

# Annual Report

TONGDA HONG TAI HOLDINGS LIMITED

# 2023

# Contents

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	5
Biographical Details of Directors and Senior Management	10
Corporate Governance Report	14
Environmental, Social and Governance Report	28
Report of the Directors	56
Independent Auditor's Report	68
Consolidated Income Statement	75
Consolidated Statement of Comprehensive Income	76
Consolidated Statement of Financial Position	77
Consolidated Statement of Changes in Equity	79
Consolidated Statement of Cash Flows	80
Notes to Financial Statements	82
Five-Year Financial Summary	134

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Ming Li (*Chief Executive Officer*)  
Mr. Lee King On Jeff  
Mr. Wang Ming Zhi

### Non-executive Director

Mr. Wang Ya Nan (*Chairman*)  
(resigned on 29 September 2023)

### Independent Non-executive Directors

Ms. Chan Shiu Man  
Mr. Wan, Aaron Chi Keung  
(appointed on 29 September 2023)  
Mr. Chan Luk On (appointed on 29 September 2023)  
Ms. Leung Pik Kwan (resigned on 1 December 2023)  
Mr. Sun Wai Hong (resigned on 29 September 2023)

## AUDIT COMMITTEE

Ms. Chan Shiu Man (*Chairman*)  
(appointed on 1 December 2023)  
Mr. Wan, Aaron Chi Keung  
(appointed on 29 September 2023)  
Mr. Chan Luk On (appointed on 29 September 2023)  
Ms. Leung Pik Kwan (resigned on 1 December 2023)  
Mr. Sun Wai Hong (resigned on 29 September 2023)

## REMUNERATION COMMITTEE

Mr. Wan, Aaron Chi Keung (*Chairman*)  
(appointed on 1 December 2023)  
Mr. Chan Shiu Man (appointed on 1 December 2023)  
Mr. Chan Luk On (appointed on 29 September 2023)  
Ms. Leung Pik Kwan (resigned on 1 December 2023)  
Mr. Sun Wai Hong (resigned on 29 September 2023)

## NOMINATION COMMITTEE

Mr. Chan Shiu Man (*Chairman*)  
(appointed on 29 September 2023)  
Mr. Wan, Aaron Chi Keung  
(appointed on 29 September 2023)  
Mr. Chan Luk On (appointed on 29 September 2023)  
Ms. Leung Pik Kwan (resigned on 1 December 2023)  
Mr. Sun Wai Hong (resigned on 29 September 2023)

## COMPANY SECRETARY

Mr. Lee King On Jeff

## AUDITOR

D & Partners CPA Limited  
*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*  
2201, 22/F, West Exchange Tower  
322 Des Voeux Road Central  
Sheung Wan, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Lee King On Jeff  
(appointed on 29 September 2023)  
Mr. Wong Ming Li  
Mr. Wang Ya Nan (resigned on 29 September 2023)

## PRINCIPAL BANKERS

*In Hong Kong:*  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

*In the PRC:*  
United Overseas Bank (China) Limited  
Suzhou Branch  
China Construction Bank  
Changshu Branch

### LEGAL ADVISERS

*As to Hong Kong laws:*

CFN Lawyers in association with Broad & Bright

*As to PRC laws:*

Jiangsu New Talent (Changshu) Law firm

*As to Cayman Islands laws:*

Conyers Dill & Pearman, Cayman

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1203, 12th Floor  
Shui On Centre  
6-8 Harbour Road Wanchai  
Hong Kong  
Tel: (852) 3188 1681  
Fax: (852) 3585 2822  
Website: <http://www.tongdahongtai.com>  
Email: [info@hongtai.com.hk](mailto:info@hongtai.com.hk)

### LISTING INFORMATION

Listed on the Hong Kong Stock Exchange (Main Board)  
Stock short name: Tongda Hong Tai  
Stock code: 2363  
Board lot: 2,500 shares  
Listing date: 16 March 2018 (the "Listing Date")

### HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road  
North Point, Hong Kong

### PRINCIPAL SHARE REGISTRAR

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

# Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Tongda Hong Tai Holdings Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year").

Although there is a significant reduction of net loss for the Year as compared with 2022, when discounting the factor of reversals of provisions made in previous years, the results of the Year of the Group were not satisfactory. During the Year, the Group faced various challenges including the global inflation surge, continual fluctuation of material prices due to instability of supply chain, continuing increase in staff costs, the shortage in the supply of semi-conductors and the continuing increase in competition in the market. The Group's management is committed to improving the Group's production efficiency and yield, as well as improving operating cash flow. During the Year, the Group had continued the reforming of the management team and organisation structure to improve the operation efficiency. During the operation restructuring, both the Group's sales and gross profit margin were being impacted negatively by the internal and external challenges but we believe all such reform measures taken are on the right track to improve the Group's future performance.

The operation will remain challenging in the coming year, management of the Group will remain vigilant to the market changes and adopt a prudent decision-making approach on resources allocation in order to make a timely and efficient responses and achieve the best outcome for the Group.

## ACKNOWLEDGEMENT

The Group's success greatly depends on the efforts made by all staff members and the management team. I would like to hereby express my sincere gratitude on behalf of the Board for their dedication and valuable contributions during the past year. We will also seek to work with our shareholders and customers in formulating our business plans and business strategies in order to enhance the development and long term growth potential of the Group.

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories. During the Year, sales of notebook casings continued to account for the largest proportion of the Group’s total sales.

During the Year, as the government restrictions of COVID-19 pandemic (the “Pandemic”) in various countries already eased, the previous surge in demand for personal computers (“PC”) brought by remote working and online classroom have been digested. Also, the global inflation surge, the increase in staff costs, the continual fluctuation of material prices due to the instability of supply chain, the shortage in the supply of semiconductors, and the continuing increase in competition in the market had all negatively impacted the operations of the Group. The consumer market and the global shipment volume of notebook were still being negatively impacted during the Year.

To combat these problems, in last year, the Group reviewed our initiatives to maintain a healthy operational cashflow and had reformed the management team and organisational structure to increase the operational efficiency and to achieve a healthy operational cashflow. Such operation restructuring continued during the Year. However, the Group’s sales orders and production yield were negatively impacted by the aforesaid external unfavorable challenges. As a result, the Group’s sales for the Year declined when compared to last year. Nevertheless, the Group strongly believes that all these taken measures are on the right track to improve the Group’s future performance.

## BUSINESS PROSPECTS

During the Year, with increased geopolitical risks, the US interest rate hike policy, the high inflation rate, and the significantly tightened currencies of various major economies, all these caused the international financial situations in more complex and volatile, which restrained individual consumption and corporate spending. The global demand for consumer goods slowed down, resulting in a challenging business environment. In order to improve the business operations and diverse the risks, the Group will continuously implement the tightened cost controls and adjustments on organization structure. The Group will continue to pay attention to the latest development trend of the market of notebook computers, explore the possibilities of relocating its production facilities to lower-cost areas such as South-East Asia and explore to capture business opportunities in the manufacturing of electric vehicles and their infrastructures as well as research and investment in Deep Technology and other innovative technology projects by making use of our existing production facilities and production techniques.

Given the tough industry challenges, the Group is confident that the business strategies outlined as aforesaid will set it on the trajectory for preserving and generating value to the shareholders of the Company, and will strive to explore more development opportunities to further improve its profitability and create better returns for its shareholders.

# Management Discussion and Analysis

## FINANCIAL REVIEW

The Group's total revenue decreased by approximately 39.3%, from approximately HK\$150.5 million in 2022 to approximately HK\$91.3 million for the Year. The decrease was mainly due to the operation restructuring of the Group commenced last year continued during the Year and the Group had carried on with its reassessment of its projects to improve the operating cashflow under the negative impact by the internal and external challenges which resulted in less sales orders received.

