responsible for the quality management of our Group. He is also the legal representative of Town Ray Electrical (Huizhou) Limited.

Mr. Leung has over 42 years of experience in engineering and factory management. Mr. Leung worked at Yangtzekiang Garment Manufacturing Company Limited (currently known as Yangtzekiang Garment Limited) (stock code: 294) from June 1979 to April 1981 as a despatch in its suits production department. He was an inspector at McRink Surveyors Company Limited from April 1981 to April 1982, a technician at Wirley Electrical Manufacturing Company Limited from May 1982 to October 1983 and a technical engineering inspector at Roy Fair Manufacturing Company Limited from November 1983 to August 1985. He was an engineer at Goodway Electrical Company, Limited from September 1985 to June 1988, at Ngai Leung Electrical Limited from July 1988 to December 1989 and rejoined Goodway Electrical Company, Limited from January 1990 to August 1994 as chief engineer and production manager. He worked at Tunbow Electrical Limited from September 1994 as factory manager and left in March 2009 as general manager. He joined Tunbow Group Limited as general manager in March 2009 and became quality director in April 2014.

Mr. Leung completed his secondary education in 1979. He completed the ISO9000 its contents and application training course and the logistics and supply chain management course held by the Hong Kong Productivity Council in March 1992 and June 2002, respectively. He has been awarded an associateship (electrical appliance industry) of The Professional Validation Council of Hong Kong Industries since November 2010.

Mr. Lee Pak Man (李伯文先生), aged 51, is the research and development director of our Group. He is responsible for the research and development of our Group.

Mr. Lee has over 30 years of experience in product engineering, inspection and development. He joined our Group as research and development director in March 2013. Mr. Lee was an engineer of Yi Kyun Electronics Company Limited* (二權電子有限公司) from March 1992 to April 1993 and an inspector of Dixons Stores Group (Far East) Limited from April 1993 to June 1996. He worked at Tunbow Electrical Limited as an inspector from June 1996 to June 1998, as an engineer from June 1998 to June 2003 and as a senior engineer from June 2003 to April 2009. From April 2009 to March 2013, he was the research and development director of Young Tigers R&D Limited. He joined Tunbow Group Limited as research and development director in March 2013.

Mr. Lee completed his secondary vocational education in 1991.

Mr. Chu Ming Tak (朱明德先生), aged 58, is the engineering director of our Group. He is responsible for the product development of our Group.

Mr. Chu has over 33 years of experience in product engineering, inspection and development. Mr. Chu was a project engineer of Yip Tat Industrial Limited from March 1989 to March 1990, a senior engineer of Goodway Electrical Company, Limited from March 1991 to March 1994 and a senior project engineer of Nice Win Electrical Limited from March 1994 to October 1994. He worked at Tunbow Electrical Limited as engineer director from October 1994 to March 2009. From April 2009 to March 2013, he was the engineer director of Young Tigers R&D Limited. He joined Tunbow Group Limited as engineering director in April 2013.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Poon Ching Ching, Kelvin (潘正正先生), aged 53, is the design director of our Group. He is responsible for the product design development of our Group.

Mr. Poon has over 29 years of experience in product design development. He worked at Willas International Limited as a product designer from September 1992 to September 1994. He worked at Moulin Optical Manufactory Limited (currently known as Moulin Global Eyecare Trading Limited) from September 1994 and left as new product development manager in August 2000. He worked at Tunbow Electrical Limited as design director from September 2000 to March 2013. He joined Tunbow Group Limited as a director in July 2010 and as design director in April 2013.

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

Mr. Tong Wai Hung (湯偉雄先生), aged 58, is the business development director of our Group. He is responsible for the sales and marketing of our Group. He is also a director of Tunbow Group Limited.

Mr. Tong has over 30 years of experience in product sourcing and sales and marketing. Mr. Tong was a commercial trainee of Dixons Stores Group in the United Kingdom from November 1991 to July 1992. He worked in Dixons Stores Group (Far East) Limited from July 1992 to June 1997 with his last position as senior product manager. From July 1997 to March 1999, he was the vice president — households of Pricerite Stores Limited. He was a senior product manager of Polyconcept Hong Kong Limited from April 1999 to August 2006. He worked at Tunbow Electronics Limited as sales and marketing director from April 2007 to March 2013. He joined Tunbow Group Limited as sales and marketing director in April 2013 and has been promoted to business development director since May 2021.

Mr. Tong graduated from the Middlesex Polytechnic with a bachelor of science in mathematics for business degree in June 1990 and further obtained a master's degree of science in operational research and information systems from the London School of Economics and Political Science in July 1991.

Mr. Tong has been awarded a fellowship of Management and Business Administration (FMBA®) by The Professional Validation Council of Hong Kong Industries since September 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Kwok Ho (李國豪先生), aged 40, is the senior sales project manager of our Group. He is responsible for the product development and project management of our Group. He is a nephew of Ms. Cheng, a non-executive Director.

Mr. Lee has over 12 years of experience in product development and project management. He worked at Tunbow Electrical Limited as a management trainee from June 2003 to June 2004 and an operation officer from June 2004 to March 2008. He worked as an operation officer of Young Tigers R&D Limited from April 2009 to March 2013. He joined Tunbow Group Limited as project manager in April 2013, as engineering sales manager in September 2015 and has been promoted to senior sales project manager since May 2021.

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

Since July 2020, Mr. Lee was appointed as Process Technology Deputy Director of the Hong Kong Electrical Appliance Industries Association. He has been awarded a fellowship of Management and Business Administration (FMBA®) by The Professional Validation Council of Hong Kong Industries since September 2020. He was also awarded the Best Employee Award 2020 by the Hong Kong Small and Medium Enterprises Association and JCI Dragon.

COMPANY SECRETARY

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions set out in the CG Code under Appendix 14 to the Listing Rules as its own code of corporate governance. The references made to the CG Code in this annual report has been updated to the latest amendments to the Listing Rules effective on 1 January 2022.

Pursuant to paragraph 34 of Appendix 16 of the Listing Rules, the Board is pleased to present the corporate governance report to the Company for the year ended 31 December 2021.

In the opinion of the Directors, the Company has complied with the provisions set out in the CG Code throughout the year ended 31 December 2021. Key corporate governance principles and practices of the Company are summarized below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

After having made specific enquiry of all Directors, each of the Directors confirmed that he/she has fully complied with the required standards set out in the Model Code during the year ended 31 December 2021 and up to the date of this annual report.

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

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

THE BOARD

Board Composition

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

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the year ended 31 December 2021, the Company has three independent non-executive Directors which represent at least one-third of the Board members, and that at least one of the independent non-executive Directors, namely Mr. Chan Ping Yim, has appropriate professional qualifications or accounting or related financial management expertise. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules.

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

The Company has received written annual confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules. Upon the recommendation of the Nomination Committee, the Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

All Directors are aware of their collective and individual responsibilities to the Shareholders of the Company, the duties to act honestly and in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times and to avoid conflicts of interests. Throughout the year ended 31 December 2021, in accordance with Code provision D.1.2, all Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

Delegation of management functions

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

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

During the year ended 31 December 2021, the Directors have complied with the code provision C.1.4 of the CG Code by participating sufficient relevant continuous professional training.

