TEN PAO GROUP HOLDINGS LIMITED
天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1979

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Kwong Yee
(Chairman and Chief Executive Officer)
Ms. Yang Bingbing

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung Eddie

BOARD COMMITTEES

Audit Committee

Mr. Chu Yat Pang Terry *(Chairperson)*
Mr. Lam Cheung Chuen
Mr. Lee Kwan Hung Eddie

Remuneration Committee

Mr. Lee Kwan Hung Eddie *(Chairperson)*
Mr. Hung Kwong Yee
Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry

Nomination Committee

Mr. Hung Kwong Yee *(Chairperson)*
Mr. Chu Yat Pang Terry
Mr. Lam Cheung Chuen
Mr. Lee Kwan Hung Eddie

COMPANY SECRETARY

Mr. Tse Chung Shing, *ACCA*

AUTHORISED REPRESENTATIVES

Mr. Hung Kwong Yee
Mr. Tse Chung Shing

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 610–612, 6th Floor
Kwong Sang Hong Centre
151–153 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongjiang Industrial Estate
Shuikou Street
Huicheng District
Huizhou City 516005
Guangdong Province
The People's Republic of China (the "PRC")

SHARE REGISTRARS

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

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

HONG KONG LEGAL ADVISOR

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

1979

COMPANY'S CORPORATE WEBSITE

www.tenpao.com

INVESTOR RELATIONS CONTACT

https://www.tenpao.com.hk/Investors-Query

FINANCIAL HIGHLIGHTS

		Year ended 31 December		
		2022	2021	Change
Revenue	HK$'000	**5,481,355**	6,362,670	−13.9%
Operating profit	HK$'000	**364,271**	461,487	−21.1%
Profit for the year attributable to owners of the Company	HK$'000	**296,902**	378,616	−21.6%
Gross profit margin	%	**16.7**	16.7	0%
Operating profit margin	%	**6.6**	7.3	−9.6%
Profit margin attributable to owners of the Company	%	**5.4**	6.0	−10.0%
Earnings per share				
— basic and diluted per share	HK cents	**29.3**	37.8	-22.5%
Dividend per share				
— interim	HK cents	**2.8**	5.7	
— final	HK cents	**3.3**	5.6	

		As at 31 December		
		2022	2021	Change
Gearing ratio	%	**32.0**	44.2	−27.6%
Current ratio	times	**1.21**	1.14	6.1%
Average inventory turnover period	days	**82**	75	9.3%
Average trade receivables turnover period	days	**76**	68	11.8%
Average trade payables turnover period	days	**91**	112	−18.8%

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Ten Pao Group Holdings Limited ("Ten Pao" or the "Company" and, together with its subsidiaries, the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2022 (the "Year").

Despite the rapid recovery from the COVID-19 pandemic in 2022, the global manufacturing industry remained affected by continuous geopolitical tensions and complex economic headwinds that impacted different regions. Activities along the supply chain, from raw material procurement, production, logistics and transportation to customers' demand were all affected. During the Year, Ten Pao swiftly and flexibly allocated its production and raw material resources towards global deployment and intelligent manufacturing, which led to an accelerated growth in its new energy business and the development of new power supply products with higher efficiency and power output. As a result, the Group's new energy business doubled its performance during the Year. Although the power supply business declined due to market conditions, Ten Pao maintained its commitment to quality and research and development (the "R&D"). The Group is confident that its power supply business will experience a quick rebound when pent-up demand is released.

The Group has systematically developed its global production capacity and actively promoted intelligent production upgrading. Production bases located in Huizhou (Guangdong Province), Dazhou (Sichuan Province), Hungary and Vietnam are able to effectively meet the needs of customers in various regions. The expansion of the Dazhou plant in Sichuan Province and the construction of the Huizhou Intelligent Manufacturing Industrial Park have elevated intelligent production and operation to a new level. Additionally, the Vietnam and Hungary plants have provided flexible production and supply to global customers, thereby reducing potential risks arising from reliance on a single geographic region. The Group will continue to strengthen the deployment of overseas production bases according to customer demand. The Group is currently considering the feasibility of establishing a production base in Mexico. Furthermore, the Group will study market trends and enhance its geographic advantages to further expand its customer base and strengthen its customer network. Meanwhile, it will focus on automated and intelligent production management to reduce labour costs, improve product quality and provide new opportunities for product customisation.

Ten Pao has consistently focused on independent R&D and manufacturing of diversified power supply equipment. The Group has capitalised on its extensive industry experience, solid customer base and forward-looking industry insight to identify product areas with growth potential. In response to market trends, the Group will prioritise the R&D and business development of high-power charging technologies. This includes charging module products for charging piles, portable energy storage systems and industrial power supply-related applications.

The Group's new energy business, initiated a few years ago, is expected to deliver improved performance. Most countries have been committed to developing new energy and electric vehicle businesses in the recent years, so the new energy market is poised for a new phase of growth and development driven by both policy and demand. This, in turn, will serve as a new growth driver for our overall performance. In response to market demand, the Group has reconstructed its supply chain management model; utilised big data digital technology to enhance management efficiency; strengthened R&D, production capacity and marketing capabilities; and formulated three new energy product application areas centering on charging modules, energy storage and automotive electronics as core product strategy. During the Year, revenue generated from the new energy business segment was satisfactory, and orders to be produced and delivered doubled.

With respect to charging modules for charging piles, the Group leveraged its existing 30KW charging module to develop a new 40KW version, representing a gradual shift towards products with higher power output. With respect to energy storage products, the Group has emerged as one of the pioneer companies to design and produce portable power stations. During the Year, it collaborated with several internationally renowned brands to launch large-capacity portable power stations for outdoor use. Given the surge in outdoor activities both domestically and abroad in light of the improvement of the COVID-19 pandemic, demand for these products is expected to continue rising. The Group also proactively pursued new customers in the automotive electronics field and developed a series of automotive electronics products.

In addition to expanding its business with internal resources, the Group entered into a cooperation agreement for business expansion and equity investment with an industry-leading customer engaged in medium to high-power charging module business during the Year. This collaboration aims to have both parties co-develop charging modules for charging piles, which does not only strengthen the partnership, but also provides the Group with an opportunity to invest in companies with growth potential. Going forward, the Group will continue to seek more potential strategic cooperation opportunities and replicate this model to enhance its competitive edge.

The Group's overall performance in the power supply business for the Year was also affected by unfavourable factors in the global consumer market. The segment of power supply units for consumer products, dominated by cell phone customers, generated revenue of HK$3,153.0 million, down 18.8% year-on-year due to the slowdown in smartphone sales, accounting for 57.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$391.6 million. The segment of smart chargers and controllers for industrial power supply, which is highly risk-averse due to its well-established customer base, flexible supply chain management, and international production capacity layout, recorded a revenue of HK$2,328.4 million, representing a decrease of 6.2% year-on-year, and accounting for 42.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$524.2 million, which helped mitigate the impact of the segment of power supply units for consumer products.

A flexible management model is essential for business success, allowing the team to capitalise on opportunities for accelerated growth and adapt seamlessly during difficult times. During the Year, the Group implemented a series of measures to reduce costs and increase efficiency. For example, the logistics system utilised big data analysis to flexibly deploy resources along the supply chain, resulting in remarkable outcomes. In the coming years, the Group will intensify efforts to standardise and localise materials, strengthen cooperation with strategic suppliers, accurately control the timing of raw material procurement, enhance bargaining power and build up a solid strategic inventory to reduce the cost pressure caused by raw material shortages and price fluctuations. While tight supply chains and volatile commodity prices are expected to continue, the Group will formulate timely measures to address market changes, and maintain financial stability, which in turn will provide stronger support for the sustainable development of its production capacity and new energy businesses.

Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to our shareholders (the "Shareholders"), investors, customers and business partners for their longstanding trust and support of Ten Pao. I would also like to express my sincere appreciation to all the staff for their contribution to Ten Pao's success. Going forward, Ten Pao will continue to forge ahead, actively develop its new energy business and strive to become the market-leading one-stop smart power supply solutions provider to create long-term and sustainable returns for Shareholders.

BUSINESS REVIEW

Overview

The Group is an industry-leading provider of smart power supply solutions. For more than 40 years, the Group has been conducting and developing power supply products and has won the trust of prestigious brands at home and abroad with its continuous innovation, and high-quality and diverse products. The Group is a reliable partner in the power supply industry, promoting its innovation and development.

In 2022, enterprises faced significant challenges, including the resurgent global pandemic, strict pandemic prevention and control measures in various Chinese cities, and ongoing international instability. Despite these headwinds, Ten Pao's management team responded proactively. On the one hand, we seized market opportunities to expand the Group's new energy business. On the other hand, we found ways to optimise the business by broadening the Group's international and diversified customer base, refining its global production layout, improving the digitalisation of its manufacturing bases, and maintaining strategic inventory supply. These measures ensured the stable development and smooth operation of the Group's core businesses.

Against the backdrop of the global commitment to carbon neutrality and energy transformation, new energy-related business is a key driver for future economic growth. The Group's new energy business achieved good results during the Year, which helped to cushion the adverse effects of various unfavourable external factors on the power supply business. For the year ended 31 December 2022, the Group's revenue decreased by 13.9% to HK$5,481.4 million. The Group's profit before tax for the Year amounted to HK$351.8 million and profit attributable to owners of the Company decreased by 21.6% to HK$296.9 million as compared with the same period in 2021.

Entering into 2023, the rapid pace of global recovery from the pandemic and the accelerated opening up of the mainland China have helped to unleash the pent-up demand. It is expected that the new round of economic recovery in China will be mainly driven by consumption, and the increasing customer enquiries and orders in recent months show a gradual pickup in the industry.

The Group continues to pursue a stable, long-term dividend policy, in appreciation of the ongoing support of the Shareholders. The Board has recommended the payment of a final dividend of HK3.3 cents per ordinary share for the year ended 31 December 2022 (2021: HK5.6 cents per ordinary share). Together with the interim dividend of HK2.8 cents per ordinary share for the six months ended 30 June 2022 already paid out (2021: HK5.7 cents per ordinary share), total dividend for the year ended 31 December 2022 will be HK6.1 cents per ordinary share, representing a yearly dividend payout ratio of 20.8%.

Market and Business Review

In recent years, countries around the world have been committed to promoting the business of new energy and electric vehicles, striving for "global carbon reduction". As a result, it is now a major trend to replace fuel vehicles with electric ones. Under the dual effects of policy and market conditions, China's new energy vehicle sector continued to grow dramatically in 2022, with production and sales increasing by 96.9% and 93.4% year-on-year to 7.058 million units and 6.887 million units, respectively, ranking the first in the world for eight consecutive years. China's new energy vehicles are gradually moving into a period of comprehensive market expansion, entering into a new stage of development and growth, and with it, continuing increase of market demand for charging piles and charging modules. Across the world, under the effects of the COVID-19 pandemic in the past two years, overseas charging pile infrastructure is seriously insufficient when compared to mainland China's complementary facilities. With the combined effect of opening up of overseas markets, the support of subsidy policies starting from 2021, and the beginning of exporting overseas by competitive domestic supply chains, the demand for charging piles in Europe and the U.S. is expected to see explosive growth from 2023.

The Group continued to actively pursue its new energy strategy in 2022. In response to market demand, the Group formulated three new energy applications as the core product strategy, centering on charging modules, energy storage and automotive electronics. The Group reconstructed its supply chain management model to use big data digital technology to enhance management efficiency and adjusted its human resource recruitment strategy as and when required, thus strengthening to varying degrees the R&D capabilities, production capacity, supply chain management and marketing capabilities for major products. The dedicated production line in the Sichuan plant is responsible for producing the charging modules of new energy vehicle charging piles (mainly 30KW charging modules) and increasing the production capacity for charging pile modules to meet the growing demand in the global market. Over the years, the Group has persisted in independent innovation and R&D, and its products have a strong competitive advantage in the industry. Currently, the Group is actively researching and developing higher-power new energy vehicle charging devices, automotive electronics, and other high-end modules and products. At the same time, the new business investment entered into during the Year is progressing well. An agreement has been reached for bilateral business expansion and equity investment with an industry-leading customer engaged in medium to high-power charging module business. This partnership is expected to enable the joint development of charging modules for charging piles in the coming years. During the Year, revenue generated from the new energy business segment was satisfactory, and orders to be produced and delivered doubled. This business is expected to achieve further growth in the future.

To increase popularity of green new energy among the public and in our lives, and create a brand-new convenient energy lifestyle, the Group took the lead during the Year to become one of the first enterprises to design and produce portable power stations, and cooperated with several internationally renowned brands to launch large-capacity portable power stations for outdoor use. With the boom of outdoor activities in the mainland, China will be a key consumer market for portable power stations; while in the international market, the U.S., with an outdoor travel rate of nearly 50%, is the world's largest market for portable power stations. It is expected that the continued growth of demand in these two large markets will fuel the growth of the energy storage business. In addition, the Group has deepened its partnership with a leading domestic multi-purpose energy storage device company and has launched portable storage devices of various power output for the overseas market.

During the Year, the Group also actively searched for new customers in the field of automotive electronics and produced a series of automotive electronics products. The development of the new energy business segment has contributed to greater diversification of the Group's customers and product mix, enhancing the risk resistance of the whole business.

The demand for power supply products is closely related to the performance of the consumer market. During the Year, the Group's overall performance in its power supply business was affected by a number of unfavourable factors in the global consumer market. The Group continued to sell power supply products to major handset customers. However, given the slowdown in smartphone sales, the segment of power supply units for consumer products recorded revenue of approximately HK$3,153.0 million, representing a decrease of 18.8% year-on-year and accounting for 57.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$391.6 million, with segment gross profit margin at 12.4% (2021: 14.3%). The business segment of smart chargers and controllers for industrial power supply — which has high risk resilience due to its well-established customer base, flexible supply chain management and international production capacity layout — recorded revenue of HK$2,328.4 million, representing a decrease of 6.2% year-on-year and accounting for 42.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$524.2 million, with segment gross profit margin at 22.5% (2021: 20.4%).

During the Year, the Group continued to improve its global production layout and actively promoted intelligent production upgrading. Currently, the Group has production bases in Huizhou (Guangdong Province), Dazhou (Sichuan Province), Hungary and Vietnam. The expansion of the Dazhou plant in Sichuan and the construction of the Huizhou Intelligent Manufacturing Industrial Park have brought its intelligent production and operation to a new level. The Group also continued to increase the production capacity of its Vietnam plant to meet customer demand. The Hungary plant performed steadily and continued to provide a flexible, supportive auxiliary manufacturing supply for the Group's European customers through the cross-country railway network connecting to Sichuan Province. The Group also provides customers with stable services and flexible tariff arrangements through solutions such as capacity allocation, supply chain planning and intelligent upgrades, which reduce potential risks arising from reliance on a single geographic region.

Prospect

Looking ahead to 2023, global economic growth is expected to remain sluggish due to geopolitical uncertainties. However, as the COVID-19 pandemic gradually subsides, the growth potential and resilience of China's economy are expected to remain unchanged, and the long-term positive fundamentals are likely to be maintained. The Group will continue to focus on market opportunities, proactively optimise its revenue structure, and implement its new energy product strategy, which is beginning to bear fruit. Additionally, the Group will further improve its existing global production layout to meet customer demand. R&D investment is also an area of great importance to the Group. In the future, the Group will prioritise high-power charging technology, including charging module products for charging piles, portable energy storage systems, and industrial power supply-related applications.

The use of new energy vehicles is a major trend in China's industrial development and a new driver of national domestic demand. The development of new energy industry in the past few years has been unstoppable. The Group is committed to developing its new energy business as a key source of growth, while also investing more resources in R&D and market expansion to gain a greater share of the new energy vehicle charging facility market. The Group is leveraging its competitive advantage in charging module products for charging piles by increasing overall production capacity, including a new 40KW charging module production line that is expected to further expand the market. With the resumption of normal travel and lifting of travel restrictions in China, green travel is expected to become a new trend, and it is expected that there will be increased demand for portable power stations and automotive electronics products.

In addition to the new energy business, the Group is leveraging its vast customer base accumulated in the electronics industry and its global production network to continue innovating in electronic manufacturing solutions. It is currently receiving orders for intelligent controller manufacturing and solutions and has plans to extend production to overseas production bases in 2023.

With a well-defined strategy for new energy products, the Group aims to enhance its presence in both domestic and international production bases in response to customer demand. Currently, the team is considering the feasibility of establishing a production base in Mexico. Furthermore, the Group will closely monitor market trends and intends to proactively pursue opportunities for overseas collaboration, with a flexible investment approach tailored to different regions around the world.

In terms of operations, the Group will accelerate its pace in the R&D of automotive power supplies, electronic manufacturing service solutions, digital production reforms and customer expansion. Through these initiatives, the Group is striving to take business development to a new level and to continuously implement intelligent production and operation in order to boost product gross profits. Automated and intelligent production management will further reduce labor costs, improve product quality, and present new opportunities for product customisation. Regarding the supply chain, the Group has implemented a range of measures to decrease costs and increase efficiency over the Year. Going forward, the Group will standardise and localise materials, carefully manage the timing of raw material procurement and enhance its bargaining power to prepare for possible fluctuations in raw material prices caused by external macro factors.

In the past, the Group has achieved excellent performance through the tireless efforts of its management team and the trust and support of its partners. Going forward, the Group will continue to identify new business opportunities and build a stronger competitive edge. With the accelerated improvement of the pandemic situation and the overall rebound of the tourism industry, the Group will focus on investing in the development of new energy industries such as automotive electronics and green mobility. It will work with potential customers to develop more intelligent charging equipment, including charging piles, intelligent battery swapping cabinets, portable energy storage inverters, and other power supply products. By expanding its product categories, the Group seeks to capture additional market opportunities and increase its overall revenue.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from the sales of switching power supply units for consumer products and sales of smart chargers and controllers for industrial use.

The total revenue decreased by 13.9% from HK$6,362.7 million for the year ended 31 December 2021 to HK$5,481.4 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in the volume of products sold as a result of the decrease in the demand from our customers, particularly the demand from telecommunication segment which recorded a drop of 35.9% and the demand from lighting equipment segment which recorded a reduction of 35.0% during the year ended 31 December 2022. However, the new energy business, included in the "Others" segment, had received good responses from customers and mitigated the drop in the revenue by the above business.

Revenue by Product Segment

The following table sets forth the breakdown of our revenue by product segments for the year ended 31 December 2022 and the comparative figures for the year ended 31 December 2021.