During the Year, the Group recorded a gross profit approximately HK\$0.4 million for the Year, as compared to a gross loss of approximately HK\$113.9 million in 2022. The Group reassessed its projects aiming to maintain a healthy operating cashflow under the negative impact by the internal and external challenges and operation restructuring of the Group commenced last year continued during the Year which has improved the operation efficiency during the Year.

The Group's selling and distribution expenses decreased by approximately 72.0%, from approximately HK\$5.0 million in 2022 to approximately HK\$1.4 million for the Year, and was in line with the decrease in sales during the Year.

The Group's general and administrative expenses decreased by approximately 62.9%, from approximately HK\$52.9 million in 2022 to approximately HK\$19.6 million for the Year. The decrease was due to the decrease in salary expenses and research and development expenses.

The Group's finance costs increased by approximately 101.7%, from approximately HK\$5.9 million in 2022 to approximately HK\$11.9 million for the Year. The increase was mainly attributable to the increase in finance costs paid for interests on loans from independent third parties but offset with the decrease in interest on lease liabilities due to the early termination of lease in 2023.

The Group's other income recorded approximately HK\$0.7 million for the Year, as compared to approximately HK\$1.0 million in 2022, which was due to the reduction in the sales of scrap materials during the Year.

The Group's other operating expenses, net, decreased by approximately 89.0%, from approximately HK\$54.7 million in 2022 to approximately HK\$6.0 million for the Year. The decrease was mainly attributable to the Group recorded an increase in gain on early termination of lease during the Year approximately HK\$11.7 million, a reduction of compensation approximately HK\$6.5 million during the Year as well as the decrease in impairment of property, plant and equipment and impairment of right-of-use assets during the Year of approximately HK\$4.7 million while there were such impairments in 2022 approximately HK\$32.5 million.

As a result of the foregoing, the Group's loss for the Year attributable to equity holders of the Company amounted to approximately HK\$37.8 million, as compared with a loss of approximately HK\$231.4 million in 2022. Basic loss per share attributable to equity holders of the Company was approximately HK55.59 cents for the Year as compared with basic loss per share attributable to equity holders of the Company of approximately HK374.12 cents in 2022.

The Group's inventory turnover days decreased to approximately 165.2 days for the Year as compared to approximately 161.1 days for 2022.

The Group's trade and bills receivables turnover days decreased from approximately 282.1 days for 2022 to approximately 180.7 days for the Year. The decrease reflects the effective of measures to improve operating cash flow.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group had cash and bank balances of approximately HK\$6.3 million (2022: approximately HK\$7.6 million), which were denominated in USD, HK\$ and RMB.

As at 31 December 2023, the Group had restricted bank balances of approximately HK\$2.6 million (2022: approximately HK\$3.1 million).

As at 31 December 2023, the Group had no interest-bearing bank borrowings payable within one year (2022: Nil).

As at 31 December 2023, the Group had no interest-bearing bank borrowings payable more than one year (2022: Nil).

As at 31 December 2023, the Group had interest-bearing loans from independent third parties of approximately HK\$255.8 million (2022: approximately HK\$184.0 million).

As at 31 December 2023, the Group had interest bearing loans from a related party and one of the controlling shareholders of approximately HK\$7.9 million (2022: approximately HK\$8.0 million).

Average trade and bills receivable turnover days was approximately 180.7 days (2022: approximately 282.1 days).

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Average inventory turnover days was approximately 165.2 days (2022: approximately 161.1 days). Overall, the current ratio of the Group was approximately 0.34 as at 31 December 2023 (2022: approximately 0.88).

As at 31 December 2023, the gearing ratio was approximately 109.4% (2022: approximately 89.1%).

## Management Discussion and Analysis

Gearing ratio is calculated based on total borrowings (i.e. certain other payable with interest-bearing classified as current and non-current portion and loans from and amounts due to related parties) less total cash and bank balances (including restricted bank balances) divided by total equity attributable to equity holders of the Company as at year-end date and expressed as a percentage.

The Group's operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, cash flow from its operating activities, the net proceeds generated from the Listing and loans from and amounts due to related parties. The Board believes that the Group's liquidity needs will be satisfied.

### CAPITAL EXPENDITURE

The Group incurred capital expenditure of approximately HK\$1.2 million during the Year (2022: approximately HK\$1.4 million), which was mainly for the additions and expansions of property, plant and equipment. Management believes that the Group's ability to invest in capital expenditure in timely anticipation of demand is a competitive advantage of the Group.

### FOREIGN EXCHANGE

Given the increasingly international nature of our operations and business coverage, the Group faces foreign exchange exposure including transaction and translation exposure. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. The Group has not entered nor will it enter into any derivative transactions for speculative trading purposes as at 31 December 2023 (31 December 2022: Nil).

### SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the Year.

### MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures.

### CONTINGENT LIABILITIES

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

## EMPLOYEE INFORMATION

As at 31 December 2023, the Group employed a total of 26 permanent employees, who are mainly employees in production department, down from 312 as at 31 December 2022. Total employee benefit expenses including Directors' remuneration for the Year were approximately HK\$20.4 million, as compared to approximately HK\$56.4 million last year. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. The management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. Our employees in Hong Kong participate in the mandatory provident fund scheme. Details of employee's remuneration are disclosed in note 7 to the financial statements.

## PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this annual report of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, (i) the Group's largest customer and five largest customers accounted for approximately 51.2% and 91.8% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 38.9% and 64.5% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders (the "Shareholders") of the Company who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wong Ming Li**, aged 41, is an executive Director and the chief executive officer (the “CEO”) of the Group. He is responsible for overall strategic directions and business operations of the Group. He has been the general manager of Tongda HT Technology (Suzhou) Company Limited (“Tongda Suzhou”), a subsidiary of the Company, since May 2010 and was re-designated as an executive Director on 21 March 2016 and appointed as the CEO on 24 September 2018. He was employed by Tongda Electrics Company Limited, Shishi City, Fujian Province (“Tongda Shishi”), a subsidiary of Tongda Group Holdings Limited (“Tongda”), a company listed on the Main Board of the Stock Exchange (stock code: 698), as a manager of the procurement department from September 2007 to May 2010. Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products and Mr. Wong Ming Li was responsible for the overall management of the procurement cycle. He graduated from Macquarie University, Australia with a bachelor’s degree of Commerce in April 2007. He has over 11 years’ experience in the electronics and electrical industry. He is the nephew of Mr. Wang Ya Nan, a non-executive Director, the son of Mr. Wong Ah Yu and the nephew of Mr. Wong Ah Yeung and Mr. Wang Ya Hua, each of whom is a substantial shareholder of the Company.

**Mr. Lee King On Jeff (“Mr. Lee”)**, aged 42, was appointed as Executive Director and Company Secretary of the Group on 2 December 2022. He is responsible for the finance, strategic planning, and treasury of the Group. Mr. Lee holds a Bachelor of Accounting Degree from The University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants since 2010 and Association of Chartered Certified Accountants since 2020.

Mr. Lee has more than 15 years of experience in listed companies and audit firms and possesses extensive experience in accounting, audit, and financial management. He worked for UMP Healthcare Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 722), from July 2009 to February 2021 with his last position as senior accounting manager and was responsible for, including but not limited to, managing the group treasury functions including cash flow management, risk management and funding. Before that, Mr. Lee worked in different audit firms and was responsible for accounting and auditing.