BOARD MEETINGS, ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING HELD IN 2021

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

The attendance records of each Director at the Board meetings held during the year ended 31 December 2021, the annual general meeting of the Company held on 28 May 2021 (the "**2021 AGM**") and the extraordinary general meeting held for approval of entering into the tenancy agreements and the transactions contemplated thereunder on 8 December 2021 (the "**2021 EGM**") are set out below:

Name of Directors	Number of Board Meetings attended/held during the Year	Attendance of 2021 AGM	Attendance of 2021 EGM
Mr. Chan Wai Ming	5/5	1/1	1/1
Mr. Chiu Wai Kwong	5/5	1/1	1/1
Ms. Tang Mei Wah	5/5	1/1	0/1
Mr. Yu Kwok Wai	5/5	1/1	1/1
Dr. Chan Kam Kwong Charles	5/5	1/1	1/1
Ms. Cheng Yuk Sim Connie	5/5	1/1	0/1
Mr. Chan Ping Yim	5/5	1/1	1/1
Mr. Choi Chi Leung Danny	5/5	1/1	1/1
Mr. Chan Shing Jee	5/5	1/1	1/1

In addition, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of the other executive directors during the Year.

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

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

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

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

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

BOARD COMMITTEES

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

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Chan Ping Yim	Chairman	Member	Member
Mr. Choi Chi Leung Danny	Member	Member	Chairman
Mr. Chan Shing Jee	Member	Chairman	Member

Audit Committee

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

The individual attendance record of each member at the Audit Committee meetings held during the year ended 31 December 2021 is set out below:

Name of Directors	Number of Meetings attended/held during the Year
Mr. Chan Ping Yim *(Chairman)*	4/4
Mr. Choi Chi Leung Danny	4/4
Mr. Chan Shing Jee	4/4

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2021 and up to the date of this annual report:

— reviewed and discussed the annual audited financial statements, results announcement and report for the year ended 31 December 2021, the related accounting principles and practices adopted by the Group, the report from the management on the Company's review of the risk management and internal control systems, and recommendation of the re-appointment of the external auditor;

— reviewed of the annual audit plan of the external auditor including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan; and

— reviewed of the effectiveness and performance of the Company's financial reporting system, risk management and internal control systems and internal audit plan.

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

Remuneration Committee

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

The individual attendance record of each member at the Remuneration Committee meetings held during the year ended 31 December 2021 is set out below:

Name of Directors	Number of Meetings attended/held during the Year
Mr. Chan Shing Jee *(Chairman)*	4/4
Mr. Chan Ping Yim	4/4
Mr. Choi Chi Leung Danny	4/4

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2021 and up to the date of this annual report:

— reviewed the remuneration of Directors and senior management; and

— made recommendations to the Board on the remuneration of individual Directors and senior management.

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

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2021 is set out below:

Remuneration band (HK$)	Number of person(s)
Nil to 1,000,000	2
1,000,001 to 1,500,000	3
1,500,001 to 2,000,000	1

Nomination Committee

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

The individual attendance record of each member at the Nomination Committee meetings held during the year ended 31 December 2021 is set out below:

Name of Directors	Number of Meetings attended/held during the Year
Mr. Choi Chi Leung Danny *(Chairman)*	3/3
Mr. Chan Ping Yim	3/3
Mr. Chan Shing Jee	3/3

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2021 and up to the date of this annual report:

— reviewed the board diversity policy; and

— reviewed the independence of the independent non-executive Directors.

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

Nomination Criteria

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

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

Nomination Procedures

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

Appointment of New and Replacement Directors

(i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms.

(ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

(i) Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to Shareholders prior to a general meeting in accordance with the Listing Rules.

(ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all Shareholders for information by a supplementary circular.

DIVIDEND POLICY

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

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

(a) the general financial condition of the Group;

(b) capital and debt level of the Group;

(c) future cash requirements and availability for business operations, business strategies and future development needs;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the general market conditions; and

(f) any other factors that the Board considers appropriate.

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

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

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

COMPANY SECRETARY

The Company has appointed Mr. Chiu Wai Kwong as its company secretary. Mr. Chiu has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2021 and has complied with Rule 3.29 of the Listing Rules. The biography of Mr. Chiu is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2021 is set out in the Independent Auditor's Report on pages 49 to 53.

The fees paid/payable to the Company's auditor in respect of audit and non-audit services for the year ended 31 December 2021 are analysed below:

	HK$'000
Audit services	1,780
Non-audit services	
Agreed-upon procedures	350
Others	272

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the financial position of the Company and the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and have prepared disclosure of the financial position of the Group with reasonable accuracy at any time.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

During the year ended 31 December 2021, the Group has conducted an annual review on the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and efficiency of the risk management and internal control systems of the Group.

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

During the year ended 31 December 2021, the Board considered the risk management and internal control systems of the Group to be effective and adequate. The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function.

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

Main features of the risk management and internal control systems

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

The specific objectives of the policy are:

1. to ensure that all the current and future material risk exposures of the Group are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

2. to establish a framework for the Group's risk management process and to ensure its implementation.

3. to enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

4. to assure business growth with financial stability.

Risk assessment process

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

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

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

Handling and dissemination of inside information

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

Internal audit function

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDER RIGHTS

General Meeting

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

The 2022 AGM is scheduled to be held on Friday, 27 May 2022. A circular and a notice of the 2022 AGM containing, among other matters, further information relating to the 2022 AGM will be despatched to the Shareholders of the Company in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

Procedures for Shareholders to convene an extraordinary general meeting

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

Procedures for Shareholders to put forward proposals at Shareholders' meeting

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

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

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

If a shareholder wishes to nominate a person (the "**Proposed Candidate**") to stand for election as a Director at a general meeting of the Company, the following documents must be validly served to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at 10th Floor, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong:

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

(b) a written notice signed by the Proposed Candidate of his/her willingness to be elected as a Director.

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

Procedure for sending enquiries to the Board

Shareholders are welcome to send enquiries to the Board by post to the Company's principal place of business in Hong Kong at 10th Floor, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong or via telephone at (852) 2750 0775.

INVESTOR RELATIONS

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

The annual general meeting provides a platform for communication between the Board and the shareholders. The Chairman of the Board as well as the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees, are available to answer questions at Shareholders' meeting.

To promote effective communication, the Company maintains a website at www.townray.com where up-to-date information, financial information and other information are available for public access.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Memorandum and Articles of Association during 2021. The Memorandum and Articles of Association have been published at the websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Group for the year is set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report. The business review forms part of this annual report.

GROUP REORGANISATION

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

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

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the Year and up to the date of this annual report, the Group in all material aspects has complied with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's five largest customers in aggregate accounted for approximately 72.5% of the total revenue of the Group and the largest customer of the Group accounted for approximately 38.4% of the total revenue.

For the year ended 31 December 2021, the Group's five largest suppliers in aggregate accounted for less than 30% of the total purchases of materials of the Group.

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

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 54 to 113 of this annual report.

The Directors recommended the payment of a final dividend of HK16.0 cents per share, totaling approximately HK$57.4 million in respect of the year ended 31 December 2021, to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") at the close of business on Tuesday, 7 June 2022 as the record date. This proposed final dividend is subject to the approval of the Company's Shareholders at the 2022 AGM, and if approved, is expected to be paid on or before Wednesday, 15 June 2022.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 114 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

Details of the use of Net Proceeds are set out on page 11 of this annual report.

ANNUAL GENERAL MEETING

The 2022 AGM is scheduled to be held on Friday, 27 May 2022. A notice convening the 2022 AGM specifying the exact time, venue and/or mode of participation by Shareholders will be issued and dispatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2022 AGM, the Register of Members will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both dates inclusive, the period during which no transfer of shares will be effected. In order to be eligible to attend and vote at the 2022 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at its office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2022.