	Year ended 31 December			
	2022		2021	
	HK$'000	**%**	HK$'000	%
Switching power supply units for consumer products				
Telecommunication	**1,578,658**	**28.8**	2,463,591	38.7
Media and entertainment	**413,495**	**7.5**	439,298	6.9
Electrical home appliances	**107,574**	**2.0**	139,446	2.2
Lighting equipment	**347,248**	**6.3**	534,552	8.4
Others	**705,980**	**12.9**	304,664	4.8
Subtotal	**3,152,955**	**57.5**	3,881,551	61.0
Smart chargers and controllers for industrial use	**2,328,400**	**42.5**	2,481,119	39.0
Total revenue	**5,481,355**	**100**	6,362,670	100

During the year ended 31 December 2022, the sales of switching power supply units for telecommunication equipment decreased by 35.9% from HK$2,463.6 million for the year ended 31 December 2021 to HK$1,578.7 million for the year ended 31 December 2022, mainly due to the decrease in demand from the leading smartphone manufacturing clients in the PRC for the high-end fast-charging products of the Group. Sales of smart chargers and controllers decreased by 6.2% to HK$2,328.4 million for the year ended 31 December 2022 when compared with the year ended 31 December 2021, mainly due to the decline in orders from customers.

Revenue generated from the "Others" segment increased by 131.7%, mainly due to additional orders received from the customers of the new energy business.

Revenue by Geographic Location

The following table sets out an analysis of the total revenue by geographic location, and is based on the destination to which we delivered our products to our customers, whereas the ultimate products produced by our customers were sold globally. As such, the delivery destination of our products might not be the same as the countries in which the relevant final products were sold.

	Year ended 31 December			
	2022		2021	
	HK$'000	**%**	HK$'000	%
PRC, excluding Hong Kong	**3,043,797**	**55.5**	3,829,046	60.2
Europe	**862,568**	**15.7**	855,229	13.4
Asia, excluding PRC	**763,426**	**13.9**	823,487	12.9
US	**496,356**	**9.1**	665,235	10.5
Africa	**140,711**	**2.6**	145,489	2.3
Others	**174,497**	**3.2**	44,184	0.7
Total revenue	**5,481,355**	**100**	6,362,670	100

Cost of Sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and production overheads. Cost of raw materials mainly includes expenses relating to our purchases of raw materials such as plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, printed circuit board components, triodes, copper and aluminium materials, and resistors. Direct labour costs mainly comprise wages, pension costs and social security costs for those who are directly involved in the manufacturing of our products. Production overheads mainly comprise depreciation of plant and machinery, administrative staff costs relating to production, subcontracting expenses, utility expenses and other miscellaneous production costs.

Cost of sales decreased by 13.9% for the year ended 31 December 2022 as compared with the year ended 31 December 2021, which was consistent with the decrease in revenue by 13.9% for the Year.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2022, the Group recorded a gross profit of HK$915.8 million, representing a decrease of 13.6% from the year ended 31 December 2021.

The gross profit margin of the Group is 16.7% for the year ended 31 December 2022, which was consistent with the gross profit margin for the year ended 31 December 2021.

Other Income

Other income mainly consists of sales of scrap materials from our manufacturing process, sales of raw materials, samples and moulds, inspection and certification fee income for obtaining standard certifications as requested by customers and others. The decrease in other income in the Year was mainly attributable to the decrease in the sales of scrap materials as a result of the decrease in the scale of production and also because no compensation income for overseas transport was received from the customers.

Other Gains — Net

Net other gains mainly consists of fair value changes on derivative financial instruments, net foreign exchange difference for transactions denominated in foreign currencies, government grants for approved technology projects, and loss on disposal of property, plant and equipment. Other gains increased during the year ended 31 December 2022, which was primarily due to the net exchange gain of HK$12.5 million recorded during the Year as compared with the net exchange loss of HK$27.9 million recorded in the year ended 31 December 2021.

Selling Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, transportation and travelling expenses, commission expenses to salespersons and agents, certificate and detection fees mainly for obtaining safety certifications, consultancy fee, entertainment expenses, operating lease payments, advertising costs, commercial insurance for our trade receivables and others.

Selling and marketing expenses decreased by 11.7% from HK$220.2 million for the year ended 31 December 2021 to HK$194.3 million for the year ended 31 December 2022. The decrease was primarily attributable to the decrease in employee benefit expenses paid for the sales team, which was in line with the decrease in revenue.

Administrative Expenses

Administrative expenses primarily consist of employee benefit expenses for administrative staff, depreciation, amortisation and impairment charges, consultancy fee, transportation and travelling expenses, entertainment expenses, bank charges, research and development costs and others.

Administrative expenses slightly increased by 0.03% from HK$414.2 million for the year ended 31 December 2021 to HK$414.4 million for the year ended 31 December 2022.

Finance Expenses — Net

Net finance expenses represent interest charges on our interest-bearing bank borrowings and interest income on our bank deposits. The Group had net finance expenses of HK$12.5 million and HK$4.5 million for the years ended 31 December 2022 and 2021, respectively. The overall increase was attributable to the increase in interest expenses as a result of the rising interest rate during the Year. For the year ended 31 December 2022, interest expenses of HK$4.8 million was capitalised (2021: HK$2.6 million).

Income Tax Expense

Income tax expense represents income tax payable by the Group under relevant income tax rules and regulations where the Group operates.

Income tax expense consists of current income tax and deferred income tax. Current income tax consists of the PRC corporate income tax at a rate of 15% for two PRC subsidiaries of the Company which were recognised as "New and High Technology Enterprises" and enjoy a preferential corporate income tax rate and at a rate of 25% for the other PRC subsidiaries of the Company, respectively. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the Company's subsidiaries in Hong Kong. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense decreased from HK$68.5 million for the year ended 31 December 2021 to HK$55.2 million for the year ended 31 December 2022. Profits contribution from the Hong Kong subsidiaries of the Company increased during the year under review and were taxed at the rate of 16.5%. As of 31 December 2022, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

The increase in the effective corporate income tax rate was mainly due to the increase in the withholding tax of the Company's subsidiaries in the PRC.

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Total comprehensive income for the year attributable to owners of the Company decreased by 62.7% to HK$154.9 million for the year ended 31 December 2022 from HK$415.5 million for the year ended 31 December 2021, including currency translation loss of HK$143.2 million as a result of the devaluation of RMB in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2022, net current assets was HK$438.0 million as compared with HK$346.9 million at 31 December 2021. As of 31 December 2022, current ratio was 1.21 times (2021: 1.14 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 32.0% (2021: 44.2%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The decrease in the gearing ratio was mainly attributable to the decrease of the average borrowings in 2022.

Cash generated from operations for the year ended 31 December 2022 was HK$595.9 million (2021: HK$245.2 million) and the increase was mainly attributable to the decrease in account receivables from customers and the decrease in inventories. Longer credit terms were also given by the suppliers during the year under review.

Cash used in investing activities for the year ended 31 December 2022 was HK$228.0 million (2021: HK$611.1 million).The decrease was primarily due to the substantial addition of investment in year 2021, aiming to increase production capacity and construct new factory premises, which was not applicable for the year under review.

During the year ended 31 December 2022, net cash used in financing activities was HK$300.4 million (2021: net cash generated: HK$220.4 million) as the Group repaid certain bank borrowings during the year ended 31 December 2022.

DEBT MATURITY PROFILE

The maturity profile of the Group's borrowings is set out below:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Within 1 year	**248,566**	341,134
Between 1 and 2 years	**46,512**	183,630
Between 2 and 5 years	**156,372**	54,157
	451,450	578,921

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

The Group operates mainly in the PRC, with notable portion of our revenue derived from our export sales to overseas countries. The Group is exposed to foreign currency risks, in particular fluctuation in currency exchange rates of HK$ and USD against RMB.

The Group generates a notable portion of revenue and receivables in USD and HK$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2022, our revenue denominated in USD and HK$ amounted to approximately 54.8% of our total revenue.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended 31 December 2022, no new forward foreign exchange contracts had been entered into by the Group.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2022, the Group had bank borrowings of HK$451.5 million (2021: HK$578.9 million) which were primarily denominated in HK$ and USD.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, amounts due from related parties, bank balances and cash included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure credit terms are only granted to customers with an appropriate credit history, and credit evaluations on them were performed periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balances when they are past due and the management considers the default risk is high.

As at 31 December 2022, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at 31 December 2022 and 2021, the Group held bank balances, term deposits and restricted bank deposits totalling HK$512.0 million, and HK$351.7 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

The liquidity position is monitored closely by the management. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 7,300 full-time employees as of 31 December 2022 (2021: approximately 8,000). The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favourable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

BOARD OF DIRECTORS

The Board consists of five Directors, of whom two are executive Directors and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Hung Kwong Yee (洪光椅先生) ("Chairman Hung"), aged 64, is the chairman of the Board, an executive Director, the chief executive officer, the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company. He is also a director of certain subsidiaries of the Company. Chairman Hung is responsible for the overall strategic planning and overseeing the general management of the Group. He was appointed as a Director in January 2015 and redesignated as the chairman of the Board and an executive Director with effect from June 2015. Besides, Chairman Hung is the director and sole shareholder of "Even Joy Holdings Limited", a substantial Shareholder, and the director of "TinYing Investments Limited" and "TinYing Holdings Limited", both being substantial Shareholders.

Chairman Hung is the founder of the Group. He established his business under the trading name "Ten Pao Company (天寶公司)" in Hong Kong in December 1979 and established the production plant in Huizhou, Guangdong Province in October 1988. Accordingly, he has accumulated over 40 years of experience in the power supply industry. Chairman Hung holds social titles and offices in various statutory bodies and charitable organizations, including a member of the Chinese People's Political Consultative Conference, Anhui Province (安徽省中國人民政治協商會議); the executive vice president of the Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會); the honorary life chairman of Huizhou Ganghui Love Foundation (惠州市港惠愛心基金會) (position changed from the chairman of this Foundation since January 2023); the executive vice president of Huizhou Overseas Chinese Enterprises Association (惠州市僑商協會); the honorary president of the Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會); a member of the Standing Committee of Pearl River Delta Council, the Federation of Hong Kong Industries (香港工業總會珠三角工業協會); the vice chairman of the Hong Kong Shine Tak Foundation (香港善德基金會); the honorary life chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金會). In addition, the Hong Kong Baptist University has conferred Honorary University Fellowship on Chairman Hung.

Chairman Hung graduated from the High School of Yinglin Middle School of Jinjiang City, Fujian Province (福建省晉江市英林中學高中部) in the PRC in July 1976.

Ms. Yang Bingbing (楊冰冰女士), aged 54, has been appointed as an executive Director with effect from 12 July 2019. She is also the chief executive officer of a subsidiary of the Company and is responsible for the operations and management of the subsidiary. Ms. Yang joined the Group in August 2005 as a special assistant to the chairman, dealing with the technical related affairs in the R&D center. She has been appointed as the general manager of Business Unit 1 of the Group since April 2013, as the vice president of the Group since 21 December 2017, as the vice president of Business Group 1 (principally engaged in the sales and manufacturing of smart chargers and controllers of power tools for industrial use and switching power supply units for telecommunication devices) of the Group since 2019, and as the chief executive officer of the Company's subsidiary since 2022. Ms. Yang has over 25 years of experience in design and manufacturing in the power supply industry. Prior to joining the Group, Ms. Yang worked as a manager of automatic instrumentation workshop in Anhui Anqing Nanfeng Household Chemicals Co., Ltd. (安徽安慶南風日化有限責任公司) (formerly known as Anqing City Synthetic Detergent Factory of Anhui Province (安徽省安慶市合成洗滌劑廠)), a detergent manufacturing factory in the PRC, from 1991 to 1996. From 1996 to 2004, she worked as a manager of R&D in Shenzhen Pan Tai Electronic Co., Ltd. (深圳品泰電子有限公司), a power supply product manufacturing company in the PRC. From 2004 to 2005, she worked as a manager of R&D in Leitong Technology Development Co., Ltd. (雷通科技發展有限公司), a power supply product manufacturing company in Hong Kong. Ms. Yang received a bachelor's degree in applied electronic technology from the East China University of Science and Technology (華東理工大學) (formerly known as East China College of Chemical Technology (華東化工學院)) in the PRC in July 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Cheung Chuen (林長泉先生), aged 69, has been appointed as an independent non-executive Director since 23 November 2015, and is responsible for overseeing the management of the Group independently. He is also a member of the Company's audit committee (the "Audit Committee"), the Remuneration Committee and the Nomination Committee. Mr. Lam is a founder of Sun Tin Lun Garment Accessories (Huizhou) Co., Ltd. (新天倫服裝配料(惠州)有限公司), a garment accessories manufacturing company in the PRC, and Sun Tin Lun Apparel Accessories (Huizhou) Co., Ltd. (新天倫服裝輔料(惠州)有限公司), an apparel accessories manufacturing company in the PRC.

Mr. Lam completed his primary school education in the PRC in July 1966 and was conferred Honorary University Fellowship by the Hong Kong Baptist University in September 2015. Mr. Lam has over 30 years of experience in the garment accessories manufacturing industry. Mr. Lam was a special committee member of the 11th session and a member of the 12th session of Huizhou City Committee of Guangdong Province of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會). Mr. Lam holds a number of social titles including the president of the 6th council of Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會), the executive vice president of the 7th council of Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), the executive vice chairman of the 1st council of Huizhou Overseas Chinese Enterprises Association (惠州市僑商投資企業協會), an executive member 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), a consultant of the Hong Kong Shine Tak Foundation (香港善德基金會), the honorary life chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金會) and the vice president of the Hong Kong Lin Commerce of Chamber (香港林氏總商會). Mr. Lam is also the chairman of the board of directors and a non-executive director of Reach New Holdings Limited (stock code: 8471), a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chu Yat Pang Terry (朱逸鵬先生), aged 51, has been appointed as an independent non-executive Director since 23 November 2015, and is responsible for overseeing the management of the Group independently. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. At present, Mr. Chu is a Managing Director of Halcyon Capital Limited which specializes in initial public offerings and corporate advisory in mergers and acquisitions. Mr. Chu possesses over 29 years of experience in corporate finance and auditing. Mr. Chu used to work for an international accounting firm and other corporate finance arms of listed financial institutions in Hong Kong. Mr. Chu graduated from the University of Western Ontario in Canada with a Bachelor of Arts degree in 1992 and from the University of Hull in the United Kingdom with a Master of Business Administration (Investment & Finance) degree in 1997. He also obtained a Diploma in Accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chu is also an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange: Hong Kong Finance Group Limited (stock code: 1273) and AB Builders Group Limited (stock code: 1615).

Mr. Lee Kwan Hung Eddie (李均雄先生), aged 57, has been appointed as an independent non-executive Director since 23 November 2015, and is responsible for overseeing the management of the Group independently. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Lee has over 30 years of experience in legal services. Mr. Lee commenced working in Woo Kwan Lee & Lo, a law firm in Hong Kong, in 1989 and worked as a partner from 2001 to 2011. He worked in the Listing Division of the Stock Exchange, where he successively served as a manager and senior manager from 1992 to 1994. He joined Howse Williams Bowers (now known as Howse Williams), a law firm in Hong Kong, as a consultant lawyer in 2014. Mr. Lee received a bachelor's degree in laws (honours) and a postgraduate certificate in laws from The University of Hong Kong in November 1988 and September 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

Currently, Mr. Lee is acting as an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange:

Name of listed company	Stock code
Embry Holdings Limited	1388
FSE Lifestyle Services Limited	331
NetDragon Websoft Holdings Limited	777
Newton Resources Ltd	1231
Red Star Macalline Group Corporation Ltd.	1528
Tenfu (Cayman) Holdings Company Limited	6868

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business.

Mr. Tse Chung Shing (謝仲成先生), aged 52, is the vice president of the Group, the company secretary and chief financial officer of the Company as well as a director of a subsidiary of the Company. He is responsible for the financial reporting and investors' relationship matters of the Group. He joined the Group in December 2010 as a financial controller, and has been appointed as the company secretary and chief financial officer of the Company with effect from June 2015 and November 2015, respectively. In addition, he has been appointed as the vice president of the Group with effect from 21 December 2017, and as a director of the Company's subsidiary since 2022. Mr. Tse has approximately 30 years of experience in auditing, accounting and corporate finance. Prior to joining the Group, he worked in the advisory assurance department in Ernst & Young, an international accounting firm, from 1992 to 2003, with his last position as a senior manager. From 2004 to 2009, he worked as a financial controller in Fung Yue Electrical Machinery Co., Ltd. (豐裕電機工程有限公司), an automation equipment manufacturing company in Hong Kong. Mr. Tse received a bachelor's degree in accountancy (honours) from the City University of Hong Kong in November 1992. Mr. Tse has been a member of the Association of Chartered Certified Accountants since December 1997 and became a fellow member in December 2002.

Mr. Philip Yue (余德輝先生), aged 63, is the vice president and chief strategy officer of the Group. Mr. Yue joined the Group in December 2017. He has approximately 40 years of experience in senior management role, with Greater China, Asia Pacific as well as global responsibilities. Prior to joining Ten Pao, from 1999 to 2008, Mr. Yue was Managing Director China and APAC vice president for Atos Origin, a leading European consulting and IT service company headquartered in France (Euronext: ATO). From 2008 to 2012, Mr. Yue served as Group vice president for Suntech Power Holdings Limited (尚德電力控股集團) (NYSE: STP), an integrated PV manufacturer, leading strategic value chain integration and global supply chain functions. From 2013 to 2014, he served Sky Solar Holdings Limited (天華陽光控股集團), a US listed (Nasdaq: skys), global renewable power asset developer, as Group vice president operations. From 2015 to 2017, Mr. Yue was director and partner of Quality Link Consultants (Shanghai) Limited (上海淩駿科技諮詢有限公司), a Shanghai based consulting and advisory firm providing advisory service on business strategies, M&A, organization development and performance improvement programs. Before moved to China in 1999, Mr. Yue was board member and chief executive officer for several leading information technology companies in Hong Kong and Australia. Earlier in his career, Mr. Yue had served Citibank as vice president in Corporate Banking, based in Hong Kong. Mr. Yue received a bachelor of science degree from University of London in 1980 and a MBA from University of East Asia in 1986.

Mr. Wang Xiu (王修先生), aged 48, is the general manager of the R&D department and the general manager of the new energy business department of the Group. Mr. Wang joined the Group in September 2002 as a head of the R&D department. He has been appointed as the general manager of the R&D department of the Group since 2016 and as the general manager of the new energy business department of the Group since 2022. He has approximately 20 years of experience in the development and management in the power supply industry. Mr. Wang received a bachelor's degree in applied electronics from the Nanchang Hankong University (南昌航空大學) (formerly known as Nanchang Hankong Industrial College (南昌航空工業學院)) in the PRC in July 1995.

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE AND VALUES

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. As a group with diversified businesses, by recognising the importance of stakeholders at the Board level and throughout the Group, we strive to provide high quality and reliable products and services, and to create values to the stakeholders through sustainable growth and continuous development.

The Board has set out the following core values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they align with the Group's culture and are embedded throughout the Group's vision, mission, policies and business strategies:

— Excellence: we aim to deliver excellence to impress our customers

— Integrity: we strive to do what is right

— Accountability: we are accountable for delivering on our commitments

— Empathy: we care about our stakeholders, being our employees, customers, suppliers and the community

— Sustainability: we pursue innovation and are committed to a sustainable future

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with the code provisions set out in the CG Code, except for the code provision C.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing code provision deviation are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Company is headed by an effective Board which is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and the Shareholders at all times.