**Mr. Wang Ming Zhi**, aged 42, is an executive Director and is responsible for overall strategic directions and financial reporting of the Group. He was appointed as a financial manager of Tongda Suzhou in May 2010 and was re-designated as an executive Director on 21 March 2016. He was an accounting, financial laws and regulations teacher in Shishi Peng Shan Trade and Industrial School\* (石獅鵬山工貿學校) from August 2004 to September 2006. From September 2006 to October 2009, he served as an office supervisor in Shishi Wannian Plastic Co., Ltd.\* (石獅萬年塑料有限公司) which principally operates in the plastic packaging business and he was responsible for the overall human resources and administration of the company. He has held the position of leader of cost department in Tongda Shishi from October 2009 to May 2010, which he was mainly responsible for cost control, budget forecast and cost analyses of Tongda Shishi. As mentioned above, Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products. He has over 10 years’ experience in the electronics and electrical industry. He obtained a bachelor’s degree in Management (School of Tourism) from Fujian Agriculture and Forestry University (福建農林大學) in July 2004.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wan, Aaron Chi Keung (“Ms. Wan”)**, aged 74, obtained an Executive Master of Business Administration from The Chinese University of Hong Kong in 2008 and a Master of Buddhist studies from The University of Hong Kong in 2010. Mr. Wan was appointed as a Justice of the Peace (JP) in 1997 and was awarded the Bronze Bauhinia Star (BBS) in the Hong Kong Special Administrative Region 2004 Honours List. Mr. Wan is engaged in the business of property and chattel valuation and auction and has over 37 years of related experience. Mr. Wan is a fellow of The Royal Institution of Chartered Surveyors, an associate of The Institution of Business Agents, an associate of The Land Institute (London), an associate of The Chartered Institute of Arbitrators and a fellow of The Institute of Administrative Accounting. Mr. Wan is currently appointed as the chairman of the board of Associated Surveyors & Auctioneers Limited, the chief auctioneer of Pruden Asset Consulting and Auctioneers Limited, the honorary chairman of Prucom Digital Solutions Limited, the program presenter of Radio Television Hong Kong TV Programming and Administration Unit “New Legco Review”, the program host of Now TV “Comprehensive current affairs”, the chairman of EN Lighting Solutions Company Limited and Associated Credit Management Limited, the independent non-executive director of Lee & Man Chemical Company Limited (a company listed on the main board of the Stock Exchange, stock code: 746) and CNC Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8356). He was an independent non-executive director of Universe Printshop Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8448) from February 2018 to July 2022.

**Mr. Chan Luk On (“Mr. Chan”)**, aged 62, is a senior educator in Hong Kong, especially in national education and innovation and technology education. Mr. Chan Luk On graduated from the Far Eastern Aviation School majoring in radio communications engineering. Mr. Chan Luk On has more than 35 years of experience in education and talent training and has established a number of cram schools and training institutions. Mr. Chan Luk On has established multiple cram schools in Hong Kong and has assisted its students to achieve excellent results. He is currently the Director-General of the International Cultural Exchange Center of the Hong Kong Federation of Education Workers and at the same time, he is also the director of the Innovation and Technology Education Center of the Hong Kong Federation of Education Workers, promoting innovation and technology knowledge among teachers in Hong Kong and the Greater Bay Area, and has cooperated with many well-known high-tech companies, such as SenseTime, China Mobile and NetDragon Websoft in the PRC. In addition, Mr. Chan Luk On serves as a consultant and voluntary work for a number of social groups, such as, the Secretary General of the Hong Kong Scientists Association, the Vice Chairman of the Society of Hong Kong History, member of the Animal Experimentation Ethics Committee of The Chinese University of Hong Kong, consultant of the Good Home Good Man Association, etc.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Shiu Man (“Mr. Chan”)**, aged 57, was appointed as an independent non-executive Director on 2 December, 2022. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chan is a certified public accountant in Hong Kong. He holds a master degree in finance from University of Hawaii at Manoa of the United States of America (the “US”).

Mr. Chan has over 30 years of experience in financial management and control, corporate restructuring, corporate finance and investment projects evaluation. He has worked for various companies in the US, including a NASDAQ listed company to establish financial operation in Japan, Europe, and the People’s Republic of China (the “PRC”). Mr. Chan also has experience in consulting on corporate finance, project financing and accounting issues to companies in US, Europe and the PRC. From October 2011 to April 2019, Mr. Chan was an independent non-executive director of Zhongda International Holdings Limited (stock code: 0909). From August 2016 to September 2022, Mr. Chan was an independent non-executive director of Zhao Xian Business Ecology International Holdings Limited (formerly known as On Real International Holdings Limited) (stock code: 8245). From July 2017 to August 2018, Mr. Chan was a non-executive Director of Century Energy International Holdings Limited (formerly known as China Oil Gangran Energy Group Holdings Limited) (stock code: 8132).

### SENIOR MANAGEMENT

**Mr. Guo Qi Cai (“Mr. Guo”)**, aged 73, has been a deputy general manager and a chief engineer of the Group from May 2010 to Dec 2023 who is primarily responsible for the overall research and development activities for mould fabrication and technologies applied by the Group. Before joining the Group, Mr. Guo worked in Nanjing 6902 Factory\* (南京6902工廠) from 1970 to 1985 as an engineer. He then worked in Xiamen Gaoning Electronics Co., Ltd.\* (廈門高寧電子有限公司) from 1985 to 1994 and his last position was a general manager. Mr. Guo worked in Tongda Shishi from 1994 to 2010 as the assistant general manager and chief engineer. He has over 40 years of experience in design and development of moulds in the electronics industry. He studied machinery manufacturing in Chongqing Institution of Communication Engineering\* (重慶通訊工程學院) from 1975 to 1978. He has not held any directorships in any public listed companies in the past three years.

**Mr. Yang Zhi Ling (“Mr. Yang”)**, aged 53, has been a general manager of the Group from February 2022 to April 2023 who is primarily responsible for the overall project development and to improve the production process of the Group. Mr. Yang has over 20 years of experience in monitoring new factory and facilities setup and business improvement. Before joining the Group, Mr. Yang worked in Wonderful Technology (Henan) Co., Limited from 2013 to 2022 and his last position was a general manager. Mr. Yang worked in Tongda Shishi from 2007 to 2013 as the BU manager. He has not held any directorships in any public listed companies in the past three years.

# Biographical Details of Directors and Senior Management

## COMPANY SECRETARY

**Mr. Lee King On Jeff**, aged 42, was appointed by the Board as the Company Secretary on 2 December 2022. The biographical details of Mr. Lee are set out under the section headed “Biographical Details of Directors and Senior Management” in this report.

The primary duties of the Company Secretary include, but are not limited to, the following: (a) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (b) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (c) to timely disseminate announcements and information relating to the Group; and (d) to maintain formal minutes of the Board meetings and other Board committee meetings.

Mr. Lee has confirmed that he had received no less than 15 hours of relevant professional training for the year ended 31 December 2023.

\* *For identification purpose only*

# Corporate Governance Report

The Board hereby presents this corporate governance report in the Group's annual report for the year ended 31 December 2023.

## CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving high 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 adopted the principles and code provisions as set out in 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") as the basis of the Company's corporate governance practices.

## CODES COMPLIANCE

The Company has complied with the code provisions of the CG Code for the year ended 31 December 2023.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions (the "Securities Dealing Code") by the Directors and employees who, because of his office or employment in the Group, is likely to possess inside information of the Company.

In response to specific enquires made by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Securities Dealing Code for the year ended 31 December 2023.

For the year ended 31 December 2023, the Company is not aware of any incident of non-compliance of the Securities Dealing Code by the relevant employees.

## BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

During the year ended 31 December 2023 and up to the date of this annual report, the Board consists of six directors, comprising three executive Directors and three independent non-executive Directors. The composition of the Board is set out as follows:

### **Executive Directors:**

Mr. Wong Ming Li (*Chief Executive Officer*)

Mr. Lee King On Jeff

Mr. Wang Ming Zhi

### **Non-executive Director:**

Mr. Wang Ya Nan (*Chairman*) (resigned on 29 September 2023)

### **Independent non-executive Directors:**

Mr. Chan Shiu Man

Mr. Wan, Aaron Chi Keung (appointed on 29 September 2023)

Mr. Chan Luk On (appointed on 29 September 2023)

Ms. Leung Pik Kwan (resigned on 1 December 2023)

Mr. Sun Wai Hong (resigned on 29 September 2023)

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 13 of this annual report.

The relationships between the Directors are also disclosed in the respective Director's biography under the section "Biographical Details of Directors and Senior Management" on pages 10 to 13 of this annual report.

# Corporate Governance Report

## ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each director at the Board, Board Committee and general meetings held during the year ended 31 December 2023 is set out in the table below:

Name of Director	Attendance/Number of Meetings				General Meeting
	Board	Nomination Committee	Audit Committee	Remuneration Committee	
Mr. Wong Ming Li	4/4	N/A	N/A	N/A	1/1
Mr. Lee King On Jeff	4/4	N/A	N/A	N/A	1/1
Mr. Wang Ming Zhi	4/4	N/A	N/A	N/A	1/1
Mr. Wang Ya Nan (resigned on 29 September 2023)	3/4	1/2	N/A	N/A	1/1
Ms. Leung Pik Kwan (resigned on 1 December 2023)	3/4	2/2	3/3	2/2	1/1
Mr. Sun Wai Hong (resigned on 29 September 2023)	3/4	1/2	3/3	1/2	1/1
Mr. Chan Shiu Man	4/4	2/2	3/3	2/2	1/1
Mr. Wan, Aaron Chi Keung (appointed on 29 September 2023)	2/4	1/2	0/3	1/2	0/1
Mr. Chan Luk On (appointed on 29 September 2023)	2/4	1/2	0/3	1/2	0/1

During year ended 31 December 2023, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Board considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- a sufficient number of three Independent non-executive Directors representing at least one-third of the Board and all of them continue to devote adequate time contribution to the Company;
- the independent non-executive Directors have an equal status to other Board members;
- all independent non-executive Directors share their views and opinions through regular meetings;
- annual meeting between the Chairman and all Independent non-executive Directors without presence of other Directors providing effective platform for the Chairman to listen independent views on various issues concerning the Group;
- interaction with management and other Board members including the Chairman outside the boardroom upon request by the Directors; and
- independent professional advice would be provided to Independent Non-executive Directors upon reasonable request to assist them to perform their duties to the Company.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Ya Nan serves as the chairman (the “Chairman”) of the Board and he resigned on 29 September 2023. During his tenure, he provides leadership and is responsible for the effective functioning and leadership of the Board as well as the overall management of the Group’s corporate strategies planning.

Mr. Wong Ming Li serves as the Chief Executive Officer (the “CEO”) of the Company and he is responsible for overall strategic directions and business operations of the Group.

Pursuant to the code provision C.2.1, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the CEO should be clearly established and set out in writing.

Up to the date of this annual report, the Group has no Chairman. The daily operation and management of the Group is monitored by CEO and executive Directors. The Board is of the view that although there is no Chairman and only has CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Group. This arrangement can still enable the Group to make and implement decisions promptly, and thus achieve the Group’s objectives efficiently and effectively in response to the changing environment.

The Group will, at the appropriate time, arrange for the election of the new Chairman of the Board.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

# Corporate Governance Report

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The independent non-executive Directors are appointed for a specific term of one year, subject to renewal after the expiry of the then current term.

The Company's articles of association (the "Articles of Association") provides that all Directors appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The retiring Directors shall be eligible for re-election. Accordingly, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## RESPONSIBILITIES OF THE DIRECTORS

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management under the supervision of Mr. Wang Ya Nan, the resigned Chairman and non-executive Director. The CEO Mr. Wong Ming Li and executive Directors have taken over the same supervision role of Mr. Wang Ya Nan after his resignation.

## 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.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be provided to Directors where appropriate.

For the year ended 31 December 2023, all Directors have been given the training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

During the Year, a summary of the Directors participated in continuous professional development is set out below:

Directors	Type of Training Note
<b>Executive Directors</b>	
Mr. Wong Ming Li	A,B,C
Mr. Lee King On Jeff	A,B,C
Mr. Wang Ming Zhi	A,B,C
<b>Non-executive Director</b>	
Mr. Wang Ya Nan (resigned on 29 September 2023)	A,B,C
<b>Independent non-executive Directors</b>	
Mr. Chan Shiu Man	A,B,C
Mr. Wan, Aaron Chi Keung (appointed on 29 September 2023)	A,B,C
Mr. Chan Luk On (appointed on 29 September 2023)	A,B,C
Ms. Leung Pik Kwan (resigned on 1 December 2023)	A,B,C
Mr. Sun Wai Hong (resigned on 29 September 2023)	A,B,C

Notes:

- A Attending relevant laws and regulations training
- B Reading relevant materials
- C Attending seminars and/or conferences and/or forums

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee on 8 February 2018, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this annual report.

## AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, overseeing the Group's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the internal audit function, scope of audit and making recommendation to the Board on the appointment of external auditor, and reviewing the arrangements for employees of the Company can use to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2023, the Audit Committee held three meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and relevant scope of works, continuing connected transactions and the adoption of dividend policy.

## REMUNERATION COMMITTEE

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

During the year ended 31 December 2023, the Remuneration Committee held two meetings to review the remuneration packages of the Directors and senior management.

## NOMINATION COMMITTEE

The primary duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the selection of individuals nominated for directorship, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and assessing the independence of Independent non-executive Directors.

The Company also recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has adopted a “Board Diversity Policy” (the “Policy”) which sets out the approach to achieve diversity on the Board and the Nomination Committee is responsible for monitoring the implementation of the Policy. 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 Policy, including but not limited to gender, age, cultural and educational background, or professional experience etc. The Nomination Committee will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

The Board will review the implementation and effectiveness of the Policy on an annual basis to ensure its continued effectiveness. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company; and will continue to apply the principle of appointments based on merits with reference to the Policy as a whole.

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2023 is 1 male: 0.19 female. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will strike to achieve gender diversity across the workforce. The Board considers that the gender ratio in the workforce (including senior management) is satisfactory. The Group will continue to (i) periodically review internal records on gender diversity; (ii) identify suitable female candidates for relevant positions within the Company; and (iii) try to ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company.

The Board currently comprises of six Directors, which all of them are male. Under the Policy, the Company aims to appoint at least one female director on the Board. The Board is committed to improving the diversity of the Board and targets to achieve the above objectives by 31 December 2024. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified and will review the implementation and effectiveness of the Policy on an annual basis to ensure its continued effectiveness.

## Corporate Governance Report

During the year ended 31 December 2023, the Nomination Committee held two meetings to review the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the 2022 annual general meeting, to consider the independence and qualification of the new independent non-executive directors on board during the Year, to review the structure, size and composition of the Board and to review the Policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

### AUDITOR'S REMUNERATION

During the year ended 31 December 2023, the remuneration paid/payable in respect of the services provided by the Group's external auditor, D & Partners CPA Limited, are set out below:

Type of services	Amounts HK\$'000
Annual audit services	750
Total	750

### DIVIDEND POLICY

The Company has adopted a dividend policy on 2 January 2019. Pursuant to the policy, the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value in recommending or declaring dividends. The Company does not have any pre-determined dividend distribution ratio. The proposal of payment and the amount of dividends will be made at the discretion of the Board and will depend on the Group's results of operations, earnings, financial condition, cash requirements and availability, future capital expenditure and development requirements, business conditions and strategies, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant. The Board will review the dividend policy as appropriate from time to time.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the shareholders' interest and conducts a review on an annual basis. During the Year under review, the Board had conducted review of the effectiveness of the risk management and internal control systems of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee.