Subject to the approval of the Shareholders at the 2022 AGM for the payment of the final dividend, to ascertain the entitlement of the final dividend of the Shareholders, the Register of Members will be closed from Thursday, 2 June 2022 to Tuesday, 7 June 2022, the period during which no transfer of shares will be effected. The final dividend, if approved at the 2022 AGM, is expected to be paid on or before Wednesday, 15 June 2022. In order to qualify for receiving the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Wednesday, 1 June 2022.

CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the year ended 31 December 2021 amounted to approximately HK$1.2 million.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the authorised share capital and issued share capital of the Company during the year ended 31 December 2021 are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

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

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

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

(b) Who may join

The Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the Adoption Date to make an offer to any of the following classes:

(i) any employee (whether full time or part time, including the Directors) of the Company, any of the subsidiaries (within the meaning of Companies Ordinance) or any Invested Entity (an "**Eligible Employee**");

(ii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iii) any customer of any member of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group; and

(vii) any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly-owned by one or more eligible participants. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company as the consideration for the grant with 21 days from the date of grant.

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

(c) Maximum number of shares

(i) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share options schemes of the Group shall not exceed 30% of the share capital of the Company in issue from time to time.

(ii) The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the shares first commence on the Stock Exchange, being 40,000,000 shares ("**General Scheme Limit**").

(iii) Subject to (i) above and without prejudice to (iv) below, the Company may seek approval of its Shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the share in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.

(iv) Subject to (i) above and without prejudice to (iii) above, the Company may seek separate Shareholders' approval in a general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (iii) above to eligible participants identified by the Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

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

(e) Grant of options to core connected persons

(i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).

(ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.1% of the share in issue; and

(2) having an aggregate value, based on the closing price of the shares on the offer date of each grant, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in a general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

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

(f) Time of acceptance and exercise of an option

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

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

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

Any offer may be accepted by an eligible participant in respect of less than the number of shares which are offered provided that it is accepted in respect of a board lot for dealings in the shares on Main Board of the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by the Company together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Exercise price for Shares

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

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(h) Remaining life of the Share Option Scheme

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

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

DISCLOSURE OF INTERESTS

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

As at 31 December 2021, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

2. 213,640,000 Shares are owned by Modern Expression Limited ("**Modern Expression**"), which is wholly-owned by Dr. Chan and Ms. Cheng jointly. Under the SFO, each of Dr. Chan and Ms. Cheng is deemed to be interested in all the Shares owned by Modern Expression.

3. Ms. Cheng is the spouse of Dr. Chan. Under the SFO, Dr. Chan is deemed to be interested in all the Shares in which Ms. Cheng is interested.

(ii) Interest in associated corporations of the Company

As at 31 December 2021, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in our Shares.

2. Modern Expression is wholly-owned by Dr. Chan and Ms. Cheng jointly. Dr. Chan and Ms. Cheng are spouses.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 31 December 2021, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short position in the shares, underlying shares or debentures of the Company which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

Notes:

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

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

DISTRIBUTABLE RESERVES

As at 31 December 2021, in the opinion of the Directors, the reserves of the Company available for distribution to Shareholders under the Companies Act of the Cayman Islands amounted to approximately HK$146.7 million.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021 and up to the date of this annual report, none of the Directors or their close associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE OF NON-COMPETITION UNDERTAKING

The controlling Shareholders, namely Dr. Chan Kam Kwong Charles, Ms. Cheng Yuk Sim Connie and Modern Expression (collectively, the "**Controlling Shareholder(s)**") had entered into the deed of non-competition in favour of the Company on 3 October 2019 (the "**Non-competition Undertaking**"). Each of the Controlling Shareholders has confirmed that he/she/it had complied with the Non-Competition Undertaking during the Year and the independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholder with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders during the year ended 31 December 2021.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chan Ping Yim
Mr. Choi Chi Leung Danny
Mr. Chan Shing Jee

REPORT OF THE DIRECTORS

Pursuant to Article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. As such, Mr. Yu Kwok Wai, the executive Director, Dr. Chan Kam Kwong Charles and Ms. Cheng Yuk Sim Connie, the non-executive Directors, shall retire at the 2022 AGM and shall be eligible to offer themselves for re- election.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding Company, or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2021 and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

There is no director's service contract with the Company or any of its subsidiary which is not determinable by the Company or its subsidiary within one year without payment of compensation (other than statutory compensation) as at 31 December 2021.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals of the Group for the year ended 31 December 2021 are set out in notes 8 and 9 to the consolidated financial statements.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out in the section of "Biographical Details of Directors and Senior Management" on pages 12 to 19 of this annual report.

RETIREMENT BENEFIT SCHEMES

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total retirement benefit scheme contributions made by the Group amounted to approximately HK$11.0 million for the year ended 31 December 2021.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

On 30 September 2021, the Group renewed the existing tenancy agreements which expired on 31 December 2021 by entering into the following connected transactions:

(i) Tunbow Group Limited, an indirect wholly-owned subsidiary of the Company, as tenant entered into the tenancy agreement (the "**Tenancy Agreement I**") with Tunbow Properties Limited ("**Tunbow Properties**"), a connected person of the Company, as landlord in relation to the leasing of the property situated at 10th Floor, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong (the "**Property I**") at a monthly rent of HK$89,775 for a term commencing from 1 January 2022 and ending on 31 December 2022. The Property I is currently used as workshop, godown and ancillary office of the Group and has a gross floor area of 5,985 square feet; and

(ii) Town Ray Electrical (Huizhou) Limited ("**Town Ray (Huizhou)**"), an indirect wholly-owned subsidiary of the Company, as tenant entered into the tenancy agreement (the "**Tenancy Agreement II**", and together with the Tenancy Agreement I, the "**Tenancy Agreements**") with Tunbow Electrical (Huizhou) Limited* (東保利電業(惠州)有限公司) ("**Tunbow (Huizhou)**"), a connected person of the Company, as landlord in relation to the leasing of the Dunzilipian (Jiangbei 84) Community, Qingtang Village, Xiaojinkou Town, Huicheng District, Huizhou City, Guangdong Province, PRC (the "**Property II**") at a monthly rent of RMB1,020,433.20 for a term of three years commencing from 1 January 2022. The Property II is currently used for the production and related operation of the Group and has a gross floor area of 85,036.10 square metres.

Tunbow Properties, the landlord under the Tenancy Agreement I, is a company incorporated in Hong Kong with limited liability on 26 July 2004 and principally engages in the business of properties holding. Tunbow Properties is wholly-owned by Tunbow Limited, which is in turn wholly-owned by Tunbow Investments (BVI) Limited, which is in turn owned as to approximately 78.23% by Modern Expression. Modern Expression is jointly and wholly-owned by Dr. Chan, the chairman, non-executive Director and the Controlling Shareholder of the Company, and Ms. Cheng, non-executive Director and the Controlling Shareholder of the Company. Therefore, Tunbow Properties is an associate of Dr. Chan and Ms. Cheng, and is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Tunbow (Huizhou), the landlord under the Tenancy Agreement II, is a company established in Huizhou City, Guangdong Province, the PRC with limited liability on 5 December 2005 and principally engages in the business of properties holding. Tunbow (Huizhou) is wholly-owned by Tunbow Electrical (BVI) Limited, which is in turn wholly-owned by Tunbow Investments (BVI) Limited. Therefore, Tunbow (Huizhou) is an associate of Dr. Chan and Ms. Cheng, and is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

In accordance with HKFRS 16, the Group was required to recognise right-of-use assets on its consolidated statement of financial position in connection with the Tenancy Agreements. Accordingly, the Tenancy Agreements and the transactions contemplated thereunder were regarded as acquisitions of right-of-use assets by the Group, which were aggregated under Rule 14.22 of the Listing Rules as if one transaction, and constituted a discloseable transaction under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. The total consideration of the connected transaction was approximately HK$41.9 million, which was calculated with reference to the aggregate rental payments and discounted by a discount rate. For details, please refer to the announcement of the Company dated 30 September 2021.