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

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

The Executive Committee (the "Executive Committee") and senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board during the year ended 31 December 2022 and up to the date of this report is as follows:

Executive Directors:

Mr. Hung Kwong Yee	*(Chairman of the Board, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Ms. Yang Bingbing	

Independent Non-executive Directors:

Mr. Lam Cheung Chuen	*(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*
Mr. Chu Yat Pang Terry	*(Chairman of the Audit Committee and Member of the Remuneration Committee and the Nomination Committee)*
Mr. Lee Kwan Hung Eddie	*(Chairman of the Remuneration Committee and Member of the Audit Committee and the Nomination Committee)*

None of the members of the Board is related to one another.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

A3. Chairman and Chief Executive

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company has deviated from this code provision because Chairman Hung performs both the roles of the chairman of the Board and the chief executive officer of the Company. Chairman Hung, the founder of the Group with the established market reputation in the switching power supply industry in the PRC, has extensive experience in its business operation and management in general. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Chairman Hung, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors (representing more than one half of the Board members) offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

A4. Independent Non-executive Directors

Listing Rules 3.10 and 3.10A require an issuer to have a minimum of three independent non-executive directors (representing at least one-third of the board) with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Throughout the year ended 31 December 2022, the Board has met the above Listing Rule requirements. Actually, the proportion of independent non-executive Directors is higher than what is required by the Listing Rules since the three independent non-executive Directors represent more than one-third of the Board.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees. Through participation in Board meetings, and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made 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 independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A5. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Chairman Hung has entered into a service contract with the Company and it has been renewed for a term of 3 years from 11 December 2021. Ms. Yang Bingbing, who was appointed as an executive Director on 12 July 2019, entered into a service contract with the Company at the time of appointment and it has been renewed for a term of 3 years from 12 July 2022. The letters of appointment of the three independent non-executive Directors have been renewed for a term of 3 years commencing on 11 December 2021. The Directors' service contracts and letters of appointment are subject to termination in accordance with their respective terms.

According to clause 84 of the articles of association of the Company (the "Articles"), one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting (the "AGM") provided that every Director shall be subject to retirement by rotation at least once every three years and that any Directors so to retire shall be those who have been longest in office since their last re-election or appointment. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, pursuant to clause 83 of the Articles, any new Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the forthcoming AGM to be held on 2 June 2023 (the "2023 AGM"), Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung Eddie shall retire by rotation pursuant to Article 84 stated in the foregoing paragraph. Both the retiring Directors, being eligible, will offer themselves for re-election at the 2023 AGM. At the 2023 AGM, separate ordinary resolutions will be put forward to the Shareholders in relation to the proposed re-election of Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung Eddie as independent non-executive Directors. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this annual report, contains detailed information of these two Directors as required by the Listing Rules.

A6. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director shall receive a formal induction on the first occasion of his/her appointment to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, relevant reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their reference and studying.

Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of Directors. According to the training records currently maintained by the Company, during the year ended 31 December 2022, the Directors have complied with the code provision C.1.4 of the CG Code on participation in continuous professional training as follows:

	Type of training	
	Attending training on regulatory development, directors' duties or other relevant topics	**Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties**
Mr. Hung Kwong Yee	✓	✓
Ms. Yang Bingbing	✓	✓
Mr. Lam Cheung Chuen	✓	✓
Mr. Chu Yat Pang Terry	✓	✓
Mr. Lee Kwan Hung Eddie	✓	✓

A7. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2022 are set out below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings** *(Note)*
Executive Directors:					
Mr. Hung Kwong Yee	7/7	N/A	1/1	1/1	2/2
Ms. Yang Bingbing	6/7	N/A	N/A	N/A	2/2
Independent Non-executive Directors:					
Mr. Lam Cheung Chuen	7/7	3/3	1/1	1/1	2/2
Mr. Chu Yat Pang Terry	7/7	3/3	1/1	1/1	2/2
Mr. Lee Kwan Hung Eddie	7/7	3/3	1/1	1/1	2/2

In addition, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other executive Director and senior management during the year ended 31 December 2022.

Note: During the year ended 31 December 2022, the Company has held two general meetings of Shareholders — an annual general meeting and an extraordinary general meeting, both were held on 17 June 2022. The extraordinary general meeting was held for the purposes of revising the annual caps for the Group's continuing connected transactions.

A8. Directors' and Employees' Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in the securities of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees of the Group 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 throughout the year ended 31 December 2022.

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 of the Group in advance.

A9. Board Independence

The Group has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. The Board has reviewed the implementation and effectiveness of the following mechanisms:

— Three out of the five Directors are independent non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.

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

— The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director before appointment and the continued independence of the existing independent non-executive Directors on an annual basis.

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

— Each independent non-executive Director is required to submit a written confirmation to the Company annually to confirm the independence of himself and his immediate family members.

— All Directors are entitled to seek further information and documentation from the management on the matters to be discussed at Board meetings. They can also seek assistance from the Company's secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

— All Directors are encouraged to express their views in an open and candid manner during the Board/Board committee meetings.

— Any Director who has material interests in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

A10. Corporate Governance Functions

The Audit Committee is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

During the year under review, the Audit Committee has performed corporate governance functions as follows: (i) reviewed and monitored the Company's corporate governance policies and practices; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEES

The Board has established four Board committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific written terms of reference which deal clearly with their authority and duties. These terms of reference are posted on the Stock Exchange's website and the Company's website (except for the terms of reference of the Executive Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

B1. Executive Committee

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

B2. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended 31 December 2022. The Audit Committee comprises all of the three independent non-executive Directors, with Mr. Chu Yat Pang Terry acting as the chairman of the Committee. Mr. Chu Yat Pang Terry possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; reviewing the Company's financial reporting system, internal control system and risk management systems and effectiveness of the internal audit function; and performing the Company's corporate governance functions.

During the year ended 31 December 2022, the Audit Committee has held three meetings (the attendance records of each Committee member are set out in section A7 above) and performed the following major works:

— Reviewed and discussed the annual financial statements, results announcement and annual report for the year ended 31 December 2021, the relevant audit findings of the Company's external auditor; and the recommendation of the re-appointment of the external auditor;

— Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2022 and the relevant review findings of the Company's external auditor;

— Reviewed the Group's continuing connected transactions;

— Discussed the major internal audit issues;

— Reviewed the Group's financial reporting system and risk management and internal controls systems, and the existing internal audit function of the Company, and made relevant recommendation to the Board;

— Reviewed the compliance with and enforcement of the terms of the Deed of Non-competition by the controlling Shareholders;

— Reviewed the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters;

— Performed the corporate governance functions as set out in section A10 above; and

— Discussed with the external auditor about the scope of audit work for the year ended 31 December 2022.

The Company's external auditor has also attended the three Audit Committee meetings held during the year ended 31 December 2022.

Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

B3. Remuneration Committee

The Remuneration Committee consists of a total of four members, being one executive Director, Chairman Hung, and three independent non-executive Directors, Mr. Lee Kwan Hung Eddie (chairman of the Committee), Mr. Lam Cheung Chuen and Mr. Chu Yat Pang Terry. Throughout the year ended 31 December 2022, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The principal responsibilities of the Remuneration Committee include reviewing and making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2022, the Remuneration Committee has held one meeting (the attendance records of each Committee member are set out in section A7 above), in which the Committee members have reviewed the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company and made relevant recommendations to the Board.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management, other than the Directors, by band for the year ended 31 December 2022 is set out below:

Remuneration band (HK$)	**Number of individuals**
0–1,000,000	1
1,000,001–2,000,000	1
2,000,001–3,000,000	1

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. The remuneration policy for independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities as well as market practice and conditions. Individual Directors and senior management have not been involved in deciding their own remuneration. Directors and employees of the Group may also receive options to be granted under the Company's share option scheme.

Details of the remuneration of each Director for the year ended 31 December 2022 are set out in note 38 to the financial statements contained in this annual report.

B4. Nomination Committee

The Nomination Committee comprises a total of four members, being Chairman Hung (chairman of the Committee), and three independent non-executive Directors, Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung Eddie. Throughout the year ended 31 December 2022, the Company has met the Listing Rule provision, which requires the majority of a nomination committee being independent non-executive directors and the committee chairman being the chairman of the board or an independent non-executive director.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive of the Company.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "Board Diversity Policy").

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "Director Nomination Policy") that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2022, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in section A7 above) in which the Committee members has (i) reviewed the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) recommended the reappointment of the retiring Directors standing for re-election at the Company's AGM held on 17 June 2022; and (iii) assessed the independence of the existing independent non-executive Directors.

During the year ended 31 December 2022, there has been no change in the composition of the Board.

Board Diversity Policy

The Board Diversity Policy adopted by the Company sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

As at the date of this annual report, the Board comprises five Directors, one of whom is female. The Board considers that the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of the Group's business and allowed opinion from different gender and background be heard and discussed, and Board diversity (including gender diversity) has been achieved.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee shall review the Board Diversity Policy on an annual basis to ensure its effectiveness.

Gender Ratio in the Workforce

The Company values gender diversity across all levels of the Group. The gender ratio in the workforce of the Group (including senior management) as at 31 December 2022 was 45:55 (female:male). The Company considers the above gender ratio satisfactory.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Director Nomination Policy adopted by the Company sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

C. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

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

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

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2022 is set out in the section headed "Independent Auditor's Report" in this annual report.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, finance, human resources and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

The Company's internal audit unit is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit unit examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

During the year ended 31 December 2022, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Directors who have come across any potential inside information or any information subject to disclosure should bring such information immediately to the notice of the Board and employees at different levels should have the same responsibility to identify and escalate such information to their immediate superiors. In addition, the policy sets out measures for preserving the confidentiality of inside information and access to confidential information is limited to a minimum number of employees on a 'need to know' basis. In handling enquiries from Shareholders and external parties relating to the Group's affairs and in dealing with investors, analysts and the media, etc., only designated persons are authorised to speak on behalf of the Company.

In addition, the Company has in place a whistleblowing policy for employees of the Group and those who deal with the Group to raise concerns with the Company about possible improprieties in any matters related to the Group.

The Company has also in place an anti-corruption policy to safeguard against corruption and bribery within the Group. The Company has an internal reporting channel that is open and available for employees of the Group to report any suspected corruption and bribery. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and organizes anti-corruption training to ensure the effectiveness of anti-corruption and anti-bribery.

E. COMPANY SECRETARY

The secretary of the Company is Mr. Tse Chung Shing, who is also the chief financial officer of the Company. Mr. Tse fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Tse are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. For the year ended 31 December 2022, Mr. Tse has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

F. EXTERNAL AUDITOR'S REMUNERATION

The fees paid to PricewaterhouseCoopers, the Company's external auditor, and its related entities, in respect of audit and other advisory services for the year ended 31 December 2022 are set out below:

Type of services provided by the external auditor	**Approximate fees paid/ payable** HK$
Audit services (including annual audit and interim review)	3,573,000

Type of services provided by related entities of the external auditor	**Approximate fees paid/ payable** HK$
Tax and other advisory services	234,000

G. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

Pursuant to the Articles, any 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 carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and 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.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Act or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition to the address as specified in paragraph J2(e)(ii) below. The requisitionist(s) shall provide his/her/their full name(s), contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at (852) 2790 5566 for any assistance.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

H. CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to the Articles since its listing on the Stock Exchange. The latest version of the Articles is available on the websites of the Company and the Stock Exchange.

The Company has proposed to make certain amendments to the Articles in order to bring them in line with the amendments made to the applicable laws of the Cayman Islands and the Listing Rules, in particular the core shareholder protection standards set out in Appendix 3 to the Listing Rules. The proposed amendments are subject to the approval of the Shareholders by way of a special resolution at the 2023 AGM. Details of these proposed amendments are set out in the circular of the Company, which is sent together with this annual report.

I. DEED OF NON-COMPETITION

In respect of the compliance of the provisions of the Deed of Non-competition by the controlling Shareholders, please refer to the section headed "Non-competition Undertakings by Controlling Shareholders" set out in the Directors' report contained in this annual report.

J. POLICIES RELATING TO SHAREHOLDERS

J1. Dividend Policy

The Company intends to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the Shareholders. According to the dividend policy adopted by the Company (the "Dividend Policy"), the Company does not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors of the Group:

- Financial results;
- Cash flow situation;
- Business conditions and strategies;
- Future operations and earnings;
- Capital requirements and expenditure plans;
- Interests of Shareholders;
- Any restrictions on payment of dividends; and
- Any other factors that the Board may consider relevant.

The declaration and payment of dividends by the Company is also subject to the provisions set out in the Articles, any restrictions under the Companies Act of the Cayman Islands, and any applicable laws, rule and regulations. Any declaration and payment of dividends under the Dividend Policy 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 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 Dividend Policy at any time as it deems fit and necessary.

J2. Shareholders' Communication Policy

The Company has in place a Shareholders' communication policy (the "Shareholders' Communication Policy"). Such policy aims to set out various provisions with the objective of ensuring the Shareholders are provided with equal and timely access to information about the Company, in order to enable them to exercise their rights in an informed manner and to allow them to engage actively with the Company. The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and considered it satisfactory since the Company has established a number of channels, as detailed below, for maintaining on-going dialogues with its Shareholders:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report; (b) the half-year report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Listing Rules. Corporate Communication will also be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions in a timely manner as required by the Listing Rules.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.tenpao.com). Other corporate information about the Company's business developments, operations, and corporate governance related matters will also be available on the Company's website.

(d) Shareholders' Meetings

AGMs and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

(i) Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(ii) Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries or requests to the Board/the Company via the following contact details:

Attention:	Company Secretary
Address:	Rooms 610–612, 6th Floor, Kwong Sang Hong Centre, 151–153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Email:	ir@tenpao.com
Tel:	(852) 2790 5566
Fax:	(852) 2342 0146

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

The Board will review the Shareholders' Communication Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify such policy at any time as it deems fit and necessary.

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in the sales and manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated financial statements on pages 64 to 70.

The Board has recommended the payment of a final dividend of HK3.3 cents (2021: HK5.6 cents) per ordinary share of the Company for the year ended 31 December 2022 to the Shareholders whose names are to be appeared on the register of members of the Company on Tuesday, 20 June 2023. The proposed final dividend is subject to the approval of the Shareholders at the 2023 AGM to be held on Friday, 2 June 2023.

It is expected that the cheques for the proposed final dividend will be sent by ordinary mail to the Shareholders at their own risk on Wednesday, 5 July 2023.

BUSINESS REVIEW

A review of the Group's business during the year under review, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review forms part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a headquarter in Hong Kong. The Group's principal business activity is engaged in the developing, manufacturing and sales of electric charging products in the PRC. Set out below is a summary of certain laws and regulations relating to the Group's operations and business which may have significant impact to the Group:

1. the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

2. the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

3. the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands; and

4. the Listing Rules.

If there is any non-compliance with the above rules and regulations, it will affect the Group's operations, development and financial performance. During the year ended 31 December 2022, the Group complied with all the relevant laws and regulations in the Cayman Islands and Hong Kong that have a significant impact on the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group complies with environmental legislation, encourages "Green Development, Energy Conservation and Emission Reduction", and promotes its awareness to all employees of the Group. The Group's business is inextricably linked to the use of energy. Therefore, the Group has achieved energy conservation and water saving through rectification of its operations and production models. In addition, the Group is closely following the national environmental protection laws and policies to achieve green development.

Further details of the Company's environmental policy and performance for the year under review are set out in the "Environmental, Social and Governance Report" of the Company, which will be published on the websites of the Company and of the Stock Exchange at the same time as the publication of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (both days inclusive) for the purpose of determining the right to attend and vote at the 2023 AGM. In order to be qualified for attending and voting at the 2023 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 29 May 2023.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2023 AGM, the register of members of the Company will also be closed from Friday, 16 June 2023 to Tuesday, 20 June 2023 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2022. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the 2023 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 15 June 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years ended 31 December 2022 is set out in the section headed "Five-year Financial Summary" on page 138 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year under review are set out in note 26 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Movements in the reserves of the Group and of the Company during the year under review are set out in the consolidated statement of changes in equity and notes 26, 27 and 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the reserves of the Company available for distribution to Shareholders amounted to approximately HK$339,083,000 (2021: HK$339,976,000).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2022 amounted to HK$1,542,000 (2021: HK$1,029,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year under review are set out in note 15 to the consolidated financial statements.

BORROWINGS

Details of borrowings are set out in note 28 to the consolidated financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

During the year under review, other than the share option scheme adopted by the Company on 23 November 2015 (the "Share Option Scheme") as set out in the section headed "Share Option Scheme" below, the Company has not entered into any equity-linked agreement.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to the provisions under the old Chapter 17 of the Listing Rules (i.e. prior to the amendments made to such Chapter 17 which take effect on 1 January 2023). The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the eligible participants (the "Eligible Participants") have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible Participants of the Share Option Scheme include: (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including independent non-executive Directors) or any directors of the Company's subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted, but excluding shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme) under the Share Option Scheme shall not exceed 100,000,000 shares, being approximately 9.71% of the total number of issued shares of the Company as at the date of this annual report. Since the adoption of the Share Option Scheme, a total of 19,348,000 share options have been granted, of which 456,000 share options were exercised and 18,892,000 share options were lapsed in accordance with the terms of the Share Option Scheme. Accordingly, the total number of shares currently available for issue under the Share Option Scheme is 99,544,000 shares, being approximately 9.66% of the total number of issued shares of the Company as at the date of this annual report.

The total number of shares of the Company issued and to be issued upon exercise of the options granted under the Share Option Scheme (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period shall not, without Shareholders' approval, exceed 1% of the shares of the Company in issue. Where the Eligible Participant is an independent non-executive Director or a substantial Shareholder (as defined in Chapter 1 of the Listing Rules), independent Shareholders' approval is required for grants of options (including exercised, cancelled and outstanding options) to any of them in excess of 0.1% of the issued shares of the Company over a 12-month period.

The offer of a grant of share options under the Share Option Scheme may be accepted within 30 days from the date of offer upon payment of a consideration of HK$1 by the grantee.

The Share Option Scheme will remain in force for a period of 10 years from 23 November 2015, the date of adoption of the Share Option Scheme. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of share options under the Share Option Scheme is determined by the Board, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

No movement of share options for the year ended 31 December 2022 is shown in this annual report since (i) there were no outstanding share options as at 1 January 2022; and (ii) there was no grant of share options during the year ended 31 December 2022.

Upon implementation of the amended Chapter 17 of the Listing Rules with effect from 1 January 2023, the Company may continue to grant share options under the Share Option Scheme, but it must follow the provisions set out in the amended Chapter 17 of the Listing Rules (including the amended definition of eligible participants).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were 18.8% and 59.6% respectively (2021: 27.1% and 67.8% respectively).