During the Year under review, the Company engaged an external independent consultant, Apec Risk Management Limited, to conduct a review on the internal control system of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control systems were in place, adequate and effective.

## MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

The Board is responsible to determine the business strategies and objectives of the Group, and evaluate and determine the nature and extent of risks it is willing to take in achieving the Group's strategic objectives; ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Audit Committee is responsible for assisting the Board to perform its responsibilities of risk management and internal control systems; overseeing the Group's risk management and internal control systems on an ongoing basis; reviewing the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control; ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Senior management of the Group designs, implements and maintains appropriate and effective risk management and internal control systems; identifies, evaluates and manages the risk that may potentially impact the major processes of the operations; monitors risk and takes measures to mitigate risk in day-to-day operations; gives prompt responses to and follow up the findings on risk management and internal control matters raised by the independent external consultant and provides confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.

The external independent consultant reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

# Corporate Governance Report

## RISK MANAGEMENT PROCESS

In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the annual risk reporting process. Independent external consultant meets with various members of the senior management to review and assess risks and discuss solutions to address material internal control defects, including any changes relevant to a given year. Risks are compiled, ratings are assigned and mitigation plans are documented. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

Risks are evaluated by the Board and the Group's senior management based on (i) the severity of the impact of the risk on the Company's financial results; and (ii) the probability that the risk will occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- Risk elimination – the Group's senior management may identify and implement certain changes or controls that in effect eliminate the risk entirely.
- Risk mitigation – the Group's senior management may implement a risk mitigation plan designed to reduce the likelihood, velocity or severity of the risk to an acceptable level.
- Risk retention – the Group's senior management may decide that the risk rating is low enough that the risk is acceptable for the Company and that no action is required. The risk would continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

## INSIDE INFORMATION DISCLOSURE POLICY

The Company adopted an inside information disclosure policy (the "Inside Information Disclosure Policy") which sets out the procedures for the handling and dissemination of inside information with a view to preventing uneven, inadvertent or selective dissemination of inside information and ensuring shareholders and the public are provided with full, accurate and timely information about the activities and the financial condition of the Group. The Inside Information Disclosure Policy covers the following:

- setting out the processes for identifying, assessing and escalating potential inside information to the Board;
- setting out the responsibilities of officers in preserving the confidentiality of inside information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and
- identifying who are the Company's authorised spokespersons and their responsibilities for communications with stakeholders of the Company.

In addition, the Company has communicated to all relevant staff regarding the implementation of the Inside Information Disclosure Policy.

The Board considers that the Company's existing measures are effective and appropriate compliance mechanisms to safeguard the Company and its officers in discharging their disclosure obligations in respect of inside information.

### WHISTLEBLOWING POLICY

The whistleblowing policy has been put in place for all employees and those who have business dealings with the Group (including customers and suppliers) to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Group's policies that have or could have significant adverse financial, legal or reputational impacts on the Group. They may raise concerns about the possible improprieties in any matters related to the Group, in person or in writing to the company secretary who shall report to the chairman of the Audit Committee in confidence and anonymity. The chairman of the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report.

### ANTI-CORRUPTION POLICY

The Group has formulated its own anti-corruption policy to ensure the Directors and employees within the Group comply with the Hong Kong Prevention of Bribery Ordinance, the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC, where applicable. The policy sets out the integrity and conduct requirements and policies or controls in place which applies to all Directors and employees of the Group at all levels, and external parties doing business with the Group and those acting in an agency or fiduciary capacity on behalf of the Group (e.g., agents, consultants and contractors). The policy is reviewed from time to time to ensure that it remains appropriate.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2023.

The statements of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements are set out in the Independent Auditor's Report on pages 68 to 74 of this annual report.

### COMPANY SECRETARY

The company secretary of the Company as at 31 December 2023 was Mr. Lee and he had fulfilled the qualification requirements as set out in the Listing Rules. Biographical details of Mr. Lee are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the year ended 31 December 2023, Mr. Lee has taken not less than 15 hours of relevant professional training.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general 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 the Stock Exchange after each general meeting.

## CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 58 of the Articles of Association, an extraordinary general meeting shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two calendar 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.

## PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for shareholders of the Company to move new resolutions at general meetings. Shareholders of the Company who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

## PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders of the Company may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1203, 12/F Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong (For the attention of the Board of Directors)  
Email: info@hongtai.com.hk

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at [www.tongdahongtai.com](http://www.tongdahongtai.com) as a communication platform with the shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

The Board is responsible for regularly reviewing the effectiveness of the shareholders' communication policy, and it was satisfied with the implementation and effectiveness of the shareholders' communication policy in the year ended 31 December 2023, as the policy has provided effective channels for Shareholders, potential investors and other stakeholders of the Group to communicate their views with the Company. The Company had complied with the principles and required practices as set out in the policy as described above during year ended 31 December 2023.

## CONSTITUTIONAL DOCUMENTS

During the Year, the Company has not made any changes to its Memorandum and Articles of Association. A copy of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

# Environmental, Social and Governance Report

## PREFACE

### ABOUT THE GROUP

Tongda Hong Tai Holdings Limited is a company primarily engaged in the manufacture and sales of laptop and tablet casings. Its main products include laptop casings, tablet casings, and other accessories made of plastic and metal parts. Other accessories mainly include router and portable charger casings. The Company's customers are mainly Original Equipment Manufacturers (OEMs) that manufacture laptops, tablets, and other smart devices.

### ABOUT THE REPORT

This Environmental, Social, and Governance (ESG) Report (the "Report") is prepared by Tongda Hong Tai Holdings Limited (the "Company") to review and summarize the sustainable development efforts of the Company and its subsidiaries (collectively referred to as the "Group") in 2023. This includes, but is not limited to, practices and achievements in environmental protection, social responsibility, and corporate governance.

Through this report, we aim to share our work and progress towards sustainable development with our shareholders, employees, customers, suppliers, and a broader range of stakeholders. We also look forward to enhancing the Group's transparency and receiving valuable feedback on our work through this public communication.

### REPORTING SCOPE AND BOUNDARY

The reporting period of this ESG report is from January 1, 2023, to December 31, 2023, which is the same as the fiscal year of the Company. The report mainly covers the manufacturing base located in Changshu, China, which is engaged in the manufacture and sales of notebook device casings and components. The revenue of the Changshu production base accounts for approximately 100% of the total revenue of the Group. In accordance with the principle of materiality, this report only includes the operational condition of the Changshu production base, which is consistent with the disclosure scope of last year.

Unless otherwise stated, this report should be read in conjunction with the corporate governance report on pages 14 to 27 of the Company's 2023 annual report. The information and data mentioned in this report come from various files, records, statistics, and researches of the Company.

### REPORTING GUIDELINE

The content of this report is prepared in accordance with the ESG Reporting Guide of Appendix C2 of the Listing Rules (the "Listing Rules") issued by Hong Kong Exchanges and Clearing Limited (HKEX). The Group has complied with the mandatory disclosure requirements and the "comply or explain" provisions in the ESG Reporting Guide.

## REPORTING PRINCIPLES

The Group has reported in accordance with the reporting principles of the latest guidelines from HKEX, including “Materiality”, “Quantitative”, “Balance”, and “Consistency”, to provide stakeholders with the Group’s performances during the reporting year.