The EGM was held on 8 December 2021, at which the Tenancy Agreements and the transactions contemplated thereunder were approved by independent Shareholders. For further information in relation to the Tenancy Agreements, please refer to the circular of the Company dated 18 November 2021.

Save as disclosed above, the Group did not entered into any connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules during the Year.

* *unofficial name for identification only*

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements. Save as disclosed above in the paragraph headed "Connected Transactions" in this annual report, none of the related party transactions constitute connected transactions or continuing connected transactions under the Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 20 to 33 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

During the year ended 31 December 2021, the Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of potential legal actions against the Directors and officers arising out of corporate activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of the environmental, social and governance report are set out in the environmental, social and governance report for the Year which will be published on the Group's website according to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the paragraph headed "Future Plans and Material Investments and Capital Assets" in this annual report above, the acquisition of Workshop 25A was completed on 18 January 2022. The acquisition of Workshop 12D&E was also completed on 19 January 2022.

Save as disclosed above, the Group had no other material events for disclosure subsequent to 31 December 2021 and up to the date of this annual report.

AUDITOR

The auditor of the Company, Ernst & Young, will retire at the 2022 AGM and a resolution for their reappointment as auditor of the Company will be proposed at the 2022 AGM.

REPORT OF THE DIRECTORS

REVIEW BY AUDIT COMMITTEE

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

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

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

The consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

On behalf of the Board
Town Ray Holdings Limited
Chan Kam Kwong Charles
Chairman and non-executive Director

Hong Kong, 18 March 2022

EY 安永

Independent auditor's report
To the shareholders of Town Ray Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Town Ray Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 113, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2021, the carrying amount of trade receivables was HK$119.1 million which represented 20% of the Group's total assets. Assessment of expected credit losses ("ECLs") of trade receivables is performed by management based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The assessment is significant to our audit due to (i) the significance of the carrying amount; and (ii) significant estimates involved in determining the future cash flows that the Group expects to receive from such receivables based on, among others, the correlation among historical observed default rates, forecast economic conditions (i.e. gross domestic product) and ECLs. The Group's accounting policies, disclosures of accounting estimates on the provision for ECLs on trade receivables and information about the ECLs on trade receivables are included in notes 2.4, 3 and 16 to the consolidated financial statements, respectively.	We assessed management's assessment by (i) checking the ageing of the receivable balances, past repayment history and historical credit loss experience against the relevant sales documents and settlement records on a sample basis; (ii) benchmarking the forecast economic conditions (i.e. gross domestic product) against market data; and (iii) reviewing the arithmetic accuracy of the calculation of the ECLs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Tsz Tat.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
18 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**763,085**	541,697
Cost of sales		**(542,097)**	(357,660)
Gross profit		**220,988**	184,037
Other income and gain, net	5	**4,522**	13,171
Selling and distribution expenses		**(14,648)**	(10,142)
General and administrative expenses		**(84,515)**	(63,234)
Other expense, net		**357**	566
Finance costs	6	**(840)**	(1,657)
PROFIT BEFORE TAX	7	**125,864**	122,741
Income tax expense	10	**(19,360)**	(18,549)
PROFIT FOR THE YEAR		**106,504**	104,192
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK29.67 cents**	HK27.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
PROFIT FOR THE YEAR	**106,504**	104,192
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of a foreign operation	**3,577**	5,638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,081**	109,830

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**51,910**	38,825
Right-of-use assets	*14(a)*	**35,151**	11,910
Deposits paid for purchases of items of property, plant and equipment		**18,697**	4,434
Prepayment and deposit	*17*	**65**	83
Deferred tax assets	*22*	**1,138**	898
Total non-current assets		**106,961**	56,150
CURRENT ASSETS			
Inventories	*15*	**206,732**	82,420
Trade receivables	*16*	**119,079**	90,837
Prepayments, deposits and other receivables	*17*	**27,011**	20,439
Tax recoverable		**3,683**	–
Pledged deposits	*18*	**88**	1,103
Cash and cash equivalents	*18*	**144,923**	223,945
Total current assets		**501,516**	418,744
CURRENT LIABILITIES			
Trade payables	*19*	**90,573**	74,485
Other payables and accruals	*20*	**61,024**	32,054
Interest-bearing bank borrowings	*21*	**80,144**	39,605
Lease liabilities	*14(b)*	**13,073**	12,553
Tax payable		**3,471**	3,977
Total current liabilities		**248,285**	162,674
NET CURRENT ASSETS		**253,231**	256,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**360,192**	312,220
NON-CURRENT LIABILITIES			
Lease liabilities	*14(b)*	**22,100**	13
Deferred tax liabilities	*22*	**5,906**	3,224
Total non-current liabilities		**28,006**	3,237
Net assets		**332,186**	308,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
EQUITY			
Issued capital	*23*	**3,590**	3,590
Reserves	*24*	**328,596**	305,393
Total equity		**332,186**	308,983

Chan Wai Ming
Director

Chiu Wai Kwong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Notes	Issued capital HK$'000	Share premium account HK$'000	Treasury shares HK$'000	Merger reserve HK$'000 (note 24(a))	Capital contribution reserve HK$'000 (note 24(b))	Share-based payment reserve HK$'000 (note 24(c))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020		4,000	106,283	–	10,000	63,000	10,050	(1,160)	114,382	306,555
Profit for the year		–	–	–	–	–	–	–	104,192	104,192
Other comprehensive income for the year:										
Exchange differences on translation of a foreign operation		–	–	–	–	–	–	5,638	–	5,638
Total comprehensive income for the year		–	–	–	–	–	–	5,638	104,192	109,830
Shares repurchased	*23(a)*	–	–	(33,169)	–	–	–	–	–	(33,169)
Cancellation of repurchased shares	*23(a)*	(410)	(32,759)	33,169	–	–	–	–	–	–
Final 2019 dividend	*11*	–	–	–	–	–	–	–	(42,282)	(42,282)
Interim 2020 dividend	*11*	–	–	–	–	–	–	–	(31,951)	(31,951)
At 31 December 2020 and at 1 January 2021		**3,590**	**73,524**	**–**	**10,000**	**63,000**	**10,050**	**4,478**	**144,341**	**308,983**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106,504**	**106,504**
Other comprehensive income for the year:										
Exchange differences on translation of a foreign operation		**–**	**–**	**–**	**–**	**–**	**–**	**3,577**	**–**	**3,577**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**3,577**	**106,504**	**110,081**
Final 2020 dividend	*11*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,696)**	**(51,696)**
Interim 2021 dividend	*11*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,182)**	**(35,182)**
At 31 December 2021		**3,590**	**73,524***	**–***	**10,000***	**63,000***	**10,050***	**8,055***	**163,967***	**332,186**