During the year ended 31 December 2022, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were 4.7% and 10.6% respectively (2021: 4.6% and 14.1% respectively).

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the number of the Company's issued shares) had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Particulars of the retirement benefit schemes are set out in note 8 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

Executive Directors

Mr. Hung Kwong Yee
Ms. Yang Bingbing

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung Eddie

In the 2023 AGM, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung Eddie will retire as Directors by rotation in accordance with Article 84 of the Articles. Both of the two retiring Directors, being eligible, will offer themselves for re-election at the 2023 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the 2023 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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 ended 31 December 2022.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 36 "Related Party Transactions" to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity or a controlling Shareholder (or any of its subsidiaries) had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022 or at any time during the year ended 31 December 2022.

DIRECTORS' RIGHTS TO PURCHASE SHARE OR DEBENTURES

Apart from the Share Option Scheme as set out in the section headed "Share Option Scheme" above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such rights.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2022, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement under Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has entered into the following continuing connected transactions:

(A) Leasing of properties from the associates of Chairman Hung

2022 Tenancy Agreements

On 31 December 2021, the Group entered into the following tenancy agreements, namely, the 2022 Sky Fortune Tenancy Agreement, the 2022 Golden Lake Tenancy Agreement, the 2022 Golden Ocean Wire Tenancy Agreement, the 2022 1st Tiannengyuan Charging Tenancy Agreement and the 2022 2nd Tiannengyuan Charging Tenancy Agreement (collectively, the "2022 Tenancy Agreements"):

2022 Sky Fortune Tenancy Agreement

Date	:	31 December 2021
Location	:	Room 610–11, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong, Hong Kong
Lessor	:	Sky Fortune Enterprises Limited (天祥企業有限公司) ("Sky Fortune")
Lessee	:	Ten Pao Precision Electronics Company Limited (天寶精密電子有限公司) ("Ten Pao Precision"), an indirect wholly-owned subsidiary of the Company
Monthly rental	:	HK$55,000
Term	:	1 January 2022 to 31 December 2022 (both days inclusive)
Usage	:	Office premises

The annual cap of rent payable by Ten Pao Precision to Sky Fortune for the year ended 31 December 2022 was HK$660,000. The rental under the 2022 Sky Fortune Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2021; and (ii) the prevailing market rent for comparable properties of similar type, age and location.

The actual transaction amount under the 2022 Sky Fortune Tenancy Agreement during the year ended 31 December 2022 was HK$660,000.

Since approximately 96.67% and 3.33% of the issued share capital of Sky Fortune are held by Chairman Hung, an executive Director and a controlling Shareholder, and Ms. Yeh Chin Lian, the spouse of Chairman Hung, respectively, Sky Fortune is an associate of Chairman Hung and therefore a connected person of the Company and the leasing of properties pursuant to the 2022 Sky Fortune Tenancy Agreement constituted a continuing connected transaction of the Company.

2022 Golden Lake Tenancy Agreement

Date	:	31 December 2021
Location	:	Flat 15, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong, Hong Kong
Lessor	:	Golden Lake (HK) Co., Limited (錦湖(香港)有限公司) ("Golden Lake")
Lessee	:	Ten Pao International Limited (天寶國際興業有限公司) ("Ten Pao International"), an indirect wholly-owned subsidiary of the Company
Monthly rental	:	HK$48,000
Term	:	1 January 2022 to 31 December 2022 (both days inclusive)
Usage	:	Office premises

The annual cap of rent payable by Ten Pao International to Golden Lake for the year ended 31 December 2022 was HK$576,000. The rental under the 2022 Golden Lake Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2021; and (ii) the prevailing market rent for comparable properties of similar type, age and location.

The actual transaction amount under the 2022 Golden Lake Tenancy Agreement during the year ended 31 December 2022 was HK$576,000.

Since 98% and 2% of the issued share capital of Golden Lake are held by Chairman Hung, an executive Director and a controlling Shareholder, and Ms. Yeh Chin Lian, the spouse of Chairman Hung, respectively, Golden Lake is an associate of Chairman Hung and therefore a connected person of the Company and the leasing of properties pursuant to the 2022 Golden Lake Tenancy Agreement constituted a continuing connected transaction of the Company.

2022 Golden Ocean Wire Tenancy Agreement

Date	:	31 December 2021
Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City, the PRC* (中國惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Huizhou Golden Ocean Wire Co., Limited* (惠州市鑫洋線業有限公司) ("Golden Ocean Wire")
Lessee	:	Huizhou Jinhu Industrial Development Co., Ltd.* (惠州市錦湖實業發展有限公司) ("Jinhu Industrial"), an indirect wholly-owned subsidiary of the Company
Monthly rental	:	RMB300,000 (equivalent to approximately HK$342,934)
Term	:	1 January 2022 to 31 December 2022 (both days inclusive)
Usage	:	Production facilities and staff quarters

* For identification purpose only

The annual cap of rent payable by Jinhu Industrial to Golden Ocean Wire for the year ended 31 December 2022 was RMB3,600,000 (equivalent to approximately HK$4,115,210). The rental under the 2022 Golden Ocean Wire Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2021; (ii) the increase in leased area under the 2022 Golden Ocean Wire Tenancy Agreement by approximately 14.87%; (iii) the prevailing market rent for comparable properties of similar type, age and location; and (iv) the exchange rate movement of RMB and HKD during the lease term.

The actual transaction amount under the 2022 Golden Ocean Wire Tenancy Agreement during the year ended 31 December 2022 was RMB3,600,000 (equivalent to approximately HK$4,115,210).

100% of the registered capital of Golden Ocean Wire is held by Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司) ("Golden Ocean Copper") and 100% of the issued share capital of Golden Ocean Copper is held by Year Industries Limited. The entire issued share capital of Year Industries Limited is held by Ms. Yeh Chin Lian, the spouse of Chairman Hung. Since Golden Ocean Wire is directly wholly-owned by Golden Ocean Copper, Golden Ocean Wire is an associate of Chairman Hung and therefore a connected person of the Company and the leasing of properties pursuant to the 2022 Golden Ocean Wire Tenancy Agreement constituted a continuing connected transaction of the Company.

2022 1st Tiannengyuan Charging Tenancy Agreement

Date	:	31 December 2021
Location	:	Factory and dormitory located at Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Huizhou Tiannengyuan Charging Technology Co., Ltd.* (惠州天能源充電技術有限公司) ("Tiannengyuan Charging")
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB490,000 (equivalent to approximately HK$552,331)
Term	:	1 January 2022 to 31 December 2022 (both days inclusive)
Usage	:	Production facilities and staff quarters

The annual cap of rent payable by Jinhu Industrial to Tiannengyuan Charging for the year ended 31 December 2022 was RMB5,880,000 (equivalent to approximately HK$6,627,966). The rental under the 2022 1st Tiannengyuan Charging Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2021; and (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term.

The actual transaction amount under the 2022 1st Tiannengyuan Charging Tenancy Agreement during the year ended 31 December 2022 was RMB5,880,000 (equivalent to approximately HK$6,627,966).

* For identification purpose only

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging Technology Limited and 100% of the issued share capital of Ten Power Charging Technology Limited is held by Ease Bright Holdings Limited, which is a company wholly-owned by Chairman Hung, an executive Director and a controlling Shareholder, Tiannengyuan Charging is an associate of Chairman Hung and therefore a connected person of the Company and the leasing of properties pursuant to the 2022 1st Tiannengyuan Charging Tenancy Agreement constituted a continuing connected transaction for the Company.

2022 2nd Tiannengyuan Charging Tenancy Agreement

Date	:	31 December 2021
Location	:	Factory No. 1 and Factory No. 2 located at Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Tiannengyuan Charging
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB199,000 (equivalent to approximately HK$233,026)
Term	:	1 January 2022 to 31 December 2022 (both days inclusive)
Usage	:	Production facilities

The annual cap of rent payable by Jinhu Industrial to Tiannengyuan Charging for the year ended 31 December 2022 was RMB2,388,000 (equivalent to approximately HK$2,796,310). The rental under the 2022 2nd Tiannengyuan Charging Tenancy Agreement was paid on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid for the year ended 31 December 2021; and (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term.

The actual transaction amount under the 2022 2nd Tiannengyuan Charging Tenancy Agreement during the year ended 31 December 2022 was RMB2,388,000 (equivalent to approximately HK$2,796,310).

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2022 2nd Tiannengyuan Charging Tenancy Agreement, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 1st Tiannengyuan Charging Tenancy Agreement" in this section.

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate actual amount of rent paid to the associates of Chairman Hung as mentioned above by the Group for the 2022 Tenancy Agreements was HK$14,775,486 for the year ended 31 December 2022.

* For identification purpose only

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the annual caps for the 2022 Tenancy Agreements were more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2022 Tenancy Agreements in aggregate were subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Tenancy Agreements

The 2022 Tenancy Agreements expired on 31 December 2022.

Since the Directors considered that leasing the existing properties under the 2022 Tenancy Agreements would minimise the costs of relocation and prevent interruption of the Group's production, on 31 December 2022, the Group entered into the following tenancy agreements, namely, the 2023 Sky Fortune Tenancy Agreement, the 2023 Golden Lake Tenancy Agreement, the 2023 Golden Ocean Wire Tenancy Agreement, the 2023 1st Tiannengyuan Charging Tenancy Agreement and the 2023 2nd Tiannengyuan Charging Tenancy Agreement (collectively, the "2023 Tenancy Agreements"):

2023 Sky Fortune Tenancy Agreement

Date	:	31 December 2022
Location	:	Room 610–11, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong, Hong Kong
Lessor	:	Sky Fortune
Lessee	:	Ten Pao Precision
Monthly rental	:	HK$55,000
Term	:	1 January 2023 to 31 December 2023 (both days inclusive)
Usage	:	Office premises

The aggregate amount of rent payable by Ten Pao Precision to Sky Fortune for the year ending 31 December 2023 will not exceed HK$660,000. The rental payable under the 2023 Sky Fortune Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid of HK$660,000 for the year ended 31 December 2022; and (ii) the prevailing market rent for comparable properties of similar type, age and location.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2023 Sky Fortune Tenancy Agreement, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 Sky Fortune Tenancy Agreement" in this section.

2023 Golden Lake Tenancy Agreement

Date	:	31 December 2022
Location	:	Flat 15, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong, Hong Kong
Lessor	:	Golden Lake
Lessee	:	Ten Pao International
Monthly rental	:	HK$48,000
Term	:	1 January 2023 to 31 December 2023 (both days inclusive)
Usage	:	Office premises

The aggregate amount of rent payable by Ten Pao International to Golden Lake for the year ending 31 December 2023 will not exceed HK$576,000. The rental payable under the 2023 Golden Lake Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the historical rent paid of HK$576,000 under the 2022 Golden Lake Tenancy Agreement for the year ended 31 December 2022; and (ii) the prevailing market rent for comparable properties of similar type, age and location.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2023 Golden Lake Tenancy Agreement, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 Golden Lake Tenancy Agreement" in this section.

2023 Golden Ocean Wire Tenancy Agreement

Date	:	31 December 2022
Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City, the PRC* (中國惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Golden Ocean Wire
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB300,000 (equivalent to approximately HK$342,934)
Term	:	1 January 2023 to 31 December 2023 (both days inclusive)
Usage	:	Production facilities and staff quarters

The aggregate amount of rent payable by Jinhu Industrial to Golden Ocean Wire for the year ending 31 December 2023 will not exceed RMB3,600,000 (equivalent to approximately HK$4,115,210). The rental payable under the 2023 Golden Ocean Wire Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the rent paid to Golden Ocean Wire in respect of the leased properties under the 2022 Golden Ocean Wire Tenancy Agreement of RMB3,600,000 (equivalent to approximately HK$4,115,210) for the year ended 31 December 2022; (ii) the prevailing market rent for comparable properties of similar type, age and location; and (iii) the exchange rate movement of RMB and HKD during the lease term.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2023 Golden Ocean Wire Tenancy Agreement, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 Golden Ocean Wire Tenancy Agreement" in this section.

* For identification purpose only

2023 1st Tiannengyuan Charging Tenancy Agreement

Date	:	31 December 2022
Location	:	Factory and dormitory located at Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Tiannengyuan Charging
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB490,000 (equivalent to approximately HK$552,331)
Term	:	1 January 2023 to 31 December 2023 (both days inclusive)
Usage	:	Production facilities and staff quarters

The aggregate amount of rent payable by Jinhu Industrial to Tiannengyuan Charging for the year ending 31 December 2023 will not exceed RMB5,880,000 (equivalent to approximately HK$6,627,966). The rental payable under the 2023 1st Tiannengyuan Charging Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the rent paid to Tiannengyuan Charging in respect of the leased properties under the 2022 1st Tiannengyuan Charging Tenancy Agreement of RMB5,880,000 (equivalent to approximately HK$6,627,966) for the year ended 31 December 2022; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2023 1st Tiannengyuan Charging Tenancy Agreement, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 1st Tiannengyuan Charging Tenancy Agreement" in this section.

2023 2nd Tiannengyuan Charging Tenancy Agreement

Date	:	31 December 2022
Location	:	Factory No. 1 and Factory No. 2 located at Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Tiannengyuan Charging
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB199,000 (equivalent to approximately HK$233,026)
Term	:	1 January 2023 to 31 December 2023 (both days inclusive)
Usage	:	Production facilities

* For identification purpose only

The aggregate amount of rent payable by Jinhu Industrial to Tiannengyuan Charging for the year ending 31 December 2023 will not exceed RMB2,388,000 (equivalent to approximately HK$2,796,310). The rental payable under the 2023 2nd Tiannengyuan Charging Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to (i) the rent paid to Tiannengyuan Charging in respect of the leased properties under the 2022 2nd Tiannengyuan Charging Tenancy Agreement of RMB2,388,000 (equivalent to approximately HK$2,796,310) for the year ended 31 December 2022; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2023 2nd Tiannengyuan Charging Tenancy Agreement, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 1st Tiannengyuan Charging Tenancy Agreement" in this section.

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount of rent payable to the associates of Chairman Hung pursuant to the 2023 Tenancy Agreements by the Group for the year ending 31 December 2023 will not exceed approximately HK$14,775,486 (subject to the exchange rate movement of RMB and HKD during the lease term).

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the annual caps for the 2023 Tenancy Agreements are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2023 Tenancy Agreements in aggregate are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the 2023 Tenancy Agreements, please refer to the Company's announcement dated 31 December 2022.

(B) *Purchase of DC cables and copper wires from Golden Ocean Copper*

2021 Golden Ocean Copper Framework Purchase Agreement and the Supplemental Agreement

On 31 December 2020, the Company entered into the 2021 Golden Ocean Copper Framework Purchase Agreement with Golden Ocean Copper, pursuant to which Golden Ocean Copper agreed to supply direct current ("DC") cables and copper wires to the Group to be used in its products for sales outside the PRC from 1 January 2021 to 31 December 2023 (both days inclusive).

On 6 May 2022, the Company and Golden Ocean Copper entered into a supplemental agreement (the "Supplemental Agreement") to, among other things, revise and increase the annual caps for the year ended 31 December 2022 and the year ending 31 December 2023 of HK$95,000,000 and HK$95,000,000, respectively, to the revised annual caps of HK$200,000,000 and HK$230,000,000 (the "Revised Annual Caps"), respectively.

The Revised Annual Caps had been determined principally based on:

(i) the historical transaction amount paid to Golden Ocean Copper under the 2021 Golden Ocean Copper Framework Purchase Agreement for the year ended 31 December 2021 in the amount of approximately HK$92,170,000 as compared to the Group's revenue recorded for the year ended 31 December 2021 in the amount of approximately HK$6.36 billion, and the historical transaction amount paid to Golden Ocean Copper under the 2021 Golden Ocean Copper Framework Purchase Agreement for the period from 1 January 2022 to 19 May 2022 in the amount of approximately HK$48,150,000;

(ii) the projected budget of costs for the year ended 31 December 2022 and the year ending 31 December 2023 due to the surge in the demand of DC cables and copper wires in light of the anticipated growth in the businesses of the Group, which is mainly attributable to:

  (a) the significant growth in orders in the business segments of power supply units for consumer products and smart chargers and controllers for industrial power supply;

  (b) the enhanced production capacity of the Group as a result of its active expansion of production network and automation of its production systems; and

  (c) the Group's continued investment in the new energy industry.

(iii) the Group's additional demand for DC cables and copper wires due to its decision to change from purchasing high frequency transformers, a common part used by the Group in its production, from independent third parties to producing high frequency transformers by itself for better quality assurance, a more stable supply and more competitive cost.

Golden Ocean Copper is a connected person of the Company. For details of such connected relationship, please refer to the paragraph headed "2022 Tenancy Agreements — 2022 Golden Ocean Wire Tenancy Agreement" in this section.

Given that one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the Revised Annual Caps exceeds 5%, the transactions contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) and the Revised Annual Caps constitute a non-exempt continuing connected transaction of the Company and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Revised Annual Caps were approved by the independent Shareholders by way of an ordinary resolution at the extraordinary general meeting of the Company held on 17 June 2022. For details of the Supplemental Agreement, please refer to the announcement of the Company dated 6 May 2022 and the circular of the Company dated 31 May 2022.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2022 and confirmed that the transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2022.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 36 to the consolidated financial statements. Those related party transactions, which constituted connected transactions/continuing connected transactions under the Listing Rules, are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on pages 45 to 55 in compliance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Chairman Hung, Even Joy Holdings Limited, TinYing Holdings Limited and TinYing Investments Limited (collectively, the "Controlling Shareholders") have entered into a deed of non-competition dated 23 November 2015 (the "Deed") with the Company. Pursuant to the Deed, each of the Controlling Shareholders shall not and shall procure that their associates (other than members of the Group) and companies excluded from the Group not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on their own account or with each other or in conjunction with or on behalf of any person or company, any business in competition with or likely to be in competition with the existing business activities of the Group. Details of the Deed are set out in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 30 November 2015 (the "Prospectus").

The Company has received confirmation from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they fully complied with the Deed for the year ended 31 December 2022. The independent non-executive Directors have reviewed the confirmation from the Controlling Shareholders and concluded that the terms of the Deed were complied with and were effectively enforced during the year ended 31 December 2022.

The Company confirms that it has complied with the corporate governance measures as set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus to manage the conflict of interests arising from competing business and to safeguard the interests of the Shareholders.

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

As at 31 December 2022, the interests and short positions of the Directors and the 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in shares of the Company

Name of Director[3]	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Chairman Hung	Beneficial owner		19,247,980	1.87%
	Interest of a controlled corporation	1	353,351,279	34.29%
	Founder of a discretionary trust	2	313,614,262	30.44%
		Total	686,213,521	66.60%
Lam Cheung Chuen	Interest of spouse		620,000	0.06%

Notes:

1. These shares are held by Even Joy Holdings Limited, a company wholly owned by Chairman Hung. By virtue of the SFO, Chairman Hung is deemed to be interested in these shares held by Even Joy Holdings Limited.