Reporting Principles	Interpretation	The Group’s Application
Materiality	This ESG Report should disclose significant impacts on the environment and society, or aspects that materially affect how the stakeholders assess the Company and make decisions.	During the report preparation period, we conducted a materiality analysis to identify key issues that are important to the Group and the major stakeholders, and we are devoted to collecting relevant information on these issues for disclosure in the report.
Quantitative	The KPIs in respect of historical data disclosed in this ESG Report shall be calculable/measurable and comparable where applicable.	The methodologies used to calculate the relevant data in this report, and the assumptions used, are performed in accordance with the provisions of the Environmental and Social Key Performance Indicators Reporting Guide. Where feasible, our Group will disclose its environmental and social key performance indicators in a quantitative form.
Balance	The Company should objectively and truthfully report its ESG performance in an unbiased manner during the Reporting Period.	This report is written in an objective and fair manner, aiming to accurately reveal the Group’s comprehensive performance in environmental, social and governance aspects.
Consistency	This ESG Report should be prepared in a consistent manner, so that its ESG’s KPIs can be compared to understand corporate performance.	The preparation of this report is roughly the same as last year. We have explained any changes in the scope of disclosure and data calculation, and on top of last year’s basis, we have further quantified the key performance indicators of environment, social and governance.

# Environmental, Social and Governance Report

## APPROVAL OF THE REPORT

The Board of Directors of the Group approved the ESG report on March 28, 2024.

## FEEDBACK

We welcome comments and suggestions from our stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to [info@tongdahongtai.com.hk](mailto:info@tongdahongtai.com.hk).

## THE SUSTAINABILITY STRATEGY

### GOVERNANCE STRUCTURE

Our sustainable development governance structure comprises the board of directors and the executive directors. The Board of Directors (the “Board”) oversees the group’s Environmental, Social, and Governance (ESG) strategy and reporting, assesses ESG-related risks, and ensures the establishment of effective ESG risk management and internal control systems. They are also responsible for resource allocation to achieve objectives and ensure effective policy implementation.

Conversely, the executive directors formulate ESG management policies, strategies, objectives, and annual report disclosures. They ensure policy implementation and manage ESG-related work. All ESG-related decisions and progress are directly reported to the board of directors, providing valuable input for their decision-making.

### SUSTAINABILITY RISKS MANAGEMENT

The Group is committed to managing the sustainability risks in our operations, understanding the link between these risks and our business’s long-term sustainability. We identify and assess potential environmental, social, and governance (ESG) risks ranging from pollution and employee safety to ethical conduct and compliance.

Strategies are developed to manage these risks, which include creating and implementing appropriate policies, and regularly reviewing their effectiveness. We adopt measures such as stricter waste management, additional employee training, or enhancing compliance procedures based on the type of risk. We monitor our sustainability risks management using key performance indicators (KPIs), which informs our decision-making process. We are transparent in communicating our performance through regular updates in our sustainability and annual reports, underscoring our commitment to our stakeholders.

In essence, we strive to manage sustainability risks effectively, contributing to our business’s long-term sustainability and a better future for all stakeholders.

## STAKEHOLDER ENGAGEMENTS

The Group firmly believes that establishing and maintaining open and transparent communication relationships with stakeholders is crucial for understanding and responding to their expectations and needs. We communicate with stakeholders in various ways, including performance reports, shareholder meetings, website updates, social media, emails, and meetings.

Our main stakeholders include employees, customers, suppliers, shareholders, investors, and the community. We regularly evaluate the expectations and needs of various stakeholders to ensure that our business strategies and goals can reflect their interests.

Stakeholder	Expectations	Engagement channel	Measures
Government	<ul style="list-style-type: none"> <li>To comply with laws and regulations</li> <li>Proper tax payment</li> <li>Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>On-site inspections and checks</li> <li>Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>Interim reports, annual reports, announcements</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the governments supervision, inspection and evaluation, and actively undertook social responsibilities.</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Information disclosure and transparency</li> <li>Protection of interests and fair treatment of shareholders</li> <li>Business risk management</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meeting and other shareholders' meetings</li> <li>Interim reports, annual report, announcements</li> <li>Company website</li> <li>Meeting with investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>Issued notices of general meeting and proposed resolutions according to regulations, disclosed corporate information by publishing announcements/ circulars and interim/annual reports.</li> <li>Carried out different forms of investor activities with an aim to improve investor's recognition.</li> <li>Held results briefing.</li> <li>Disclosed corporate contact details on website and in reports and ensured all communication channels available and effective.</li> </ul>

# Environmental, Social and Governance Report

Stakeholder	Expectations	Engagement channel	Measures
Employees	<ul style="list-style-type: none"> <li>Safeguard the rights and interests of employees</li> <li>Working environment</li> <li>Career development Opportunities</li> <li>Self-actualization</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Conference</li> <li>Training, seminars, briefing sessions</li> <li>Annual performance appraisal</li> <li>Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>Provided a healthy and safe working environment; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Safe and high-quality products</li> <li>Stable relationship</li> <li>Information transparency</li> <li>Integrity</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Website, brochures, interim reports, annual reports, announcements</li> <li>Email and customer service hotline</li> <li>Regular meeting</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened quality management to ensure stable service standards, and entered into long-term strategic cooperation agreements.</li> </ul>
Suppliers/Partners	<ul style="list-style-type: none"> <li>Long-term partnership</li> <li>Honest cooperation</li> <li>Fairness and openness</li> <li>Information resources sharing</li> <li>Risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>Business meetings, supplier conferences, phone calls and interviews</li> <li>Regular meeting</li> <li>Review and assessment</li> <li>Tendering process</li> <li>Company website</li> <li>Email, circulars and manual</li> </ul>	<ul style="list-style-type: none"> <li>Invited tenders publicly to select best suppliers, performed contracts according to agreements.</li> <li>Strengthen daily communication and establish long-term cooperation with high-quality suppliers through regular evaluation of supplier performance.</li> </ul>

# Environmental, Social and Governance Report

Stakeholder	Expectations	Engagement channel	Measures
Financial institution	<ul style="list-style-type: none"> <li>Compliance with the laws and regulations</li> <li>Disclosure information</li> </ul>	<ul style="list-style-type: none"> <li>Consulting</li> <li>Information disclosure</li> <li>Reports</li> </ul>	<ul style="list-style-type: none"> <li>Complied with regulatory requirements in a strict manner, disclosed and reported information in a timely and accurate manner according to law.</li> </ul>
Media	<ul style="list-style-type: none"> <li>Transparent information</li> <li>Communication with media</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>Interviews</li> <li>Media conference</li> <li>Media gathering</li> </ul>	<ul style="list-style-type: none"> <li>Organized conference, media gathering and site visit to enhance the communication with media.</li> </ul>
Public and communities	<ul style="list-style-type: none"> <li>Community involvement</li> <li>Social responsibilities</li> <li>Promote employment</li> </ul>	<ul style="list-style-type: none"> <li>Volunteering</li> <li>Charity and social investment</li> <li>Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>Gave priority to local people seeking jobs from the Company so as to promote community building and development;</li> <li>Provided volunteer service;</li> <li>Kept communication channels open between the Company and the communities, cosponsored community activities to promote the building up of harmonious communities.</li> </ul>

We will continue to maintain open communication with stakeholders in various ways and strive to respond to their needs to achieve sustainable development goals.