* These reserve accounts comprise the consolidated reserves of HK$328,596,000 (2020: HK$305,393,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**125,864**	122,741
Adjustments for:			
Finance costs	6	**840**	1,657
Interest income	5	**(1,236)**	(2,193)
Depreciation of property, plant and equipment	7	**13,769**	9,804
Depreciation of right-of-use assets	7	**12,077**	11,303
Reversal of impairment of trade receivables, net	7	**(357)**	(566)
Write-down/(reversal of write-down) of inventories to net realisable value	7	**(1,184)**	1,353
		149,773	144,099
Increase in inventories		**(120,120)**	(13,874)
Increase in trade receivables		**(27,885)**	(27,336)
Decrease/(increase) in prepayments, deposits and other receivables		**(5,914)**	20,346
Increase in trade payables		**13,703**	17,530
Increase in other payables and accruals		**28,532**	82
Cash generated from operations		**38,089**	140,847
Hong Kong profits tax paid		**(18,151)**	(19,647)
Overseas tax paid		**(3,115)**	(4,388)
Net cash flows from operating activities		**16,823**	116,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,236**	2,193
Purchases of items of property, plant and equipment		**(25,510)**	(16,218)
Increase in deposits paid for purchases of items of property, plant and equipment		**(14,097)**	(3,556)
Decrease/(increase) in pledged deposits		**1,032**	(1,045)
Net cash flows used in investing activities		**(37,339)**	(18,626)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased	*23(a)*	**–**	(33,169)
New bank borrowings	*25(b)*	**109,518**	71,995
Repayment of bank borrowings	*25(b)*	**(68,979)**	(75,861)
Principal portion of lease payments	*25(b)*	**(12,720)**	(11,290)
Dividends paid		**(86,878)**	(74,233)
Interest paid		**(788)**	(1,657)
Net cash flows used in financing activities		**(59,847)**	(124,215)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(80,363)**	(26,029)
Cash and cash equivalents at beginning of year		**223,945**	245,558
Effect of foreign exchange rate changes, net		**1,341**	4,416
CASH AND CASH EQUIVALENTS AT END OF YEAR		**144,923**	223,945
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**144,923**	98,962
Time deposits with original maturity of less than three months when acquired		**–**	124,983
		144,923	223,945

1. CORPORATE AND GROUP INFORMATION

Town Ray Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at 10/F., Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon.

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

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

Information about subsidiaries

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

	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
Tunbow Group Limited	Hong Kong	HK$10,000,000	**100**	100	Trading of electrothermic household appliances
登輝電器(惠州)有限公司*	People's Republic of China ("PRC")/ Mainland China	HK$30,000,000	**100**	100	Manufacture and sale of electrothermic household appliances

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

The above subsidiaries are indirectly held by the Company.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

The Group has early adopted the 2021 Amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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

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

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) *Right-of-use assets*

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

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

Financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Initial recognition and measurement (Continued)

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

Subsequent measurement of financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement of financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Treasury shares

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

(a) *Sale of electrothermic household appliances and tooling*

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

(b) *Consultancy income*

Revenue from consultancy services is recognised over time as consultancy services are rendered.

Revenue from other sources

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Employee benefits

Pension schemes

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

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

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

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

Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Income taxes

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

Estimation uncertainty

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

Impairment of non-financial assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 16 to the financial statements.

Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged analyses of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. As at 31 December 2021, the carrying amount of inventories was HK$206,732,000 (2020: HK$82,420,000).

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Europe	**676,468**	495,220
Asia	**41,100**	30,325
United States	**43,259**	13,198
Others	**2,258**	2,954
	763,085	541,697

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**13,156**	1,804
Mainland China	**92,667**	53,365
	105,823	55,169

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

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A	**293,004**	268,655
Customer B	**96,707**	N/A*
Customer C	**80,242**	70,678

* Less than 10% of revenue

5. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers	**763,085**	541,697

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 HK$'000	2020 HK$'000
Types of goods		
Sale of electrothermic household appliances	**754,849**	540,940
Sale of tooling	**8,236**	757
Total revenue from contracts with customers	**763,085**	541,697
Timing of revenue recognition		
Goods transferred at a point in time	**763,085**	541,697

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

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of electrothermic household appliances	**4,925**	4,671
Sale of tooling	**2,017**	9
	6,942	4,680

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

Revenue from contracts with customers (Continued)

(b) Performance obligations

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

Sale of electrothermic household appliances

The performance obligation is satisfied upon delivery of the electrothermic household appliances and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Sale of tooling

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

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

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

	2021 **HK$'000**	2020 HK$'000
Bank interest income	**1,236**	2,193
Consultancy income	**1,276**	827
Government subsidies*	**906**	3,500
Foreign exchange differences, net	**605**	5,662
Others	**499**	989
	4,522	13,171

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

6. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank loans	**517**	721
Interest on lease liabilities	**323**	936
	840	1,657

7. PROFIT BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold		**542,097**	357,660
Depreciation of property, plant and equipment*	*13*	**13,769**	9,804
Depreciation of right-of-use assets*	*14(a)*	**12,077**	11,303
Lease payments not included in the measurement of lease liabilities	*14(c)*	**20**	20
Auditor's remuneration		**1,780**	1,680
Employee benefit expense (including directors' remuneration *(note 8)*)*:			
Wages, salaries, bonuses and allowances		**98,739**	78,116
Pension scheme contributions (defined contribution schemes)#		**11,025**	4,091
		109,764	82,207
Reversal of impairment of trade receivables, net^	*16*	**(357)**	(566)
Write-down/(reversal of write-down) of inventories to net realisable value*		**(1,184)**	1,353

* The cost of sales for the year included depreciation charge of property, plant and equipment of HK$12,223,000 (2020: HK$8,496,000), depreciation charge of right-of-use assets of HK$9,797,000 (2020: HK$9,126,000), employee benefit expense of HK$45,556,000 (2020: HK$37,943,000) and reversal of write-down of inventories to net realisable value of HK$1,184,000 (2020: write-down of inventories to net realisable value of HK$1,353,000).

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

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 HK$'000	2020 HK$'000
Fees	**630**	555
Other emoluments:		
Salaries, bonuses and allowances	**14,863**	8,057
Pension scheme contributions	**146**	153
	15,009	8,210
	15,639	8,765

(a) Independent non-executive directors

	Fees HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021			
Mr. Chan Ping Yim	**210**	**–**	**210**
Mr. Choi Chi Leung Danny	**210**	**–**	**210**
Mr. Chan Shing Jee	**210**	**2**	**212**
	630	**2**	**632**
2020			
Mr. Chan Ping Yim	185	–	185
Mr. Choi Chi Leung Danny	185	–	185
Mr. Chan Shing Jee	185	9	194
	555	9	564

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

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

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, bonuses and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021				
Executive directors:				
Mr. Chan Wai Ming	**–**	**1,859**	**24**	**1,883**
Mr. Chiu Wai Kwong	**–**	**1,710**	**24**	**1,734**
Ms. Tang Mei Wah	**–**	**1,124**	**24**	**1,148**
Mr. Yu Kwok Wai	**–**	**1,076**	**24**	**1,100**
Non-executive directors:				
Dr. Chan Kam Kwong Charles	**–**	**4,655**	**24**	**4,679**
Ms. Cheng Yuk Sim Connie	**–**	**4,439**	**24**	**4,463**
	–	**14,863**	**144**	**15,007**
2020				
Executive directors:				
Mr. Chan Wai Ming	–	1,624	24	1,648
Mr. Chiu Wai Kwong	–	1,633	24	1,657
Ms. Tang Mei Wah	–	1,073	24	1,097
Mr. Yu Kwok Wai	–	1,027	24	1,051
Non-executive directors:				
Dr. Chan Kam Kwong Charles	–	1,350	24	1,374
Ms. Cheng Yuk Sim Connie	–	1,350	24	1,374
	–	8,057	144	8,201