2. These shares are held by TinYing Investments Limited, a company wholly owned by TinYing Holdings Limited, which is in turn wholly owned by Vistra Trust (BVI) Limited acting as the trustee of The TinYing Trust (the "Family Trust"). The Family Trust is a discretionary trust established by Chairman Hung as settlor. The beneficiaries of the Family Trust are Chairman Hung, certain of his family members and other persons who may be added or amended from time to time. By virtue of the SFO, Chairman Hung, TinYing Holdings Limited and Vistra Trust (BVI) Limited are deemed to be interested in these shares held by TinYing Investments Limited.

3. On 15 September 2022, the Company was notified by Ms. Yang Bingbing, an executive Director, that certain transactions involving purchases and disposals of the Company's shares were made between 10 September 2019 to 29 March 2021 without first notifying and obtaining approval from the designated Director of the Company as required under Rule B.8 of the Model Code. Ms. Yang Bingbing has taken remedial actions including filing relevant disclosure of interest forms to prevent similar incident in the future. As at 31 December 2022, Ms. Yang Bingbing did not hold any long position in shares of the Company.

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

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company, as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long position in shares of the Company

Name of Shareholder	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Even Joy Holdings Limited	Beneficial owner	1	353,351,279	34.29%
TinYing Investments Limited	Beneficial owner	1	313,614,262	30.44%
TinYing Holdings Limited	Interest of a controlled corporation	1	313,614,262	30.44%
Vistra Trust (BVI) Limited	Trustee of a discretionary trust	1	313,614,262	30.44%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner		79,996,000	7.76%
FIL Limited	Interest of controlled corporations	2	79,976,000	7.76%
Pandanus Partners L.P.	Interest of controlled corporations	2	79,976,000	7.76%
Pandanus Associates Inc.	Interest of controlled corporations	2	79,976,000	7.76%

Notes:

1. These interests are also disclosed as the interests of Chairman Hung in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".

2. According to the disclosure of interest notice filed by Pandanus Associates Inc. ("Pandanus") on 9 August 2021, the interests of these shares are directly or indirectly held by FIL Limited ("FIL"). FIL is 37.01% controlled by Pandanus Partners L.P. ("Pandanus L.P."), which is in turn wholly-owned by Pandanus. By virtue of the SFO, Pandanus and Pandanus L.P. are deemed to be interested in these shares of which FIL has interests.

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

Save as disclosed above, as at 31 December 2022, other than the Directors and the chief executive of the Company whose interests are set out in the above paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures", no person had any interest or short position in the shares or underlying shares of the Company recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has met the Listing Rules requirement of having a sufficient public float, i.e. at least 25% of the Company's total number of issued shares (being the minimum prescribed percentage under the Listing Rules) were held by the public.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2023 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the 2023 AGM.

On behalf of the Board
Hung Kwong Yee
Chairman & Chief Executive Officer

Hong Kong, 23 March 2023

To the Shareholders of Ten Pao Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 64 to 137, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter identified in our audit is related to assessment of the expected credit losses on trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses on trade receivables	
Refer to Note 2.18 — Trade and other receivables, Note 3.1(c) — Credit risk, Note 4.1(a) — Impairment of trade receivables and Note 21(c) — Allowance for impairment of trade receivables. As at 31 December 2022, gross trade receivables amounted to HK$1,050,103,000, which represented approximately 27.0% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on trade receivables and a loss allowance of HK$5,487,000 was made against the gross trade receivables as at 31 December 2022. For customers that do not share same credit risk characteristics with others if any, management assessed the ECL on an individual basis. For customers that share same credit risk characteristics with others, management assessed the ECL based on the provision matrix through grouping of various customers that have similar credit risk characteristics, with consideration of their corresponding estimated default rates and loss rates, together with the forward-looking information. Management used judgments and estimations to estimate default rates and loss rates by making reference to the related data given by external agency and forward-looking information on macroeconomic factors. We considered this area a key audit matter due to the magnitude of the balance of trade receivables as well as the significant judgments and estimates involved in the estimation of the related ECL given the complexity of the methodology and subjectivity of significant assumptions used.	We obtained an understanding of the management's internal control and assessment process over the estimation of the ECL on trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. We evaluated and tested management's key controls in relation to the estimation of the ECL. We assessed the appropriateness of the ECL provisioning methodology adopted by management based on our understanding on the Group's business and credit control process and the credit risk characteristics of the customers. We tested, on a sample basis, the accuracy of aging analysis of trade receivables by tracing to sales invoices and receipts. We evaluated the reasonableness of the judgments that management made in grouping various customers by assessing credit risk characteristics. We tested the key data input to calculate estimated default rates and loss rates. We evaluated the financial position of customers on a sample basis by checking to relevant information and evaluated the appropriateness of management's assessment of forward looking information with reference to our understanding of the Group's business and industry and external macroeconomic data. We checked the mathematical accuracy of the calculation of ECL. Based on the above, we considered that the significant judgments and estimates made by management, and the methodology and significant assumptions used in relation to the assessment of the ECL on trade receivables were supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 judgment 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 Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Note	**2022**	2021
		HK$'000	HK$'000
Revenue	*5*	**5,481,355**	6,362,670
Cost of sales	*7*	**(4,565,574)**	(5,302,350)
Gross profit		**915,781**	1,060,320
Other income	*6*	**18,794**	29,300
Other gains — net	*6*	**39,442**	8,084
Selling expenses	*7*	**(194,335)**	(220,188)
Administrative expenses	*7*	**(414,377)**	(414,233)
Net impairment losses on financial assets	*3.1(c)*	**(1,034)**	(1,796)
Operating profit		**364,271**	461,487
Finance income	*9*	**2,067**	2,976
Finance expenses	*9*	**(14,560)**	(7,486)
Finance expenses — net	*9*	**(12,493)**	(4,510)
Profit before income tax		**351,778**	456,977
Income tax expense	*10*	**(55,247)**	(68,462)
Profit for the year		**296,531**	388,515
Profit for the year attributable to:			
Owners of the Company		**296,902**	378,616
Non-controlling interests		**(371)**	9,899
		296,531	388,515
Earnings per share			
— basic and diluted per share	*11*	**HK 29.3 cents**	HK 37.8 cents

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Profit for the year	**296,531**	388,515
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(143,174)**	41,082
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**1,204**	(4,164)
	(141,970)	36,918
Total comprehensive income for the year attributable to :		
Owners of the Company	**154,932**	415,534
Non-controlling interests	**(371)**	9,899
	154,561	425,433

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	4,536	4,820
Property, plant and equipment	*13*	1,030,964	1,074,459
Right-of-use assets	*14*	164,777	142,697
Investment properties	*15*	7,400	7,700
Intangible assets	*16*	10,747	11,751
Deferred income tax assets	*31*	55,808	45,601
Financial assets at fair value through profit or loss	*24*	58,413	44,794
Financial assets at fair value through other comprehensive income	*20*	10,149	9,541
Derivative financial assets — non-current	*23*	6,468	554
Prepayments for the purchase of property, plant and equipment		4,862	20,557
		1,354,124	1,362,474
Current assets			
Inventories	*19*	906,377	1,150,120
Trade and other receivables	*21*	1,114,763	1,299,918
Amounts due from related parties	*36(c)*	1,782	1,484
Derivative financial assets — current	*23*	1,406	—
Restricted bank deposits	*25*	170,578	63,258
Cash and cash equivalents	*22*	341,394	288,440
		2,536,300	2,803,220
Total assets		3,890,424	4,165,694
EQUITY			
Share capital	*26*	10,304	10,005
Share premium	*26*	162,426	125,788
Other reserves	*27*	85,646	208,035
Retained earnings		1,155,395	951,801
		1,413,771	1,295,629
Non-controlling interests		(659)	12,886
Total equity		1,413,112	1,308,515

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Note	As at 31 December 2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*28*	**202,884**	237,787
Lease liabilities — non-current	*14*	**16,916**	23,743
Derivative financial instruments — non-current	*23*	**—**	1,339
Deferred income tax liabilities	*31*	**102,242**	91,688
Deferred government grants	*29*	**56,921**	46,324
		378,963	400,881
Current liabilities			
Trade and other payables	*30*	**1,743,631**	2,017,929
Contract liabilities		**46,471**	17,686
Amounts due to related parties	*36(d)*	**34,854**	28,732
Dividend payable		**13**	9,257
Income tax liabilities		**16,573**	32,681
Derivative financial liabilities — current	*23*	**—**	39
Lease liabilities — current	*14*	**8,241**	8,840
Short-term bank borrowings	*28*	**59,123**	239,523
Current portion of non-current bank borrowings	*28*	**189,443**	101,611
		2,098,349	2,456,298
Total liabilities		**2,477,312**	2,857,179
Total equity and liabilities		**3,890,424**	4,165,694

The financial statements on pages 64 to 137 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf.

Mr. Hung Kwong Yee
Director

Ms. Yang Bingbing
Director

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Other Reserves									
	Share Capital HK$'000	Share Premium HK$'000	Statutory Reserves HK$'000	Capital Reserves HK$'000	Financial assets at fair value through other comprehensive income ("FVOCI") HK$'000	Exchange reserves HK$'000	Share options HK$'000	Total HK$'000	Retained earnings HK$'000	Total HK$'000	Non-Controlling-Interests HK$'000	Total Equity HK$'000
Balance at 1 January 2022	10,005	125,788	127,058	303	(8,688)	83,894	5,468	208,035	951,801	1,295,629	12,886	1,308,515
Comprehensive income												
Profit for the year	—	—	—	—	—	—	—	—	296,902	296,902	(371)	296,531
Other comprehensive income												
Currency translation difference	—	—	—	—	—	(143,174)	—	(143,174)	—	(143,174)	—	(143,174)
Fair value change of FVOCI	—	—	—	—	1,204	—	—	1,204	—	1,204	—	1,204
Total comprehensive income	—	—	—	—	1,204	(143,174)	—	(141,970)	296,902	154,932	(371)	154,561
Contributions by and distributions to owners of the company recognised directly in equity												
Dividends	299	36,638	—	—	—	—	—	—	(84,877)	(47,940)	—	(47,940)
Total contributions by and distributions to owners of the Company for the year	299	36,638	—	—	—	—	—	—	(84,877)	(47,940)	—	(47,940)
Transaction with owners												
Capital contributed by non-controlling interests	—	—	—	—	—	—	—	—	—	—	490	490
Acquisition of additional equity interests in a subsidiary *(Note 36 (e))*	—	—	—	2,056	—	—	—	2,056	—	2,056	(4,570)	(2,514)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	9,094	9,094	(9,094)	—
Appropriation to statutory reserves	—	—	17,525	—	—	—	—	17,525	(17,525)	—	—	—
Transaction with owners, recognised directly in equity	—	—	17,525	2,056	—	—	—	19,581	(8,431)	11,150	(13,174)	(2,024)
Balance at 31 December 2022	10,304	162,426	144,583	2,359	(7,484)	(59,280)	5,468	85,646	1,155,395	1,413,771	(659)	1,413,112

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Share Capital HK$'000	Share Premium HK$'000	Other Reserves						Retained earnings HK$'000	Total HK$'000	Non-Controlling-Interests HK$'000	Total Equity HK$'000
			Statutory Reserves HK$'000	Capital Reserves HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Exchange reserves HK$'000	Share options HK$'000	Total HK$'000				
Balance at 1 January 2021	10,005	125,788	76,358	338	(4,275)	42,812	5,468	120,701	745,030	1,001,524	(718)	1,000,806
Comprehensive income												
Profit for the year	—	—	—	—	—	—	—	—	378,616	378,616	9,899	388,515
Other comprehensive income												
Currency translation difference	—	—	—	—	(249)	41,082	—	40,833	—	40,833	—	40,833
Fair value change of FVOCI	—	—	—	—	(4,164)	—	—	(4,164)	—	(4,164)	—	(4,164)
Total comprehensive income	—	—	—	—	(4,413)	41,082	—	36,669	378,616	415,285	9,899	425,184
Contributions by and distributions to owners of the company recognised directly in equity												
Dividends	—	—	—	—	—	—	—	—	(121,145)	(121,145)	—	(121,145)
Total contributions by and distributions to owners of the Company for the year	—	—	—	—	—	—	—	—	(121,145)	(121,145)	—	(121,145)
Transaction with owners												
Capital contributed by non-controlling interests	—	—	—	(35)	—	—	—	(35)	—	(35)	3,705	3,670
Appropriation to statutory reserves	—	—	50,700	—	—	—	—	50,700	(50,700)	—	—	—
Transaction with owners, recognised directly in equity	—	—	50,700	(35)	—	—	—	50,665	(50,700)	(35)	3,705	3,670
Balance at 31 December 2021	10,005	125,788	127,058	303	(8,688)	83,894	5,468	208,035	951,801	1,295,629	12,886	1,308,515

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**690,562**	342,006
Interest paid		**(19,345)**	(5,133)
Income tax paid		**(75,287)**	(91,714)
Net cash generated from operating activities		**595,930**	245,159
Cash flows from investing activities			
Purchase of right-of-use assets		**(40,922)**	—
Purchase of property, plant and equipment		**(192,959)**	(583,673)
Purchase of intangible assets		**(2,363)**	(2,470)
Proceeds from disposal of property, plant and equipment	*33(b)*	**10,223**	2,414
Additions of financial assets at fair value through profit or loss	*24*	**(22,390)**	(41,585)
Grants from government related to assets	*29*	**20,419**	14,224
Net cash used in investing activities		**(227,992)**	(611,090)
Cash flows (used in)/generated from financing activities			
Proceeds from bank borrowings		**1,710,596**	1,706,318
Repayments of bank borrowings		**(1,834,880)**	(1,444,327)
Payments for acquisition of non-controlling interests in a subsidiary	*36(e)*	**(2,514)**	—
Dividends paid		**(57,184)**	(112,051)
Capital contributed by non-controlling interests		**490**	3,670
(Increase)/decrease in restricted bank deposits		**(107,320)**	75,597
Principal elements of lease payments		**(9,564)**	(8,829)
Net cash (used in)/generated from financing activities		**(300,376)**	220,378
Net increase/(decrease) in cash and cash equivalents		**67,562**	(145,553)
Cash and cash equivalents at beginning of the year		**288,440**	426,573
Effects of exchange rate changes on cash and cash equivalents		**(14,608)**	7,420
Cash and cash equivalents at end of the year		**341,394**	288,440
Analysis of balance of cash and cash equivalents:			
Cash at bank and cash in hand		**341,394**	288,440

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Ten Pao Group Holdings Limited (天寶集團控股有限公司) (the "Company") was incorporated in the Cayman Islands on 27 January 2015 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drives, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (collectively, "the Group") are principally engaged in the developing, manufacturing and sales of electric charging products in the People's Republic of China (the "PRC"). The controlling shareholder of the Group is Mr. Hung Kwong Yee (洪光椅) (the "Controlling Shareholder" or "Chairman Hung").

On 11 December 2015, shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on 23 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622).

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the derivative financial instruments, the financial assets at fair value through profit or loss ("FVPL") and the financial assets at fair value through other comprehensive income ("FVOCI") and investment properties, which are carried at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to HKFRS 3

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group (Continued)

- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to HKFRS 16 (March 2021) (the "HKFRS 16 Amendment (March 2021)")

- Amendments to AG 5 Merger Accounting for Common Control Combinations

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

(iv) New standards and interpretations not yet adopted

		Effective for accounting periods beginning on or after
Insurance Contracts	Amendments to HKFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2023
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates	Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to HKAS 12	1 January 2023
Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to HKAS 28 and HKFRS 10	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Separate financial statements (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of principal operating subsidiaries of the Group. These consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the presentation and functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised as a separate component of equity in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated statement of profit or loss over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.8 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2.9 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining term of the lease and estimated useful lives of assets
Plant and machineries	3–10 years
Furniture and fixtures	5 years
Electronic equipment	3–10 years
Motor vehicles	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains — net' in the statement of profit or loss.

2.10 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of profit or loss as part of a valuation gain or loss in 'Other gains — net'.

2.11 Intangible assets

Intangible assets represent patents, computer software and trademarks at historical costs.

Patents are amortised on a straight-line basis over useful lives of 10 years.

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years on a straight-line basis.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 years.

2.12 Research and development expenditure

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects relating to the design and testing of new and improved products are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;

- management intends to complete the intangible asset and use or sell it;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Research and development expenditure (Continued)

- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives.

2.13 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows cash-generating units. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains — net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'Other gains — net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(c) for further details.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.16 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if not, the gain or loss from fair value change is recognised immediately in the consolidated statement of profit or loss within 'Other gains — net'.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity. It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less or in the normal operating cycle if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.20 Restricted bank deposits

Restricted bank deposits represent deposits held by the bank in a segregated account as security for borrowings from the bank. Such restricted bank deposits will be released when the Group repays the related bank borrowings.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities is provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

Housing funds, medical insurance and other social insurances

Full-time employees of the Group's subsidiaries in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made.

2.27 Share-based payment

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when control of the products has transferred; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods in the PRC and overseas

Revenue from the sale of good directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group collects cash or bank acceptance notes from the customers before or upon deliveries of products through banks. Cash or bank acceptance notes collected from the customers before product delivery is recognised as contract liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition (Continued)

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.29 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- makes adjustments specific to the leas e.g. term, country, currency and security.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group approved by the board of directors.

(a) Foreign exchange risk

The Group operates mainly in the PRC, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HK$ and US dollar ("USD"). Exchange rate fluctuations and market trends have always been a concern of the Group. Foreign currency hedging of the Group has been managed by the Group's chief financial officer, and overseen by the Group's chief executive officer. In accordance with the hedging needs and the then foreign exchange situation, the Group's chief financial officer would gather and analyse information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then obtain quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into a hedging agreement. Several hedging contracts have been entered into during the past years.

The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2022 HK$'000	2021 HK$'000
Assets		
USD	431,221	694,847
HK$	130,720	124,333
Total	561,941	819,180
Liabilities		
USD	188,839	321,737
HK$	689,937	512,549
Total	878,776	834,286

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variables held constant, the profit before income tax would increase/decrease as follows:

	2022 Increase/(decrease) in profit before income tax if exchanges rates change by		2021 Increase/(decrease) in profit before income tax if exchanges rates change by	
	5%	−5%	5%	−5%
	HK$'000	HK$'000	HK$'000	HK$'000
USD	**(12,119)**	**12,119**	(18,656)	18,656
HK$	**27,961**	**(27,961)**	19,411	(19,411)

(b) Price risk

The Group is not exposed to equity securities price risk as it has no investment in equity securities that were publicly traded.

(c) Credit risk

The Group is exposed to credit risk mainly in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables, amounts due from related parties and FVPL.