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

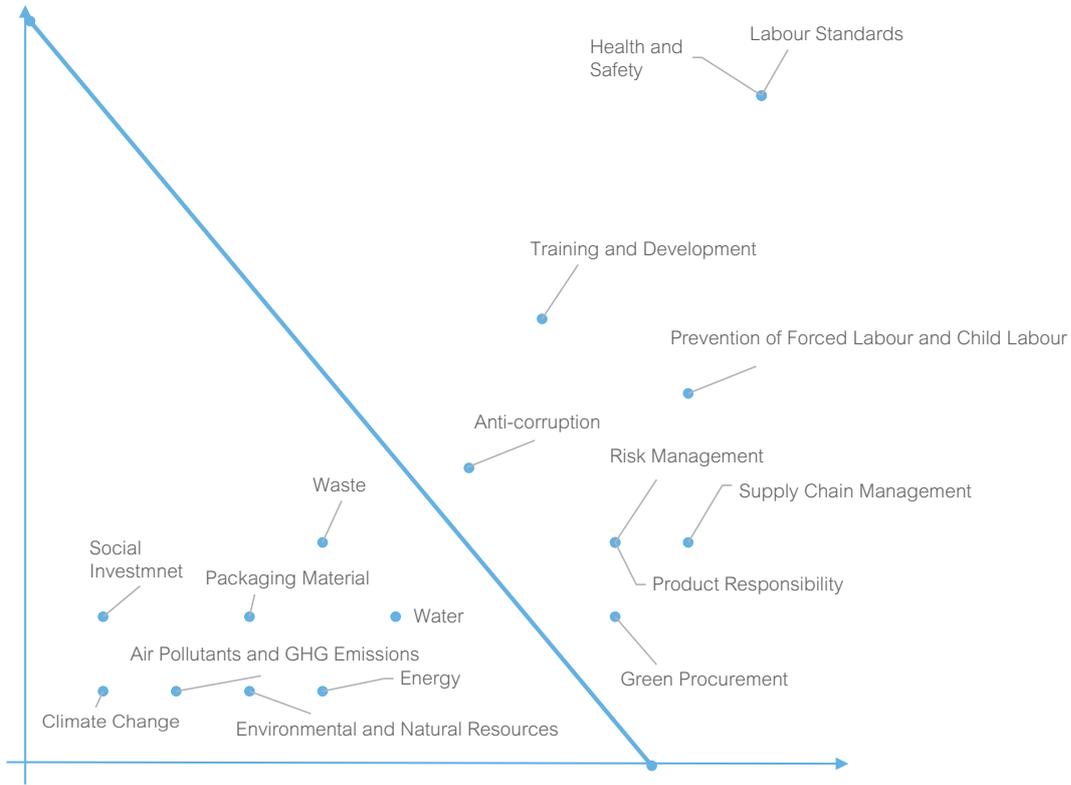
While preparing the ESG report, the Group has adopted the principle of materiality. We've conducted a comprehensive assessment of ESG issues that may influence our business operations and stakeholder decisions. The goal of our materiality analysis is to identify the most critical issues to our business and stakeholders. This analysis provides a framework for report disclosure and ensures our ESG strategies and resource allocation effectively cover and manage these key issues.

The process of our materiality analysis includes the following steps:

1. **Identifying potential ESG issues:** We considered the business and industry characteristics of the group and identified various ESG issues related to our business.
2. **Obtaining internal and external stakeholder opinions:** We enlisted our directors, employees, suppliers, customers, and other stakeholders to provide their perspectives on these potential ESG issues through questionnaires, meetings, and other forms of communication.
3. **Assessing the importance of ESG issues:** We evaluated each potential ESG issue based on stakeholder feedback and its impact on the business. This process helped us ascertain the importance of each issue to our business and stakeholders.
4. **Determining key ESG issues:** Following the assessment, we identified a series of key ESG issues that will be the focus of our ESG strategy and report.

The materiality analysis is an ongoing process. We will regularly repeat this process to ensure our ESG strategies and report accurately reflect our business changes and stakeholder expectations.

# Environmental, Social and Governance Report



According to the above materiality matrix, the most critical issues for the Group this year are mainly focused on employment management and responsible operations. We will further disclose information on these most critical issues in the report to address the concerns of stakeholders.

## SUSTAINABILITY PERFORMANCE OF THE YEAR

### EMPLOYMENT AND LABOUR PRACTICES

#### *Employment*

The Group is committed to upholding all relevant labor standards, employment laws, and regulations tied to our operations. These include the Labor Contract Law, the Labour Law, and the Social Insurance Law of the People's Republic of China. During the Reported Period, no significant violations concerning compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare were encountered.

We view our employees as indispensable assets and the key to our success. We are dedicated to meeting our employees' needs and promoting their wellbeing. We foster an inclusive employment environment that respects diversity and does not discriminate. We value our employees' efforts and celebrate our successes as a team. Accordingly, we routinely review our remuneration policy to provide competitive compensation packages to our employees.

All our employees are recruited from the People's Republic of China. They are entitled to a number of paid leaves, including maternity leaves, as per the applicable laws. We value work-life balance and promote it by implementing reasonable working hours and paid leaves, aiming to enhance the well-being of our employees, boost morale, and cultivate loyalty. We believe in acknowledging every contribution. Therefore, we conduct annual assessments to evaluate performance and reward our team members accordingly. We have set forth comprehensive human resources policies and guidelines to manage employees' compensation, dismissal, recruitment, and promotion processes.

During the Reporting Period, there were no cases of inequality reported. Moreover, we encourage all employees to express their views through various established channels. This practice promotes dialogue with the management and ensures employees' views are heard.

## Environmental, Social and Governance Report

As of 31 December 2023, the Group has in total 26 (2022: 312) permanent employees. Below is a detailed breakdown of our employees by gender, age group, employee category, employment type and geographical location as at 31 December 2023:

	2023		2022	
	Number of Staff	% of total	Number of Staff	% of total
<b>By Gender</b>				
Male	21	81	213	61
Female	5	19	138	39
<b>By Age Group</b>				
18-30 years old	4	15	106	30
31-45 years old	14	54	164	47
46 years old or above	8	31	81	23
<b>By employee category</b>				
Senior Management	8	31	17	5
Middle management	1	4	65	19
General and technical staff	17	65	269	76
<b>By employment type</b>				
Full time	23	88	312	89
Part time	3	12	39	11
<b>By geographical location</b>				
Hong Kong	4	15	–	
Mainland China	22	85	351	100
<b>Total</b>	<b>26</b>	<b>100</b>	<b>351</b>	<b>100</b>

## Environmental, Social and Governance Report

Below is a detailed breakdown of our employee turnover rate by gender, age group and geographical location during the Reporting Period:

	2023	2022
<b>Turnover Rate<sup>1</sup></b>		
<b>By Gender</b>		
Male	170.4%	265.7%
Female	186.0%	369.2%
<b>By Age Group</b>		
18-30 years old	185.5%	438.0%
31-45 years old	170.6%	224.0%
46 years old or above	176.7%	217.9%
<b>Turnover rate by geographical location</b>		
Hong Kong	–	200%
Mainland China	176.4%	304.1%

The Group has undergone restructuring and streamlining due to business changes in recent years, which explains the high turnover rate. The Group believes that we are nearing the end of this restructuring process, so we anticipate a gradual decline in the turnover rate.

Our Group is dedicated to improving the well-being of our employees, both physically and mentally. We've set up a staff dining hall and a sports area right within our manufacturing facility. Moreover, we set aside funds for leisure activities. These efforts help our team relax, bond, and embody the values at the heart of our corporate culture.

### *Health and Safety*

Employee health and safety is at the forefront of our operations in our manufacturing company.

Our HR department is responsible for crafting and advocating for health and safety protocols. We also frequently assess the health and safety conditions within our company. We ensure compliance with local regulations through regular training. We provide necessary protective gear – gloves, masks, ear plugs, safety helmets, eye protectors, and work uniforms – to create a secure workspace. Safety training, with a focus on production and fire safety, is conducted routinely to enhance safety consciousness amongst our employees.

<sup>1</sup> Turnover rate for employees in the relevant categories =  $L(x)/E(x) \times 100\%$ ,  $L(x)$  = Number of employees leave employment in the specified category,  $E(x)$  = (Number of total employees in the specified category at the beginning of the Reporting Period + number of total employees in the specified category at the end of the Reporting Period)/2

Our operations are influenced by laws aiming to foster a secure work environment and shield employees from occupational risks. Notable regulations include the Production Safety Law and the Law on Prevention and Control of Occupational Diseases of the People's Republic of China.