During the year, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2020: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2020: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, bonuses and allowances	**1,731**	1,398
Pension scheme contributions (defined contribution scheme)	**18**	18
	1,749	1,416

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

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

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 **HK$'000**	2020 HK$'000
Current — Hong Kong		
Charge for the year	**10,519**	14,188
Overprovision in prior years	**(10)**	(20)
Current — Mainland China		
Charge for the year	**6,485**	2,552
Underprovision in prior years	**34**	–
Deferred *(note 22)*	**2,332**	1,829
Total tax charge for the year	**19,360**	18,549

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

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**125,864**	122,741
Tax at the Hong Kong statutory tax rate of 16.5% (2020: 16.5%)	**20,768**	20,252
Lower tax rate under two-tiered profits tax rates regime	**(165)**	(165)
Difference in tax rates applied for specific provinces or local authority	**(924)**	(412)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiary	**2,551**	1,111
Effect on opening deferred tax of decrease in rate	**–**	581
Adjustments in respect of current tax of previous periods	**24**	(20)
Super deduction on eligible research and development expenses of the Group's PRC subsidiary	**(3,038)**	(1,523)
Income not subject to tax	**(639)**	(1,956)
Expenses not deductible for tax	**778**	698
Others	**5**	(17)
Tax charge at the Group's effective tax rate	**19,360**	18,549

11. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
Final 2020 — HK14.4 cents (2019: HK10.6 cents) per ordinary share	**51,696**	42,400
Less: Dividend for treasury shares	**–**	(118)
	51,696	42,282
Interim 2021 — HK9.8 cents (2020: HK8.9 cents) per ordinary share	**35,182**	31,951
	86,878	74,233
Dividend proposed after the end of the reporting period:		
Proposed final 2021 — HK16.0 cents (2020: HK14.4 cents) per ordinary share	**57,440**	51,696

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$106,504,000 (2020: HK$104,192,000), and the weighted average number of ordinary shares of 359,000,000 (2020: 378,417,279) in issue during the year, as adjusted to exclude the shares repurchased during the year ended 31 December 2020.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Moulds HK$'000	Total HK$'000
31 December 2021					
At 31 December 2020 and at 1 January 2021:					
Cost	**2,563**	**29,391**	**5,260**	**22,641**	**59,855**
Accumulated depreciation	**(1,240)**	**(8,842)**	**(1,355)**	**(9,593)**	**(21,030)**
Net carrying amount	**1,323**	**20,549**	**3,905**	**13,048**	**38,825**
At 1 January 2021, net of accumulated depreciation	**1,323**	**20,549**	**3,905**	**13,048**	**38,825**
Additions	**4,496**	**11,104**	**2,527**	**7,383**	**25,510**
Depreciation provided during the year	**(4,232)**	**(3,879)**	**(1,176)**	**(4,482)**	**(13,769)**
Exchange realignment	**39**	**754**	**125**	**426**	**1,344**
At 31 December 2021, net of accumulated depreciation	**1,626**	**28,528**	**5,381**	**16,375**	**51,910**
At 31 December 2021:					
Cost	**7,188**	**41,642**	**7,967**	**30,783**	**87,580**
Accumulated depreciation	**(5,562)**	**(13,114)**	**(2,586)**	**(14,408)**	**(35,670)**
Net carrying amount	**1,626**	**28,528**	**5,381**	**16,375**	**51,910**
31 December 2020					
At 1 January 2020:					
Cost	1,733	18,864	3,032	16,251	39,880
Accumulated depreciation	(90)	(4,293)	(546)	(5,025)	(9,954)
Net carrying amount	1,643	14,571	2,486	11,226	29,926
At 1 January 2020, net of accumulated depreciation	1,643	14,571	2,486	11,226	29,926
Additions	709	8,509	1,936	5,064	16,218
Depreciation provided during the year	(1,092)	(3,928)	(735)	(4,049)	(9,804)
Exchange realignment	63	1,397	218	807	2,485
At 31 December 2020, net of accumulated depreciation	1,323	20,549	3,905	13,048	38,825
At 31 December 2020:					
Cost	2,563	29,391	5,260	22,641	59,855
Accumulated depreciation	(1,240)	(8,842)	(1,355)	(9,593)	(21,030)
Net carrying amount	1,323	20,549	3,905	13,048	38,825

14. LEASES

The Group as a lessee

The Group leases its workshop, ancillary office, factory, warehouse and staff quarters from related companies and an independent third party under operating lease arrangements. The leases are negotiated for terms ranging from one to three years. The office equipment leased by the Group are of low value.

(a) Right-of-use assets

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

	Leased properties HK$'000
At 1 January 2020	21,906
Addition	577
Depreciation charge during the year	(11,303)
Exchange realignment	730
At 31 December 2020 and at 1 January 2021	**11,910**
Remeasurement on lease modifications	**34,680**
Depreciation charge during the year	**(12,077)**
Exchange realignment	**638**
At 31 December 2021	**35,151**

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2021 HK$'000	2020 HK$'000
At 1 January	**12,566**	22,512
New lease	**–**	577
Remeasurement on lease modifications	**34,680**	–
Accretion of interest recognised during the year	**323**	936
Payments during the year	**(13,043)**	(12,226)
Exchange realignment	**647**	767
At 31 December	**35,173**	12,566
Analysed into:		
Due within one year	**13,073**	12,553
Due in the second year	**11,353**	13
Due in the third to fifth years, inclusive	**10,747**	–
	35,173	12,566

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

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

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**323**	936
Depreciation charge of right-of-use assets	**12,077**	11,303
Expense relating to leases of low-value assets (included in administrative expenses)	**20**	20
Total amount recognised in profit or loss	**12,420**	12,259

(d) The total cash outflow for leases and future cash outflows relating to a lease that has not yet commenced are disclosed in notes 25(c) and 26(b), respectively, to the financial statements.

15. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**118,240**	36,785
Work in progress	**42,421**	19,440
Finished goods	**46,071**	26,195
	206,732	82,420

16. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**119,180**	91,295
Impairment	**(101)**	(458)
	119,079	90,837

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

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

	2021 HK$'000	2020 HK$'000
Within 30 days	**53,597**	44,162
31 to 90 days	**63,211**	41,889
Over 90 days	**2,271**	4,786
	119,079	90,837

16. TRADE RECEIVABLES (Continued)

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

	2021 HK$'000	2020 HK$'000
At beginning of year	**458**	1,024
Reversal of impairment losses, net *(note 7)*	**(357)**	(566)
At end of year	**101**	458

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than 120 days and are not subject to enforcement activity.