(i) Risk management and Security

For cash and cash equivalents and restricted bank deposits, the management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

To manage the credit risk in respect of trade receivables, the Group performs ongoing credit evaluations of its debtors' financial condition and does not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains an allowance for doubtful accounts and actual losses incurred have been within management's expectations. In addition, in order to reduce the credit risks involved in export sales, the Group maintains a policy of short-term export credit insurance with the China Export and Credit Insurance Corporation (中國出口信用保險公司), an independent insurance company established in the PRC, which covers various credit risks such as customers' bankruptcy, inability to settle payment and refusal to accept our finished products and political risks.

As at 31 December 2022, the Group's credit risk was concentrated to the extent that its five largest customers accounted for 57% (2021: 63%) of the total trade receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(i) Risk management and Security (Continued)

The Group has four types of financial assets that are subject to the expected credit loss model:

- Trade receivables;
- Other receivables;
- Cash and cash equivalents and restricted bank deposits; and
- Amounts due from related parties

(ii) Impairment of trade receivables

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

For customers that do not share same credit risk characteristics with others if any, the Group assessed the expected credit losses on an individual basis. For customers that share same credit risk characteristics with others, the Group assessed the expected credit losses based on the provision matrix through grouping of various customers that have similar credit risk characteristics, with consideration of their corresponding estimated default rates and loss rates, together with the forward-looking information. The Group used judgments and estimations to estimate default rates and loss rates by making reference to the related data given by external agency and forward-looking information on macroeconomic factors. The Group has identified the Gross Domestic Products and the Consumer Price Indexes of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows:

31 December 2022	Expected credit loss rate	Gross carrying amount HK$'000	Expected credit loss HK$'000	Net carrying amount HK$'000
Provision on individual basis	—	—	—	—
Provision on collective basis	0.52%	1,050,103	(5,487)	1,044,616
		1,050,103	(5,487)	1,044,616

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of trade receivables (Continued)

31 December 2021	Expected credit loss rate	Gross carrying amount HK$'000	Expected credit loss HK$'000	Net carrying amount HK$'000
Provision on individual basis	—	—	—	—
Provision on collective basis	0.35%	1,226,404	(4,277)	1,222,127
		1,226,404	(4,277)	1,222,127

The closing loss allowances for trade receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022 HK$'000	2021 HK$'000
Opening loss allowance at 1 January	**4,277**	3,536
Increase in trade receivables impairment allowance recognised in profit or loss during the year	**1,034**	1,796
Currency translation difference	**176**	(1,055)
At 31 December	**5,487**	4,277

Trade receivables is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(iii) Cash and cash equivalents and restricted bank deposits

For cash and cash equivalents and restricted bank deposits, the management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions. Thus, no loss allowance for cash and cash equivalents and restricted bank deposits was recognised.

(iv) Other receivables and amounts due from related parties

The Group has considered that credit risk on other receivables and amounts due from related parties has not increased significantly since initial recognition and has assessed the expected credit loss rate under 12-month expected credit loss ("ECL") method based on the Group's assessment in the risk of default of the respective counterparties.

As at 31 December 2022, the Group has assessed that the expected loss rates for other receivables and amounts due from related parties were insignificant. Thus, no loss allowance for other receivables and amounts due from related parties was recognized.

(v) Financial assets at fair value through profit or loss in relation to debt investments

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the year is the carrying amount of these investments of HK$3,270,000 (2021 HK$3,209,000).

(d) Liquidity risk

The Group maintains prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contractual rates, or if floating based on rates at the year-end:

	On demand HK$'000	3 months or less HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amounts (liabilities) HK$'000
At 31 December 2021						
Bank borrowings	—	268,000	68,071	258,894	594,965	578,921
Trade and other payables (excluding non-financial liabilities)	1,738,030	—	—	—	1,738,030	1,738,030
Amounts due to related parties	28,732	—	—	—	28,732	28,732
Lease liabilities	—	2,610	7,498	25,728	35,836	32,583
Total	1,766,762	270,610	75,569	284,622	2,397,563	2,378,266

	On demand HK$'000	**3 months or less HK$'000**	**3 months to 1 year HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**	**Carrying amounts (liabilities) HK$'000**
At 31 December 2022						
Bank borrowings	**—**	**108,603**	**147,938**	**210,710**	**467,251**	**451,450**
Trade and other payables (excluding non-financial liabilities)	**1,458,868**	**—**	**—**	**—**	**1,458,868**	**1,458,868**
Amounts due to related parties	**34,854**	**—**	**—**	**—**	**34,854**	**34,854**
Lease liabilities	**—**	**2,511**	**7,358**	**16,984**	**26,853**	**25,157**
Total	**1,493,722**	**111,114**	**155,296**	**227,694**	**1,987,826**	**1,970,329**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(e) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has entered into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk. If the interest rate for variable rate borrowings had been 1% higher for the year ended 31 December 2022 with all other variables being held constant, the Group's profit before tax would have been higher by HK$4,515,000 (2021: HK$5,789,000).

As at 31 December 2021 and 2022, changes in interest rates within an expected range had no material impact on the interest income of restricted bank deposits and cash and cash equivalents.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios at 31 December 2021 and 2022 was as follows:

	2022 **HK$'000**	2021 HK$'000
Total borrowings	**451,450**	578,921
Total equity	**1,413,112**	1,308,515
Gearing ratio	**32%**	44%

Gearing ratio has decreased to 32% as at 31 December 2022, which is mainly due to the decrease in total borrowings and the increase in total equity.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by the levels of inputs to valuation techniques. The inputs to valuation techniques are categorized into three levels within a fair value hierarchy, as follows:

- Level 1 — Quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly that is, as prices or indirectly that is, derived from prices.
- Level 3 — Inputs for the asset or liability that are not based on observable market data that is, unobservable inputs.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2021 and 2022.

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss — non-current	—	—	44,794	44,794
Financial assets at fair value through comprehensive income — non-current	—	—	9,541	9,541
Derivative financial instruments — non-current	—	554	—	554
Liabilities				
Derivative financial instruments — current	—	(39)	—	(39)
Derivative financial instruments — non-current	—	(1,339)	—	(1,339)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

	As at 31 December 2022			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss — non-current	—	—	58,413	58,413
Financial assets at fair value through comprehensive income — non-current	—	—	10,149	10,149
Derivative financial instruments — current	—	1,406	—	1,406
Derivative financial instruments — non-current	—	6,468	—	6,468

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Note that all the resulting fair value estimates are included in level 2 except for certain insurance contracts and unlisted equity instruments as explained below.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

There were no transfers of financial assets between level 2 and level 3 fair value hierarchy classifications during the year.

Quantitative information about fair value measurements using significant unobservable inputs Level 3

	Unlisted equity investments HK$'000	Insurance for the Controlling Shareholder HK$'000	Total HK$'000
Balance as at 1 January 2021	12,487	3,131	15,618
Fair value change	(3,314)	77	(3,237)
Additions	41,585	—	41,585
Currency translation differences	368	1	369
Closing balance as at 31 December 2021	51,126	3,209	54,335
Balance as at 1 January 2022	**51,126**	**3,209**	**54,335**
Fair value change	**(3,891)**	**62**	**(3,829)**
Additions	**22,390**	**—**	**22,390**
Currency translation differences	**(4,333)**	**(1)**	**(4,334)**
Closing balance as at 31 December 2022	**65,292**	**3,270**	**68,562**

(i) *Valuation processes*

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every six months, in line with the Group's half-yearly reporting periods. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

(i) Valuation processes (Continued)

The components of the level 3 instruments mainly include investments in unlisted companies classified as FVPL or FVOCI, and other financial assets. As these investments and instruments are not traded in an active market, the majority of their fair values have been determined using applicable valuation techniques including comparable transactions approach, cost approach and income approach in the form of a discounted cash flow ("DCF") methodology. Unlisted investments are primarily valued based on the available transaction price of the latest round of financing of the investees. Where such information is not available, other valuation techniques are used, such as the discounted cash flow method or cost approach. The estimated fair values were based on assumptions, such as the forecasted revenue and discount rates, etc.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a weighted-average cost of capital model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Net profit rate for unlisted equity investments are estimated based on the reasonable projections by the Group.
- Discount for lack of marketability ("DLOM") are estimated based on the Stout Restricted Stock Study Companion Guide published by Stout Risius Ross, LLC.

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for unlisted equity investments. See (i) for the valuation techniques adopted.

	Fair value at			Range of inputs (probability-weighted average)		
Description	31 December 2022 HK$'000	31 December 2021 HK$'000	Unobservable inputs*	2022	2021	Relationship of unobservable inputs to fair value
Unlisted equity investments	65,292	51,126	Discount rate for discounting estimated cash flows	16%–18%	14%–16%	The higher the discount rate, the lower the fair value;
			Net profit rate	9%–14%	9%–11%	The higher the net profit rate, the higher the fair value;
			DLOM	20%–22%	n/a	The higher the DLOM, the lower the fair value.

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade receivables

For customers that do not share same credit risk characteristics with others if any, the Group assessed the expected credit losses on an individual basis. For customers that share same credit risk characteristics with others, the Group assessed the expected credit losses based on the provision matrix through grouping of various customers that have similar credit risk characteristics, with consideration of their corresponding estimated default rates and loss rates, together with the forward-looking information. The Group used judgments and estimations to estimate default rates and loss rates by making reference to the related data given by external agency and forward-looking information on macroeconomic factors. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(c).

(b) Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying amount of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various interest rate swap contracts, insurance contracts and equity investments that are not traded in active markets.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes of the industry cycles of its products. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(e) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on the internal reports that are used to make strategic decisions. The executive directors considered the nature of the Group's business and determined that the Group's electric charging products can be categorised into six reportable segments as follows: (i) telecommunication, (ii) media and entertainment, (iii) electrical home appliances, (iv) lighting, (v) smart chargers and controllers, and (vi) others.

(a) The segment information for the reportable segments is set out as below:

	Telecommunication HK$'000	Media and entertainment HK$'000	Electrical home appliances HK$'000	Lighting HK$'000	Smart chargers and controllers HK$'000	Others HK$'000	Total HK$'000
31 December 2022							
Revenue							
Revenue from external customers							
— At a point in time	1,578,658	413,495	107,574	347,248	2,328,400	705,980	5,481,355
Segment results	193,675	48,323	17,021	48,830	524,180	83,752	915,781
Other income							18,794
Other gains — net							39,442
Selling expenses							(194,335)
Administrative expenses							(414,377)
Finance expenses — net							(12,493)
Net impairment losses on financial assets							(1,034)
Profit before income tax							351,778

5 SEGMENT INFORMATION (CONTINUED)

(a) (Continued)

	Telecommunication HK$'000	Media and entertainment HK$'000	Electrical home appliances HK$'000	Lighting HK$'000	Smart chargers and controllers HK$'000	Others HK$'000	Total HK$'000
31 December 2021							
Revenue							
Revenue from external customers							
— At a point in time	2,463,591	439,298	139,446	534,552	2,481,119	304,664	6,362,670
Segment results	355,826	50,582	25,725	75,367	505,418	47,402	1,060,320
Other income							29,300
Other gains — net							8,084
Selling expenses							(220,188)
Administrative expenses							(414,233)
Finance expenses — net							(4,510)
Net impairment losses on financial assets							(1,796)
Profit before income tax							456,977

(b) The following tables present information on revenue of the Group by geographical segment.

Revenue from external customers

	2022 HK$'000	2021 HK$'000
PRC (excluding HK)	**3,043,797**	3,829,046
Europe	**862,568**	855,229
Asia (excluding PRC)	**763,426**	823,487
US	**496,356**	665,235
Africa	**140,711**	145,489
Others	**174,497**	44,184
	5,481,355	6,362,670

The revenue information above is based on the customers' delivery address.

5 SEGMENT INFORMATION (CONTINUED)

(c) Non-current assets, other than financial instruments and deferred income tax assets, by country:

	2022 HK$'000	2021 HK$'000
PRC (excluding HK)	**1,082,574**	1,003,096
Hungary	**67,941**	74,423
HK	**10,465**	117,963
Vietnam	**62,289**	66,496
Others	**17**	6
	1,223,286	1,261,984

(d) Information regarding the Group's revenue by nature:

	2022 HK$'000	2021 HK$'000
Revenue		
Sales of goods	**5,481,355**	6,362,670

(e) Information regarding the Group's revenue by nature:

Revenue of approximately HK$1,032,620,000 (2021: HK$1,372,422,000) are derived from a single external customer. These revenues are mainly attributable to the smart chargers and controllers (2021: telecommunication segment).

6 OTHER INCOME AND OTHER GAINS — NET

(a) Other income

	2022 HK$'000	2021 HK$'000
Sales of scrap materials	**8,442**	11,781
Sales of raw materials, samples and molds	**2,181**	4,982
Inspection and certification fee income	**2,255**	1,506
Rental income	**2,128**	1,946
Overseas transportation income	**—**	4,538
Others	**3,788**	4,547
	18,794	29,300

6 OTHER INCOME AND OTHER GAINS — NET (CONTINUED)

(b) Other gains — net

	2022 HK$'000	2021 HK$'000
Fair value changes on derivative financial instruments	**8,698**	8,120
Fair value changes on financial assets at fair value through profit or loss *(Note 24)*	**(5,246)**	77
Fair value changes on investment properties *(Note 15)*	**(300)**	600
Net foreign exchange gain/(loss)	**12,521**	(27,889)
Government grants	**16,539**	18,078
Loss on disposal of property, plant and equipment *(Note 33(b))*	**(1,749)**	(945)
Compensation income from customers	**10,243**	9,192
Others	**(1,264)**	851
	39,442	8,084

7 EXPENSES BY NATURE

	2022 HK$'000	2021 HK$'000
Raw materials and consumables used (excluding research and development expenses)	**3,823,136**	4,614,031
Employee benefit expenses (excluding research and development expenses) *(Note 8)*	**573,126**	731,242
Research and development expenses		
— Employee benefit expenses *(Note 8)*	**121,736**	141,908
— Raw materials, consumables used and others	**44,912**	67,313
— Depreciation and amortisation	**14,396**	11,507
Depreciation, amortisation and impairment charges (excluding research and development expenses)	**151,565**	119,378
Changes in inventories of finished goods and work in progress	**150,504**	(118,589)
Operating lease payments *(Note 14)*	**29,510**	32,303
Allowance for impairment of inventory *(Note 19)*	**9,276**	41,474
Auditors' remuneration		
— Audit services	**3,573**	3,924
— Non-audit services	**2,580**	1,671
Other expenses	**249,972**	290,609
Total cost of sales, selling expenses and administrative expenses	**5,174,286**	5,936,771

Note: Tax and other advisory services provided by related entities of the auditors of HK$234,000 (2021: HK$731,000) were included in other expenses.

8 EMPLOYEE BENEFIT EXPENSE

	2022 HK$'000	2021 HK$'000
Wages and bonus	**600,050**	785,891
Pension costs — defined contribution plans (a)	**14,436**	15,038
Other social security costs	**42,793**	49,521
Others allowances and benefits	**37,583**	22,700
	694,862	873,150

(a) Retirement benefits obligation

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee.

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries make contribution to the funds which are calculated as 10%–20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees for the year.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Company is not allowed to use the forfeited contributions (if any) to reduce the existing level of contributions to the Group's defined contributions schemes. During the years ended 31 December 2021 and 2022, the Group had no forfeited contributions under its defined contribution schemes which was used to reduce the existing level of contributions.

The Group has no further payment obligations once the contributions have been paid.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors during the year ended 31 December 2022 (2021: 2), whose emoluments are reflected in the analysis presented in Note 38. The emoluments paid to the remaining 3 individuals during the year ended 31 December 2022 (2021: 3) are as follows:

	2022 HK$'000	2021 HK$'000
Wages, salaries, allowance and other benefits	**5,318**	4,330
Contributions to pension plans	**43**	43
	5,361	4,373

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments paid to the remaining individuals fell within the following bands:

	2022 HK$'000	2021 HK$'000
Emolument bands		
HK$250,001–HK$1,000,000	—	—
HK$1,000,001–HK$2,000,000	2	3
HK$2,000,001–HK$3,000,000	1	—
HK$3,000,001–HK$4,000,000	—	—
HK$4,000,001–HK$5,000,000	—	—
HK$5,000,001–HK$6,000,000	—	—

9 FINANCE EXPENSES — NET

	2022 HK$'000	2021 HK$'000
Finance income:		
Interest income	2,067	2,976
Finance expenses:		
Interest on bank borrowings	(18,905)	(9,537)
Interest expenses on lease liabilities *(Note 14)*	(440)	(559)
	(19,345)	(10,096)
Amount capitalised	4,785	2,610
Finance expenses expensed	(14,560)	(7,486)
Finance expenses — net	(12,493)	(4,510)

10 INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current income tax		
— PRC corporate income tax ("CIT")	**31,546**	36,268
— Hong Kong profits tax	**27,633**	36,942
Subtotal	**59,179**	73,210
Deferred income tax *(Note 31)*	**(3,932)**	(4,748)
	55,247	68,462

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Subsidiaries in Hong Kong are subject to 16.5% income tax rate before 2018. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(c) PRC CIT

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 (the "CIT Law"), the CIT rate for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

Ten Pao Electronic (Huizhou) Co., Ltd. ("Ten Pao Electronic (Huizhou)") and Dazhou Ten Pao Jin Hu Electronic Co., Ltd. ("Ten Pao Electronic (Dazhou)") are recognized as "New and High Technology Enterprises" and enjoys a preferential CIT rate of 15%. Their CIT rate for the year ended 31 December 2022 was 15% (2021: 15%).

10 INCOME TAX EXPENSE (CONTINUED)

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

Ten Pao Electronic (Samoa) Co., Ltd. has become a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" for the year 2022.

(e) British Virgin Islands ("BVI") and Samoa income tax

No provision for income tax in BVI and Samoa has been made as the Group has no income assessable to income tax in BVI and Samoa during the year (2021: Nil).

(f) Hungary corporate income tax

The corporate income tax rate in Hungary is 9% during the year (2021: 9%).

(g) Taxation on the Group's profit

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the main statutory tax rate applicable to profit of the Group as follows:

	2022 **HK$'000**	2021 HK$'000
Profit before income tax	**351,778**	456,977
Tax calculated at applicable corporate income tax rate of 25%	**87,945**	114,244
Effect of differences in tax rates	**(17,467)**	(17,720)
Preferential tax treatment of CIT	**(28,836)**	(21,819)
Withholding tax	**10,329**	3,620
Tax losses for which no deferred income tax asset was recognised	**18,217**	8,362
Utilisation of tax losses previously not recognised	**(2,299)**	(3,855)
Expenses not deductible for taxation purposes	**4,607**	3,271
Accelerated research and development deductible expenses	**(15,623)**	(17,469)
Income not subject to tax	**(1,626)**	(172)
	55,247	68,462

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year.