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

As at 31 December 2021

		Past due			
	Current	Less than 30 days	31 to 90 days	Over 90 days	Total
Expected credit loss rate	**0.02%**	**0.03%**	**0.56%**	**90.50%**	**0.08%**
Gross carrying amount (HK$'000)	**100,829**	**12,954**	**5,346**	**51**	**119,180**
Expected credit losses (HK$'000)	**21**	**4**	**30**	**46**	**101**

As at 31 December 2020

		Past due			
	Current	Less than 30 days	31 to 90 days	Over 90 days	Total
Expected credit loss rate	0.42%	0.57%	6.28%	–	0.50%
Gross carrying amount (HK$'000)	75,235	15,202	858	–	91,295
Expected credit losses (HK$'000)	318	86	54	–	458

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Prepayments	**15,126**	11,519
Deposits	**440**	411
Other receivables	**11,510**	8,592
	27,076	20,522
Less: Portion classified as non-current assets	**(65)**	(83)
Portion classified as current assets	**27,011**	20,439

Included in the Group's deposits as at 31 December 2021 is an amount due from Tunbow Properties Limited, a related company controlled by Modern Expression, of HK$269,000 (2020: HK$251,000), which is unsecured, interest-free and repayable after the expiration of the tenancy agreement entered into between the Group and the related company.

The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 **HK$'000**	2020 HK$'000
Cash and bank balances	**145,011**	98,962
Time deposits	**–**	126,086
	145,011	225,048
Less: Pledged deposits for credit facilities	**(88)**	(1,103)
Cash and cash equivalents	**144,923**	223,945

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$9,046,000 (2020: HK$81,623,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

19. TRADE PAYABLES

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

	2021 HK$'000	2020 HK$'000
Within 30 days	**29,549**	26,454
31 to 90 days	**58,701**	40,424
Over 90 days	**2,323**	7,607
	90,573	74,485

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

20. OTHER PAYABLES AND ACCRUALS

	Notes	2021 HK$'000	2020 HK$'000
Contract liabilities	*(a)*	**32,870**	11,340
Other payables	*(b)*	**653**	374
Accruals		**27,501**	20,340
		61,024	32,054

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Short-term advances received from customers for the sale of goods	**32,870**	11,340	9,222

The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in short-term advances received from customers for the sale of goods at the end of the year.

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

21. INTEREST-BEARING BANK BORROWINGS

	2021			2020		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Portions of bank loans due for repayment within one year or on demand — unsecured	**LIBOR +1.2 to HIBOR+1.75**	**2022**	**71,944**	HIBOR +1.2 to HIBOR+1.75	2021	26,005
Portions of bank loans due for repayment after one year which contain repayment on demand clause *(note)* — unsecured	**HIBOR +1.6 to HIBOR+1.75**	**2023–2025**	**8,200**	HIBOR +1.6 to HIBOR+1.75	2022–2025	13,600
			80,144			39,605

Note:

Certain term loans of the Group containing repayable on demand clauses as at 31 December 2021 with a carrying amount of HK$31,752,000 (2020: HK$20,000,000) have been classified in total as current liabilities. Accordingly, portions of the bank loans due for repayment after one year as at 31 December 2021 with a carrying amount of HK$8,200,000 (2020: HK$13,600,000) have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

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

	2021 HK$'000	2020 HK$'000
Within one year	**71,944**	26,005
In the second year	**4,400**	5,400
In the third to fifth years, inclusive	**3,800**	8,200
	80,144	39,605

(a) Except for bank borrowings of HK$28,339,000 (2020: Nil) as at 31 December 2021, which were denominated in United States dollars ("USD"), the remaining bank borrowings are denominated in Hong Kong dollars.

22. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2020	34	1,927	1,961
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	(1)	1,111	1,110
Exchange realignment	–	186	186
At 31 December 2020 and at 1 January 2021	**33**	**3,224**	**3,257**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	**(23)**	**2,551**	**2,528**
Exchange realignment	**–**	**131**	**131**
At 31 December 2021	**10**	**5,906**	**5,916**

22. DEFERRED TAX (Continued)

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK$'000	Others HK$'000	Total HK$'000
At 1 January 2020	830	786	1,616
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	(498)	(221)	(719)
Exchange realignment	–	34	34
At 31 December 2020 and at 1 January 2021	**332**	**599**	**931**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year *(note 10)*	**(166)**	**362**	**196**
Exchange realignment	**–**	**21**	**21**
At 31 December 2021	**166**	**982**	**1,148**

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

	2021 HK$'000	2020 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,138**	898
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,906)**	(3,224)
Net deferred tax liabilities	**(4,768)**	(2,326)

22. DEFERRED TAX (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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

23. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each	**40,000**	40,000
Issued and fully paid:		
359,000,000 ordinary shares of HK$0.01 each	**3,590**	3,590

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

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** HK$'000
Issued and fully paid:			
At 1 January 2020		400,000,000	4,000
Shares repurchased and cancelled	*(a)*	(41,000,000)	(410)
At 31 December 2020, at 1 January 2021 and at 31 December 2021		359,000,000	3,590

(a) During the year ended 31 December 2020, the Company purchased a total of 41,000,000 ordinary shares on the Stock Exchange at a total consideration of approximately HK$33,169,000. The purchased shares were cancelled during the year ended 31 December 2020 and the total amount paid for the purchases of the shares of approximately HK$33,169,000 was transferred from treasury shares to issued capital and share premium account.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

(a) Merger reserve

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

(b) Capital contribution reserve

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

(c) Share-based payment reserve

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

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$34,680,000 (2020: HK$577,000) and HK$34,680,000 (2020: HK$577,000), respectively, in respect of lease arrangements for leased properties.

(b) Changes in liabilities arising from financing activities

2021

	Interest-bearing bank borrowings HK$'000	**Lease liabilities HK$'000**
At 1 January 2021	**39,605**	**12,566**
Changes from financing cash flows	**40,539**	**(12,720)**
Interest paid classified as financing cash flows	**–**	**(323)**
Non-cash changes:		
Remeasurement on lease modifications	**–**	**34,680**
Interest expense	**–**	**323**
Foreign exchange movement	**–**	**647**
At 31 December 2021	**80,144**	**35,173**

2020

	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2020	43,471	22,512
Changes from financing cash flows	(3,866)	(11,290)
Interest paid classified as financing cash flows	–	(936)
Non-cash changes:		
New lease	–	577
Interest expense	–	936
Foreign exchange movement	–	767
At 31 December 2020	39,605	12,566

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

(c) Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating activities	**20**	20
Within financing activities	**13,043**	12,226
	13,063	12,246

26. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Leasehold land and buildings	**68,586**	–
Leasehold improvements	**759**	532
Plant and machinery	**6,878**	3,965
Furniture, fixtures and equipment	**–**	119
Moulds	**2,519**	2,308
	78,742	6,924

(b) The Group has a lease contract that has not yet commenced as at 31 December 2021. The future lease payments for this non-cancellable lease contract are HK$1,910,000 due within one year and HK$3,820,000 due in the second to fifth years, inclusive.

27. RELATED PARTY TRANSACTIONS

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

	Note	2021 HK$'000	2020 HK$'000
Tunbow Properties Limited*:			
Lease payments	*(i)*	**1,005**	1,005
東保利電業(惠州)有限公司 ("Tunbow (Huizhou)")*:			
Lease payments	*(i)*	**11,724**	10,946
Tunbow Charity Foundation Limited^:			
Charitable contributions		**1,200**	1,800

* These related companies are controlled by Modern Expression.

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

Note:

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

(b) Other transactions with related parties:

(i) On 1 April 2019, the Group entered into a tenancy agreement with Tunbow Properties Limited for the lease of premises for a term of 33 months ended 31 December 2021 at a monthly rent of HK$83,790. On 30 September 2021, the tenancy agreement was renewed for another term of 1 year ending 31 December 2022 at a monthly rent of HK$89,775.

(ii) On 1 April 2019, the Group entered into a tenancy agreement with Tunbow (Huizhou) for the lease of premises for a term of 33 months ended 31 December 2021 at a monthly rent of RMB810,150. On 30 September 2021, the tenancy agreement was renewed for another term of 3 years ending 31 December 2024 at a monthly rent of RMB1,020,433.

(c) Compensation of key management personnel of the Group

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

	2021 HK$'000	2020 HK$'000
Short term employee benefits	**22,042**	14,804
Post-employment benefits	**252**	252
Total compensation paid to key management personnel	**22,294**	15,056

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost:		
Trade receivables	**119,079**	90,837
Financial assets included in prepayments, deposits and other receivables	**989**	1,220
Pledged deposits	**88**	1,103
Cash and cash equivalents	**144,923**	223,945
	265,079	317,105

Financial liabilities

	2021 HK$'000	2020 HK$'000
Financial liabilities at amortised cost:		
Trade payables	**90,573**	74,485
Financial liabilities included in other payables and accruals	**9,446**	6,929
Interest-bearing bank borrowings	**80,144**	39,605
Lease liabilities	**35,173**	12,566
	215,336	133,585

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of the non-current portion of financial assets included in prepayments, deposits and other receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, and lease liabilities, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2021		
Hong Kong dollar	**25**	**(130)**
Hong Kong dollar	**(25)**	**130**
United States dollar	**25**	**(71)**
United States dollar	**(25)**	**71**
2020		
Hong Kong dollar	25	(99)
Hong Kong dollar	(25)	99

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in RMB/USD rate %	Increase/ (decrease) in profit before tax HK$'000
2021		
If the Hong Kong dollar weakens against the RMB	**5.0**	**6,073**
If the Hong Kong dollar strengthens against the RMB	**(5.0)**	**(6,073)**
If the Hong Kong dollar weakens against the USD	**5.0**	**8,363**
If the Hong Kong dollar strengthens against the USD	**(5.0)**	**(8,363)**
2020		
If the Hong Kong dollar weakens against the RMB	5.0	6,272
If the Hong Kong dollar strengthens against the RMB	(5.0)	(6,272)
If the Hong Kong dollar weakens against the USD	5.0	9,665
If the Hong Kong dollar strengthens against the USD	(5.0)	(9,665)

Credit risk

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

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

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	119,180	119,180
Financial assets included in prepayments, deposits and other receivables					
— Normal**	989	–	–	–	989
Pledged deposit					
— Not yet past due	88	–	–	–	88
Cash and cash equivalents					
— Not yet past due	144,923	–	–	–	144,923
	146,000	–	–	119,180	265,180

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	91,295	91,295
Financial assets included in prepayments, deposits and other receivables					
— Normal**	1,220	–	–	–	1,220
Pledged deposits					
— Not yet past due	1,103	–	–	–	1,103
Cash and cash equivalents					
— Not yet past due	223,945	–	–	–	223,945
	226,268	–	–	91,295	317,563

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the financial statements.

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 31% (2020: 31%) and 81% (2020: 81%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

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

	2021			
	On demand HK$'000	**Less than 1 year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**–**	**90,573**	**–**	**90,573**
Financial liabilities included in other payables and accruals	**–**	**9,446**	**–**	**9,446**
Interest-bearing bank borrowings *(note)*	**80,144**	**–**	**–**	**80,144**
Lease liabilities	**–**	**13,444**	**24,708**	**38,152**
	80,144	**113,463**	**24,708**	**218,315**

	2020			
	On demand HK$'000	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	74,485	–	74,485
Financial liabilities included in other payables and accruals	–	6,929	–	6,929
Interest-bearing bank borrowings *(note)*	39,605	–	–	39,605
Lease liabilities	–	12,871	13	12,884
	39,605	94,285	13	133,903

Note:

Included in the above interest-bearing bank borrowings of the Group as at 31 December 2021 are term loans with a carrying amount of HK$31,752,000 (2020: HK$20,000,000). The loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Note: (Continued)

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

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

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 December 2021	**23,880**	**8,369**	**32,249**
As at 31 December 2020	6,724	13,981	20,705

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

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

31. EVENTS AFTER THE REPORTING PERIOD

On 15 September 2021 and 11 November 2021, the Group entered into sale and purchase agreements with independent third parties to acquire certain leasehold land and buildings situated in Hong Kong at cash considerations of HK$49,748,000 and HK$16,315,000, respectively. Subsequent to the end of the reporting period, these transactions were completed on 18 and 19 January 2022, respectively.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	–	–
CURRENT ASSETS		
Prepayments	624	789
Due from a subsidiary	149,346	149,214
Cash and cash equivalents	581	449
Total current assets	150,551	150,452
CURRENT LIABILITIES		
Accruals	275	138
NET CURRENT ASSETS	150,276	150,314
Net assets	150,276	150,314
EQUITY		
Issued capital	3,590	3,590
Reserves *(note)*	146,686	146,724
Total equity	150,276	150,314

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

Note:

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

	Share premium account	**Treasury shares**	**Capital contribution reserve**	**Retained profits/ (accumulated losses)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	106,283	–	63,000	(20,722)	148,561
Profit and total comprehensive income for the year	–	–	–	105,155	105,155
Shares repurchased	–	(33,169)	–	–	(33,169)
Cancellation of repurchased shares	(32,759)	33,169	–	–	410
Final 2019 dividend	–	–	–	(42,282)	(42,282)
Interim 2020 dividend	–	–	–	(31,951)	(31,951)
At 31 December 2020 and at 1 January 2021	73,524	–	63,000	10,200	146,724
Profit and total comprehensive income for the year	–	–	–	86,840	86,840
Final 2020 dividend	–	–	–	(51,696)	(51,696)
Interim 2021 dividend	–	–	–	(35,182)	(35,182)
At 31 December 2021	73,524	–	63,000	10,162	146,686

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2022.

FINANCIAL SUMMARY

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

	Results for the year ended 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
REVENUE	**763,085**	541,697	510,198	373,462	358,801
Cost of sales	**(542,097)**	(357,660)	(331,670)	(268,117)	(253,210)
Gross profit	**220,988**	184,037	178,528	105,345	105,591
Other income and gains, net	**4,522**	13,171	4,162	8,202	32,605
Selling and distribution expenses	**(14,648)**	(10,142)	(9,621)	(8,691)	(7,711)
General and administrative expenses	**(84,515)**	(63,234)	(85,967)	(57,176)	(65,746)
Other expenses, net	**357**	566	(2,953)	(865)	(5,430)
Finance costs	**(840)**	(1,657)	(3,273)	(885)	(294)
PROFIT BEFORE TAX	**125,864**	122,741	80,876	45,930	59,015
Income tax expense	**(19,360)**	(18,549)	(20,066)	(7,891)	(9,551)
PROFIT FOR THE YEAR	**106,504**	104,192	60,810	38,039	49,464
PROFIT FOR THE YEAR	**106,504**	104,192	60,810	38,039	49,464
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**3,577**	5,638	(1,010)	(10,260)	14,023
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,081**	109,830	59,800	27,779	63,487

	As at 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**608,477**	474,894	469,613	269,899	495,967
Total liabilities	**276,291**	165,911	163,058	133,427	224,103
Total equity	**332,186**	308,983	306,555	136,472	271,864