	2022	2021
Profit attributable to owners of the Company (HK$'000)	**296,902**	378,616
Weighted average number of shares issued (thousands)	**1,011,855**	1,000,456
Basic earnings per share (HK cents)	**29.3**	37.8

(b) Diluted earnings per share

For the year ended 31 December 2022 and 2021, diluted earnings per share were the same as basic earnings per share as there were no dilutive potential ordinary shares as at year end date.

12 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for freehold land in Hungary, the movement is analysed as follows:

	2022 HK$'000	2021 HK$'000
Opening net book amount as at 31 December	**4,820**	5,205
Exchange differences	**(284)**	(385)
Closing net book amount	**4,536**	4,820

As at 31 December 2022, the Group's interests in land use rights represent freehold land in Hungary.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2021								
Opening net book amount	110,056	255,241	2,472	5,563	101,553	45,525	64,804	585,214
Currency translation differences	(2,694)	8,633	498	132	3,441	5,329	2,403	17,742
Additions	396	133,211	1,689	2,099	33,383	401,092	21,951	593,821
Disposals	(9)	(2,098)	(5)	(36)	(1,211)	—	—	(3,359)
Transfer from construction in progress	—	78,550	338	—	25,592	(135,463)	30,983	—
Depreciation	(6,146)	(58,270)	(1,191)	(1,018)	(22,908)	—	(26,415)	(115,948)
Impairment charge	—	(2,907)	—	(104)	—	—	—	(3,011)
Closing net book amount	101,603	412,360	3,801	6,636	139,850	316,483	93,726	1,074,459
At 31 December 2021								
Cost	189,853	713,129	22,902	12,500	251,204	316,483	193,140	1,699,211
Accumulated depreciation	(88,250)	(295,650)	(19,101)	(5,760)	(111,132)	—	(99,414)	(619,307)
Impairment	—	(5,119)	—	(104)	(222)	—	—	(5,445)
Net book amount	101,603	412,360	3,801	6,636	139,850	316,483	93,726	1,074,459

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2022								
Opening net book amount	101,603	412,360	3,801	6,636	139,850	316,483	93,726	1,074,459
Currency translation differences	(7,363)	(34,018)	(290)	(437)	(10,664)	(26,026)	(7,871)	(86,669)
Additions	—	63,725	926	225	31,826	90,764	21,188	208,654
Disposals *(Note 33(b))*	—	(10,866)	(45)	(681)	(380)	—	—	(11,972)
Transfer from construction in progress	75	33,124	819	422	10,338	(63,460)	18,682	—
Depreciation	(6,066)	(72,455)	(1,032)	(1,132)	(22,154)	—	(39,154)	(141,993)
Impairment charge	—	(11,515)	—	—	—	—	—	(11,515)
Closing net book amount	88,249	380,355	4,179	5,033	148,816	317,761	86,571	1,030,964
At 31 December 2022								
Cost	175,275	732,513	23,442	11,210	267,294	317,761	217,746	1,745,241
Accumulated depreciation	(87,026)	(335,873)	(19,263)	(6,082)	(118,269)	—	(131,175)	(697,688)
Impairment	—	(16,285)	—	(95)	(209)	—	—	(16,589)
Net book amount	88,249	380,355	4,179	5,033	148,816	317,761	86,571	1,030,964

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of profit or loss:

	2022 HK$'000	2021 HK$'000
Cost of sales	80,598	75,755
Selling expenses	11,952	11,443
Administration expenses	49,443	28,750
	141,993	115,948

14 LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2022 HK$'000	31 December 2021 HK$'000
Right-of-use assets		
Land use rights	139,054	109,701
Buildings	25,723	32,996
	164,777	142,697
Lease liabilities		
Current	8,241	8,840
Non-current	16,916	23,743
	25,157	32,583

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2022, the remaining lease periods of the Group's land use rights ranged from 14 to 49 years (2021: 15 to 49). Amortisation was included in administrative expenses.

14 LEASE (CONTINUED)

(a) Amounts recognised in the balance sheet (Continued)

The movement of right-of-use assets is analysed as follows:

	2022 HK$'000	2021 HK$'000
Opening net book amount as at 31 December	**142,697**	116,611
Currency translation differences	**(11,107)**	2,998
Additions	**43,250**	32,983
Depreciation and amortization	**(10,063)**	(9,895)
Closing net book amount	**164,777**	142,697

(b) Amounts recognised in statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**2,240**	2,313
Buildings	**7,823**	7,582
	10,063	9,895
Interest expenses *(Note 9)*	**440**	559
Expenses relating to short-term leases (included in cost of sales, selling expenses and administrative expenses) *(Note 7)*	**29,510**	32,303

The total cash outflow for leases in 2022 was HK$10,004,000 (2021: HK$9,388,000).

15 INVESTMENT PROPERTIES

	2022	2021
	HK$'000	HK$'000
At fair value		
Opening balance at 1 January	**7,700**	7,100
Fair value changes *(Note 6)*	**(300)**	600
Closing balance at 31 December	**7,400**	7,700

As at 31 December 2022, the Group had no unprovided contractual obligations for future repairs and maintenance (2021: Nil).

The valuation of the Group's investment properties was performed by the valuer, Dudley Surveyors (Hong Kong) Limited, to determine the fair value of the investment properties as at 31 December 2022 and 2021.

The revaluation gains or losses are included in 'Other gains — net' in the consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.

		Office units — Hong Kong		
Description	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements method				
Investment properties:				
As at 31 December 2021	—	7,700	—	7,700
As at 31 December 2022	**—**	**7,400**	**—**	**7,400**

There were no transfers between Level 1, 2, and 3 during the year (2021: Nil).

As at 31 December 2022, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK$7,400,000 (2021: HK$7,700,000) (Note 28(a)).

16 INTANGIBLE ASSETS

	Patents HK$'000	Computer software HK$'000	Total HK$'000
At 31 December 2021			
Opening net book amount	11	10,998	11,009
Currency translation differences	—	303	303
Additions	—	2,470	2,470
Amortisation charge	(1)	(2,030)	(2,031)
Closing net book amount	10	11,741	11,751
At 31 December 2021			
Cost	3,631	34,724	38,355
Accumulated amortisation	(3,621)	(22,983)	(26,604)
Net book amount	10	11,741	11,751

	Patents HK$'000	**Computer software HK$'000**	**Total HK$'000**
At 31 December 2022			
Opening net book amount	**10**	**11,741**	**11,751**
Currency translation differences	**(1)**	**(976)**	**(977)**
Additions	**—**	**2,363**	**2,363**
Amortisation charge	**(1)**	**(2,389)**	**(2,390)**
Closing net book amount	**8**	**10,739**	**10,747**
At 31 December 2022			
Cost	**3,630**	**35,781**	**39,411**
Accumulated amortisation	**(3,622)**	**(25,042)**	**(28,664)**
Net book amount	**8**	**10,739**	**10,747**

Amortisation was included in administrative expenses. There was no impairment charge during the year (2021: Nil).

17 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2022, all of which are limited liability companies:

Company name	Place of incorporation	Registered/Issued and paid-up capital	Equity interest held 2022	Principal activities/ Place of operation
Directly owned:				
Goldasia Group Limited	BVI	USD50,000/USD1	100%	Investment holding/Hong Kong ("HK")
Indirectly owned:				
Ten Pao Precision Electronics Company Limited	HK	HK$2,000,000/ HK$1,000,000	100%	Investment holding/HK
Ten Pao Industrial Company Limited	HK	HK$300,000/ HK$300,000	100%	Investment holding/HK
Ten Pao International Limited	HK	HK$5,000,000/ HK$4,000,000	100%	Investment holding and trading of power supply devices and raw materials/HK
Huizhou Jinhu Industrial Development Co., Ltd.#	PRC	RMB50,000,000/ RMB50,000,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Electronic (Samoa) Co., Ltd.	Samoa	US$1,000,000/US$1	100%	Investment holding/HK
Ten Pao Electronic (Huizhou) Co., Ltd.#	PRC	HK$276,000,000/ HK$276,000,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Electronics Hungary Kft.	Hungary	EUR€2,500,000/ EUR€2,500,000	100%	Manufacture and trading of power supply devices/ Hungary
Shenzhen MODO Innovation Technology Co., Ltd.#	PRC	RMB3,000,000/ RMB3,000,000	100%	Trading of audio devices and power supply devices/PRC
Dazhou Ten Pao Innovation Technology Co., Ltd.#	PRC	HK10,000,000/ HK$2,500,000	100%	Manufacture and trading of power supply devices/PRC
Dazhou Ten Pao Jin Hu Electronic Co., Ltd.#	PRC	RMB10,640,000/ RMB10,640,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Chuanneng Technology (Beijing) Co.,Ltd. @	PRC	RMB10,000,000/ RMB1,935,000	70%	Trading of substation cabinet and power supply devices/ PRC
Huizhou Ten Pao Chuangneng Technology Co., Ltd.#	PRC	RMB150,000,000/ RMB86,717,000	100%	Manufacture and trading of power supply devices/PRC

17 SUBSIDIARIES (CONTINUED)

Company name	Place of incorporation	Registered/Issued and paid-up capital	Equity interest held 2022	Principal activities/ Place of operation
Sky Harvest Investment Limited	HK	HK$10,000/HK$10,000	100%	Investment holding/HK
Sky Intelligent Investment Limited	HK	HK$10,000/HK$10,000	100%	Investment holding/HK
Huizhou Baoxi Decoration Engineering Co., Ltd.@	PRC	RMB1,000,000/ RMB1,000,000	60%	Building decoration/PRC
Giga Charge Pte. Ltd.	Singapore	US$1/US$1	100%	Investment holding/Singapore
Teskson Technology (Shenzhen) Co., Ltd.@	PRC	RMB10,000,000/ RMB360,000	95%	Manufacture and trading of power supply devices/PRC
Giga Electronics (Vietnam) Company Limited	Vietnam	VND45,922,019,500/ VND45,922,019,500	100%	Manufacture and trading of power supply devices/ Vietnam
Ten Pao Precision Technology (Huizhou) Co., Ltd.#	PRC	HK$/100,000,000 HK$/100,000,000	100%	Manufacture and trading of power supply devices/PRC
Huizhou Huifeng Electronic Technology Co., Ltd.#	PRC	RMB10,000,000/ RMB10,000,000	100%	Manufacture and trading of power supply devices/PRC
Hunan Huifeng Electronic Technology Co., Ltd.#	PRC	RMB10,000,000/ RMB1,000,000	100%	Manufacture and trading of power supply devices/PRC
Shanxi Huifeng Electronic Technology Co., Ltd.#	PRC	RMB10,000,000/ RMB300,000	100%	Manufacture and trading of power supply devices/PRC
Sky Inspire Investment Limited	HK	HK$10,000/HK$10,000	100%	Investment holding/HK
Shenzhen Ten Pao Weichuang Technology Development Co., Ltd.#	PRC	RMB3,000,000/ RMB3,000,000	100%	Manufacture and trading of power supply devices/PRC
Huizhou Huihe Printing Co., Ltd.#	PRC	RMB1,600,000/ RMB1,600,000	100%	Printing/PRC
Shenzhen Dianxiaodou Technology Co., Ltd.*@	PRC	RMB3,000,000/ RMB3,000,000	77%	Manufacture and trading of power supply devices/PRC
Ten Pao International, Inc.	United States	US$800,000/ US$800,000	100%	Manufacture and trading of power supply devices/United States
Vision Tech Investment Pte. Ltd.*	Singapore	US$1/US$1	100%	Investment holding/Singapore

* Incorporated during the year

Registered as wholly foreign owned enterprises under PRC law

@ Registered as sino-foreign equity joint venture under PRC law

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	**1,103,507**	1,288,505
Amounts due from related parties	**1,782**	1,484
Restricted bank deposits	**170,578**	63,258
Cash and cash equivalents	**341,394**	288,440
Financial assets at FVOCI	**10,149**	9,541
Financial assets at FVPL	**58,413**	44,794
Derivative financial instruments	**7,874**	554
	1,693,697	1,696,576

	2022 HK$'000	2021 HK$'000
Financial liabilities		
Liabilities at amortised cost		
Trade payables	**1,176,206**	1,506,740
Bank borrowings	**451,450**	578,921
Accrual for expenses and other payables	**49,979**	96,050
Lease liabilities	**25,157**	32,583
Amounts due to related parties	**34,854**	28,732
Derivative financial instruments	**—**	1,378
	1,737,646	2,244,404

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting periods is the carrying amount of each class of financial assets mentioned above.

19 INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	385,214	473,300
Work in progress	141,040	285,521
Finished goods	476,604	482,627
	1,002,858	1,241,448
Less: allowance for impairment	(96,481)	(91,328)
	906,377	1,150,120

The movements of allowance for impairment are analysed as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	91,328	48,429
Currency translation difference	(4,123)	1,425
Allowance for impairment of inventory	9,276	41,474
At 31 December	96,481	91,328

The cost of inventories included in cost of sales during the year ended 31 December 2022 was HK$3,823,136,000 (2021: HK$4,614,031,000).

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at FVOCI comprise the following individual investments:

	2022 HK$'000	2021 HK$'000
Non-current assets		
Unlisted equity investments		
GCteq Wireless (Shenzhen) Co., Ltd.	9,981	6,289
Qingdao Eolock Intelligent Technology Co., Ltd.	168	3,252
	10,149	9,541

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of FVOCI is analysed as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	9,541	12,487
Fair value change	1,417	(3,314)
Currency translation differences	(809)	368
At end of year	10,149	9,541

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

21 TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	1,050,103	1,226,404
Less: allowance for impairment of trade receivables	(5,487)	(4,277)
Trade receivables, net	1,044,616	1,222,127
Value added tax allowance	28,039	24,682
Deposits	16,111	15,435
Prepayments	11,256	11,413
Employee welfare	2,632	5,956
Export tax refund receivables	4,040	12,036
Bills receivable	1,110	438
Advances to employees	781	794
Others	6,178	7,037
	1,114,763	1,299,918

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The carrying amounts of the trade receivables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	609,262	557,325
USD	366,899	581,937
HK$	73,942	87,142
	1,050,103	1,226,404

(b) The credit period granted to customers is generally between 30 and 90 days based on invoices date. The aging analysis of the trade receivables from the date of sales is as follows:

	2022 HK$'000	2021 HK$'000
Less than 3 months	924,697	1,148,323
More than 3 months but not exceeding 1 year	125,406	78,081
	1,050,103	1,226,404

The Group's sales are made to various customers. While there is concentration of credit risk within a few major customers, these customers are reputable with good track record.

(c) Allowance for impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(c)(ii) provides for details about the calculation of the allowance.

The Group had not written off allowance for impairment of trade receivables during the year (31 December 2021: Nil).

(d) Fair value of trade receivables and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(e) Risk exposure

As at 31 December 2022, the Group's maximum exposure to credit risk of trade and other receivables was the carrying values of each class of receivables mentioned above.

As at 31 December 2022, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$141,768,000 (2021: HK$399,347,000) (Note 28).

22 CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**341,394**	288,440

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk at year end.

Cash and cash equivalents are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**236,643**	172,361
USD	**54,988**	85,757
HK$	**43,044**	21,838
Others	**6,719**	8,484
	341,394	288,440

Cash and cash equivalents including the following for the purpose of the statement of cash flows:

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents	**341,394**	288,440

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Derivative financial assets — Current	**1,406**	—
Derivative financial assets — Non-current	**6,468**	554
Derivative financial liabilities — Current	**—**	39
Derivative financial liabilities — Non-current	**—**	1,339

23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Amount HK$'000	**Notional amount** HK$'000
As at 31 December 2022		
Derivative financial assets — Current		
— Interest rate swap contracts	**1,406**	**83,829**
Derivative financial assets — Non-current		
— Interest rate swap contracts	**4,503**	**127,556**
— Currency swap contracts	**1,965**	**21,921**
	6,468	**149,477**
As at 31 December 2021		
Derivative financial assets — Non-current		
— Interest rate swap contracts	554	160,300
Derivative financial liabilities — Current		
— Interest rate swap contracts	39	8,191
Derivative financial liabilities — Non-current		
— Interest rate swap contracts	459	33,647
— Currency swap contracts	880	90,478
	1,339	124,125

Changes in fair values of derivative financial instruments are recorded in 'Other gains — net' in the consolidated statement of profit or loss.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **HK$'000**	2021 HK$'000
Insurance contract for a member of key management	**3,270**	3,209
Investments in Huayuan Zhixin Semiconductor (Shenzhen) Co., Ltd.	**22,297**	17,123
Investments in Chengdu Emfuture Automation Engineering Co., Ltd.	**10,456**	24,462
Investments in Xi'an XY Power Technology Co., Ltd.	**22,390**	—
Total	**58,413**	44,794

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movement of FVPL is analysed as follows:

	2022 HK$'000	2021 HK$'000
At beginning of year	44,794	3,131
Additions	22,390	41,585
Fair value change	(5,246)	77
Currency translation differences	(3,525)	1
At end of year	58,413	44,794

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other gains — net' in the statement of profit or loss (Note 6).

The fair value of the insurance is based on the unobservable inputs.

In 2022, the Group had new investment in Xi'an XY Power Technology Co., Ltd. amounting to HK$22,390,000.

As at 31 December 2022, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$3,270,000 (2021: HK$3,209,000) (Note 28(a)).

25 RESTRICTED BANK DEPOSITS

As at 31 December 2022, bank deposits amounting to HK$170,578,000 (2021: HK$63,258,000) are deposits held by the bank in a segregated account as security for borrowings from the banks (Note 28(a)).

As at 31 December 2022, the weighted average interest rates were 3.08% (2021: 4.80%).

26 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of Shares	Share capital HK$'000	Share premium HK$'000	Total HK$'000
As at 1 January 2021, 31 December 2021	1,000,456,000	10,005	125,788	135,793
Scrip dividend	29,932,965	299	36,638	36,937
At 31 December 2022	**1,030,388,965**	**10,304**	**162,426**	**172,730**

Final dividend of HK$0.056 per share (with a scrip dividend option) for the year ended 31 December 2021 was made on 15 August 2022 with the issuance of 29,932,965 shares (issue price per share: HK$1.234) of the Company to shareholders who opted scrip dividend by way of capitalisation of distributable reserves of the Company.

27 OTHER RESERVES

Other reserves comprise statutory reserves, capital reserves, exchange reserves, share options and FVOCI reserves of the Group.

	Statutory Reserves HK$'000	Capital reserves HK$'000	Exchange reserves HK$'000	Share options HK$'000	FVOCI reserves HK$'000	Total HK$'000
At 1 January 2021	76,358	338	42,812	5,468	(4,275)	120,701
Transfer to statutory reserves	50,700	—	—	—	—	50,700
Capital contributed by non-controlling interests	—	(35)	—	—	—	(35)
Fair value change of FVOCI	—	—	—	—	(4,164)	(4,164)
Currency translation differences	—	—	41,082	—	(249)	40,833
At 31 December 2021	127,058	303	83,894	5,468	(8,688)	208,035

27 OTHER RESERVES (CONTINUED)

	Statutory Reserves HK$'000	Capital reserves HK$'000	Exchange reserves HK$'000	Share options HK$'000	FVOCI reserves HK$'000	Total HK$'000
At 1 January 2022	127,058	303	83,894	5,468	(8,688)	208,035
Transfer to statutory reserves	17,525	—	—	—	—	17,525
Acquisition of additional equity interests in a subsidiary *(Note 36(e))*	—	2,056	—	—	—	2,056
Fair value change of FVOCI	—	—	—	—	1,204	1,204
Currency translation differences	—	—	(143,174)	—	—	(143,174)
At 31 December 2022	144,583	2,359	(59,280)	5,468	(7,484)	85,646

(a) Statutory reserves

In accordance with relevant laws and regulations of the PRC, the PRC subsidiaries of the Group are required to make appropriation of not less than 10% of its net income after taxes to reserves. Further appropriation is optional when the accumulated statutory reserve is 50% or more of its registered capital. The statutory reserves can be used to offset accumulated losses of the PRC subsidiaries upon the approval of their respective boards of directors.

28 BORROWINGS

	2022 HK$'000	2021 HK$'000
Non-current		
Bank borrowings		
— secured (a)	197,390	167,469
— unsecured	194,937	171,929
Less: current portion of non-current borrowings	(189,443)	(101,611)
	202,884	237,787
Current		
Bank borrowings		
— secured (a)	59,066	153,999
— unsecured	57	85,524
Total short-term bank borrowings	59,123	239,523
Current portion of non-current borrowings	189,443	101,611
	248,566	341,134
Total borrowings	451,450	578,921

(a) As at 31 December 2022, bank borrowings amounting to HK$256,456,000 (2021：HK$321,468,000) are secured over the following assets, the remaining borrowings are credit loans:

	2022 HK$'000	2021 HK$'000
Restricted bank deposits *(Note 25)*	170,578	63,258
Financial assets at fair value through profit or loss		
— non-current *(Note 24)*	3,270	3,209
Investment properties *(Note 15)*	7,400	7,700
Trade and other receivables *(Note 21(e))*	141,768	399,347
	323,016	473,514

28 BORROWINGS (CONTINUED)

(b) The carrying amounts of the borrowings at 31 December 2022 and 2021, respectively, are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**428,310**	504,967
RMB	**—**	36,693
USD	**23,140**	37,261
	451,450	578,921

(c) The exposure of the borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2022 HK$'000	2021 HK$'000
Borrowings at floating rates		
6 months or less	**47,270**	26,623
6–12 months	**142,173**	62,546
1–5 years	**202,884**	250,229
Borrowings at fixed rates	**59,123**	239,523
	451,450	578,921

(d) The borrowings are repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**248,566**	341,134
Between 1 and 2 years	**46,512**	183,630
Between 2 and 5 years	**156,372**	54,157
	451,450	578,921

28 BORROWINGS (CONTINUED)

(e) The effective interest rates at the balance sheet dates are as follows:

	2022 HK$'000	2021 HK$'000
Bank borrowings denominated in:		
HK$	**3.28%**	2.19%
USD	**1.83%**	1.84%
RMB	**4.10%**	4.20%

(f) The carrying amounts and fair value of non-current borrowings are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amounts	**202,884**	237,787
Fair value (level 2)	**188,282**	225,568
Weighted average discount rate used for fair value (%)	**3.19%**	2.15%

29 DEFERRED GOVERNMENT GRANTS

	2022 HK$'000	2021 HK$'000
Opening net book amount	**46,324**	44,191
Receipt of grants (i)	**20,419**	14,224
Credited to consolidated statement of profit or loss	**(6,431)**	(11,595)
Currency translation differences	**(3,391)**	(496)
Closing net book amount	**56,921**	46,324

(i) The amount mainly represented the subsidies granted by the local government authority in the PRC relating to fiscal and tax incentives with required operating years.

The deferred government grants will be amortised to other gains from the point at which the relevant assets are ready for use on a straight-line basis over the related assets' useful lives.

30 TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**1,176,206**	1,506,740
Notes payable	**232,683**	135,240
Wages and staff welfare benefits payable	**277,735**	271,721
Accrual for expenses and other payables	**49,979**	96,050
Other taxes payable	**7,028**	8,178
	1,743,631	2,017,929

(a) The Group's trade payables are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**812,092**	951,682
HK$	**223,091**	547,801
USD	**136,321**	131
Others	**4,702**	7,126
	1,176,206	1,506,740

The carrying amounts of accrued expenses and other payables were primarily denominated in RMB.

(b) The aging analysis of trade payables based on invoices date is as follows:

	2022 HK$'000	2021 HK$'000
Less than 3 months	**905,796**	1,407,958
More than 3 months but not exceeding 1 year	**257,171**	98,737
More than 1 year	**13,239**	45
	1,176,206	1,506,740

(c) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2022 and 2021.

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets:		
— to be recovered after 12 months	**55,808**	45,601
Deferred income tax liabilities:		
— to be settled after 12 months	**(102,242)**	(91,688)

The movements in deferred income tax assets and liabilities are as follows:

Deferred income tax assets	**Provisions** HK$'000	**Unrealized gross margin and others** HK$'000	**Total** HK$'000
As at 1 January 2021	30,915	6,237	37,152
Recognised in the profit or loss	13,507	(5,139)	8,368
Recognised in the other comprehensive income	—	(850)	(850)
Currency translation differences	907	24	931
As at 31 December 2021	45,329	272	45,601
As at 1 January 2022	**45,329**	**272**	**45,601**
Recognised in the profit or loss	**10,570**	**3,691**	**14,261**
Recognised in the other comprehensive income	**—**	**(213)**	**(213)**
Currency translation differences	**(3,821)**	**(20)**	**(3,841)**
As at 31 December 2022	**52,078**	**3,730**	**55,808**

31 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Withholding income tax HK$'000	Unrealized gross margin HK$'000	Total HK$'000
At 1 January 2021	88,006	25	88,031
Recognised in the profit or loss	3,620	—	3,620
Currency translation differences	37	—	37
At 31 December 2021	91,663	25	91,688
At 1 January 2022	**91,663**	**25**	**91,688**
Recognised in the profit or loss	**10,329**	**—**	**10,329**
Currency translation differences	**225**	**—**	**225**
At 31 December 2022	**102,217**	**25**	**102,242**

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable.

As at 31 December 2022, the Group did not recognise deferred income tax asset of HK$18,217,000 (2021: HK$8,362,000) in respect of the tax losses amounting to HK$74,072,000 (2021: HK$40,235,000), as their recoverability is uncertain.

32 DIVIDENDS

	2022 HK$'000	2021 HK$'000
Interim dividend paid per ordinary share: HK 2.8 cents (2021: HK 5.7 cents)	**28,851**	57,026
Proposed final dividend per ordinary share: HK 3.3 cents (2021: HK 5.6 cents)	**34,003**	56,026
	62,854	113,052

A final dividend of HK5.6 cents per share (with a scrip dividend option) for the year ended 31 December 2021 was made on 15 August 2022 with the issuance of 29,932,965 shares (issue price per share: HK$1.234) of the Company to shareholders who opted scrip dividend by way of capitalisation of distributable reserves of the Company. A total amount of cash dividend of HK$47,940,000 was paid in 2022 (including the 2021 final dividend of HK$19,089,000 paid to those shareholders who had elected receipt of dividend in cash and the 2022 interim dividend of HK$28,851,000) (2021: HK$112,051,000).

32 DIVIDENDS (CONTINUED)

A final dividend of HK 3.3 cents per ordinary share, amounting to HK 34,003,000 in respect of the year ended 31 December 2022 is to be proposed at the annual general meeting of the Company to be held on 2 June 2023 (2021: The Board proposed the payment of a final dividend for the year ended 31 December 2021 by way of cash with an option to elect, to receive wholly or partly an allotment and issue of scrip shares in lieu of cash payment, equivalent to HK 5.6 cents per share).

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW

(a) Reconciliation of profit before income tax to cash generated from operations:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**351,778**	456,977
Adjustments for:		
Finance expenses — net *(Note 9)*	**12,493**	4,510
Depreciation of property, plant and equipment *(Note 13)*	**141,993**	115,948
Impairment of property, plant and equipment *(Note 13)*	**11,515**	3,011
Amortisation of intangible assets *(Note 16)*	**2,390**	2,031
Depreciation and amortisation of right-of-use assets *(Note 14)*	**10,063**	9,895
Loss on disposal of property, plant and equipment *(Note 6)*	**1,749**	945
Fair value changes on derivative financial instruments *(Note 6)*	**(8,698)**	(8,120)
Fair value changes on financial assets at fair value through profit or loss *(Note 6)*	**5,246**	(77)
Allowance for impairment of inventory *(Note 19)*	**9,276**	41,474
Allowance for of trade receivables *(Note 3.1(c))*	**1,034**	1,796
Fair value changes on investment properties *(Note 15)*	**300**	(600)
Deferred government grant credited to profit and loss *(Note 29)*	**(6,431)**	(11,595)
Changes in working capital:		
Inventories	**243,743**	(153,125)
Trade and other receivables	**185,155**	(63,615)
Due from related parties	**(298)**	(20)
Trade and other payables	**(276,868)**	(68,601)
Due to related parties	**6,122**	11,172
Cash generated from operations	**690,562**	342,006

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

(b) In the consolidated statement of cash flow, proceeds from disposals of property, plant and equipment comprise:

	2022 **HK$'000**	2021 HK$'000
Net book amount disposed *(Note 13)*	**11,972**	3,359
Loss on disposals *(Note 6)*	**(1,749)**	(945)
Proceeds from disposals	**10,223**	2,414

(c) Non-cash financing transactions

The Group had no non-cash financing transactions during the year (2021: Nil).

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2022 **HK$'000**	2021 HK$'000
Cash and cash equivalents	**341,394**	288,440
Borrowings — repayable within one year	**(248,566)**	(341,134)
Borrowings — repayable after one year	**(202,884)**	(237,787)
Lease liabilities	**(25,157)**	(32,583)
Net debt	**(135,213)**	(323,064)
Cash and cash equivalents	**341,394**	288,440
Gross debt — fixed interest rates	**(59,123)**	(239,523)
Gross debt — variable interest rates	**(392,327)**	(339,398)
Net debt	**(110,056)**	(290,481)

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

(d) Net debt reconciliation (Continued)

	Other assets	Liabilities from financing activities			
			Borrowing due within	Borrowing due after	
Net assets	**Cash**	**Lease**	**1 year**	**1 year**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2021	426,573	(7,673)	(223,168)	(86,109)	109,623
Cash flows	(145,553)	8,829	(110,256)	(151,799)	(398,779)
Acquisition — lease	—	(32,750)	—	—	(32,750)
Foreign exchange adjustments	7,420	(989)	(7,710)	121	(1,158)
Interest expense	—	559	3,201	1,373	5,133
Interest payments (presented as operating cash flows)	—	(559)	(3,201)	(1,373)	(5,133)
As at 31 December 2021	288,440	(32,583)	(341,134)	(237,787)	(323,064)
Cash flows	**67,562**	**9,564**	**89,515**	**34,769**	**201,410**
Acquisition — lease	**—**	**(2,302)**	**—**	**—**	**(2,302)**
Foreign exchange adjustments	**(14,608)**	**164**	**3,053**	**134**	**(11,257)**
Interest expense	**—**	**440**	**13,070**	**5,835**	**19,345**
Interest payments (presented as operating cash flows)	**—**	**(440)**	**(13,070)**	**(5,835)**	**(19,345)**
As at 31 December 2022	**341,394**	**(25,157)**	**(248,566)**	**(202,884)**	**(135,213)**

34 CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities (2021: Nil).

35 COMMITMENTS

(a) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements.

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2022	2021
	HK$'000	HK$'000
Not later than one year	**10,347**	15,485

35 COMMITMENTS (CONTINUED)

(b) Capital commitments

	2022 HK$'000	2021 HK$'000
In respect of the acquisitions of property, plant and equipment, contracted but not provided for	**2,091**	23,783

36 RELATED PARTY TRANSACTIONS

(a) Names and relationship

The following companies and individuals were related parties of the Group that had transactions or balances with the Group during the year:

Name of the related party	Relationship with the Group
Huizhou Golden Ocean Wire Co., Limited ("Huizhou Golden Ocean Wire")	An entity controlled by a relative of the Controlling Shareholder
Huizhou Tiannengyuan Charging Technology Co., Ltd. ("Tiannengyuan Charging")	An entity controlled by the Controlling Shareholder
Golden Ocean Copper Manufacture Company Limited ("Golden Ocean")	An entity controlled by the Controlling Shareholder
Sky Fortune Enterprises Limited ("Sky Fortune")	An entity controlled by the Controlling Shareholder
Golden Lake (HK) Limited ("Golden Lake (HK)")	An entity controlled by the Controlling Shareholder

(b) Transactions with related parties during the year

(i) Purchases of goods and services

	2022 HK$'000	2021 HK$'000
Purchase of goods		
Golden Ocean	**109,114**	92,172

Goods and services are bought from entities controlled by the Controlling Shareholder on normal commercial terms and conditions.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties during the year (Continued)

(ii) Operating lease expenses

	2022 HK$'000	2021 HK$'000
Tiannengyuan Charging	**9,424**	7,764
Huizhou Golden Ocean Wire	**4,115**	3,754
Sky Fortune	**660**	696
Golden Lake (HK)	**576**	252
	14,775	12,466

The amounts represented rental expenses for land and buildings for factory and office purposes in accordance with the lease agreements.

(iii) Key management personnel compensation

The compensation paid or payable to key management personnel for employee services are shown below:

	2022 HK$'000	2021 HK$'000
Wages, salaries and bonuses	**30,736**	35,900
Pension costs — defined contribution plans	**152**	179
	30,888	36,079

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances due from related parties

	2022 Maximum balance outstanding during the year HK$'000	2022 HK$'000	2021 Maximum balance outstanding during the year HK$'000	2021 HK$'000
Golden Ocean	**1,552**	**401**	—	—
Tiannengyuan Charging	**1,175**	**1,175**	1,284	1,284
Huizhou Golden Ocean	**27**	**—**	100	—
Sky Fortune	**110**	**110**	116	116
Golden Lake (HK)	**96**	**96**	84	84
	2,960	**1,782**	1,584	1,484

The balances due from related parties were mainly denominated in RMB. They were unsecured, interest-free, trading in nature and repayable on demand. Their fair values approximate their carrying amounts at each of the year end date.

(d) Balances due to related parties

	2022 HK$'000	2021 HK$'000
Golden Ocean	**34,163**	28,388
Huizhou Golden Ocean Wire	**376**	344
Tiannengyuan Charging	**315**	—
	34,854	28,732

The balances due to related parties were mainly denominated in RMB. They were unsecured and interest-free. These balances were trading in nature and due within 3 months. Their fair values approximate their carrying amounts at each of the year end date.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other related party transactions

In February 2022, the Group acquired 3% and 3% non-controlling interests in Dazhou Ten Pao Jin Hu Electronic Co., Ltd., a subsidiary of the Group, from Ms. Yang Bingbing, a director of the Company, and Mr. Hong Wei Xie, senior management of the Group, at considerations of RMB1,075,000 and RMB1,075,000, respectively. The difference between the considerations of RMB2,150,000 (equivalent to HK$2,514,000) and 6% equity interests in net assets of the above company on the date of acquisition of RMB1,758,000 (equivalent to HK$2,056,000) is included in the capital reserve of the Group.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
	Note	**2022** **HK$'000**	2021 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**383,279**	383,279
Deposits		**8,000**	8,000
Current assets			
Cash and cash equivalents		**799**	722
Total assets		**392,078**	392,001
Equity attributable to owners of the company			
Share capital		**10,304**	10,005
Share premium	*(a)*	**525,826**	489,188
Share option reserve		**5,468**	5,468
Accumulated losses	*(a)*	**(192,211)**	(154,680)
Total equity		**349,387**	349,981
Liabilities			
Current liabilities			
Other payables		**42,691**	42,020
Total liabilities		**42,691**	42,020
Total equity and liabilities		**392,078**	392,001

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

Note (a): Reserve movement of the Company

	Accumulated losses HK$'000	Share premium HK$'000
At 1 January 2022	**(154,680)**	**489,188**
Profit for the year	**47,346**	**—**
Dividends payment	**(84,877)**	**36,638**
At 31 December 2022	**(192,211)**	**525,826**
At 1 January 2021	(231,810)	489,188
Profit for the year	189,181	—
Dividends payment	(112,051)	—
At 31 December 2021	(154,680)	489,188

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2022:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Share options HK$'000	Total HK$'000
Executive Directors										
Mr. Hung Kwong Yee	—	5,662	6,061	—	—	—	18	—	—	11,741
Ms. Yang Bingbing	—	1,089	3,072	—	18	—	7	—	—	4,186
Independent Non-executive Directors										
Mr. Lam Cheung Chuen	—	360	—	—	—	—	—	—	—	360
Mr. Chu Yat Pang Terry	—	360	—	—	—	—	—	—	—	360
Mr. Lee Kwan Hung	—	360	—	—	—	—	—	—	—	360
	—	7,831	9,133	—	18	—	25	—	—	17,007

Note:

(i) Mr. Hung Kwong Yee is also the chief executive officer.

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below: (Continued)

For the year ended 31 December 2021:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Share options HK$'000	Total HK$'000
Executive Directors										
Mr. Hung Kwong Yee	—	5,591	11,217	—	—	—	18	—	—	16,826
Ms. Yang Bingbing	—	1,162	2,394	—	19	—	7	—	—	3,582
Independent Non-executive Directors										
Mr. Lam Cheung Chuen	—	345	—	—	—	—	—	—	—	345
Mr. Chu Yat Pang Terry	—	345	—	—	—	—	—	—	—	345
Mr. Lee Kwan Hung	—	345	—	—	—	—	—	—	—	345
	—	7,788	13,611	—	19	—	25	—	—	21,443

Note:

(i) Mr. Hung Kwong Yee is also the chief executive officer.

(b) No directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services and loans, quasi-loans or other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors, subsisted at the end of the year or at any time during the year.

(c) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 36, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Results					
Revenue	3,202,452	3,636,291	4,448,625	6,362,670	**5,481,355**
Profit before income tax	67,894	216,920	373,821	456,977	**351,778**
Income tax expense	(12,478)	(40,461)	(85,189)	(68,462)	**(55,247)**
Profit for the year attributable to owners of the Company	55,416	176,752	289,057	378,616	**296,902**
Assets, Liabilities and Equity					
Total assets	1,854,787	2,214,385	3,632,465	4,165,694	**3,890,424**
Total liabilities	1,271,452	1,519,795	2,631,659	2,857,179	**2,477,312**
Total equity	583,335	694,590	1,000,806	1,308,515	**1,413,112**