In the reported period, we had one instance of non-compliance with the Production Safety Law. We are determined to learn from this, escalate safety consciousness, and avoid any future recurrences. We also keep a close check and report on work-related injuries within the Group.

	2023	2022	2021
Number of Work-Related Fatalities	0	1	–
Rate of work-related fatalities	0	0.28%	–
Number of Work Injuries	1	1	–
Lost days due to work injury	264	122	–

### *Development and Training*

Our employees' skills and knowledge are vital to the Group success. In order to boost productivity and professional development, we have created a comprehensive training program.

- **Orientation Training:** We help new team members get up to speed with our company culture, values, and guidelines through a thorough onboarding process.
- **On-the-job Training:** To keep our team up-to-date with the latest industry trends and skills, the Group regularly organizes internal and external training sessions. These cover a wide range of topics, from equipment use and chemical applications, to key technical concepts like the ISO 9000 quality management system, RoHS basics, REACH management, and the safe handling of chemicals.

In addition, the Group encourages our employees to participate in external certification exams and relevant research seminars to further their professional growth.

## Environmental, Social and Governance Report

The percentages of trained employees by gender and employee category during the Reporting Period are set out as below.

	2023	2022
<b>Training Rate (%)<sup>2</sup></b>		
<b>By Gender</b>		
Male	62	79
Female	38	21
<b>By Employee Category</b>		
Senior Management	5	9
Middle management	9	44
General and technical staff	86	47
<b>Total</b>	<b>100</b>	<b>100</b>

The average training hours for employees by gender and employee category during the Reporting Period are as below:

	2023	2022
<b>Training Hour (Hours)</b>		
<b>By Gender</b>		
Male	2	14.3
Female	2	13.4
<b>By Employee Category</b>		
Senior Management	2	11.1
Middle management	2	13.8
General and technical staff	2	14.1

<sup>2</sup> The HKEX's "Appendix 3: Reporting Guidance on Social KPIs" in "How to prepare an ESG Report" to calculate percentage of employees trained is referenced. Percentage of employees trained in the relevant categories =  $T(x)/T \times 100$ ,  $T(x)$  = Number of employees who took part in training in the specified category,  $T$  = Number of total employees who took part in training.

### *Labour Standards*

The Group has established a staff manual that outlines policies adhering to labor laws, regulations, and best practices in the industry. It covers topics like compensation, dismissal, promotion, work hours, hiring, break times, diversity, and other benefits. We are committed to fostering a fair and equal workplace, strictly following labor laws and having zero tolerance for any harassment or abuse. We make sure these policies align with employment laws in the PRC, such as the Labour Law (中華人民共和國勞動法) and Labour Contract Law (中華人民共和國勞動合同法).

The Group also strictly forbids child and forced labor, in accordance with all applicable laws and regulations. Our human resources department enforces these rules, verifying the age of potential employees using their ID documents. We also respect the voluntary nature of employment relationships, allowing both employees and the organization to terminate contracts for personal or other reasons, given the correct notice period or a payment in lieu of notice.

Any instances of non-compliance are dealt with promptly, possibly ending in the termination of the contract and reporting to the relevant authorities. During the Reported Period, we have not had any violations related to employment age or disputes between the organization and its employees.

### **OPERATION RESPONSIBILITY**

Our management team is seasoned and well-structured, making sure the Group's development keeps up with all operational needs.

### *Supply Chain Management*

The Group keeps stable operations by sourcing from approved suppliers, both local and international. They provide us with various materials such as plastic, ink, raw metal sheets, and packaging materials. We're committed to environmental responsibility, which is reflected in our supply chain management. We require our suppliers to certify that their raw materials or semi-finished products are environmentally friendly and law-abiding. We consider factors like pricing, quality, reliability, social responsibility, and environmental commitment when choosing suppliers. We conduct thorough audits before adding new suppliers, and we support high-risk suppliers with a dedicated team for site assessments and performance improvements. We believe in fair and non-discriminatory certification, evaluation, and supplier optimization.

Since 2012, we've incorporated our "Management Approach on Social Responsibility" into our supply chain management. Suppliers sign the "Social Responsibilities Commitment", and we work together to tackle commercial bribery and other illegal activities. We aim to do business based on fairness, justice, and transparency, and we sign "transaction integrity engagement letters" with our suppliers. We prohibit the use of "conflict minerals", such as tantalum (Ta), tin (Sn), tungsten (W) and gold (Au) from Democratic Republic of Congo and its surrounding countries and regions, in our procurement system and confirm this with a "Letter of Undertaking of Prohibited Use of Conflict Minerals" mutually agreed with suppliers.

## Environmental, Social and Governance Report

The Group has also integrated green management into our supply chain. Our “Guarantee of Environmental Management of Substances” asks suppliers to apply green management at every stage, from raw material procurement to delivering finished goods to customers. We encourage suppliers to detect harmful substances, manage green products better, and reduce emissions. They report their plans or results to us regularly. We conduct regular onsite audits to ensure that suppliers align with our green initiatives, and we expect them to fulfill their societal responsibilities by implementing appropriate environmental protection measures.

During the Reporting Period, the Group cooperated with 103 (2022:150) suppliers, of which 88 (2022:133) were located in the PRC, 9 (2022:11) in Hong Kong and 6 (2022:6) in other regions. The Group maintained equal hiring and evaluation practices for all suppliers.

### *Product Responsibility*

During the Reporting Period, the Group has made sure to comply with all necessary laws and regulations related to product responsibility that have a significant impact on our Group, including but not limited to, the Product Quality Law of the PRC (中華人民共和國產品質量法).

While our clients typically own the designs of moulds or products, our research and development efforts have resulted in advanced mould and plastic component structures, as well as innovative production processes and techniques. To protect these intellectual properties, we've successfully registered patents in the PRC.

We take great measures to protect our clients' intellectual property rights and confidential information. For example, confidentiality agreements are signed by our employees and suppliers, which prevents them from disclosing any confidential information, such as customer information, designs, and manufacturing details, without written consent from us.

We are dedicated to maintaining high product quality and have put in place a thorough quality control system. We've been certified under the international quality management system – ISO9001 and the international environmental management system – ISO14001. Moreover, our fabricated parts and sub-assemblies for high technology equipment have earned UL Product Certification. We implement 5S workplace management across our operation process to ensure efficiency and discipline. Our quality control (QC) department aligns product quality standards with international standards to meet customers' needs and works closely with customers in monitoring product quality. After quality inspection, customers inform us of any substandard goods, which can then be improved or discarded. We recognize revenue on the goods delivered and accepted by customers. As a result, we do not have a product return policy, which our directors view as unnecessary in our usual business operations.

During the Reporting Period, the Group received 19 (2022: 27) products related complaints. After receiving the complaints, the Group immediately followed up, reworked on the substandard goods and delivered the satisfied products to customers. During the Reporting Period, none (2022: 0) of the products sold or shipped was recalled due to safety and health reasons.

## *Anti-corruption*

During the Reporting Period, the Group has complied with relevant laws and regulations in respect of anti-corruption that have significant impact to the Group, including but not limited to the Company Law of the PRC\* (中華人民共和國公司法), the Tendering and Bidding Law of the PRC\* (中華人民共和國招標投標法), and the Prohibition of Commercial Bribery Interim Provisions of the PRC\* (中華人民共和國禁止商業賄賂行為的暫行規定).

The Group has committed to upholding high ethical standards in all our dealings and we actively communicate our firm stand against corruption and deceptive practices to everyone we work with – our customers, suppliers, contractors, and employees. The task of monitoring business operations and keeping an eye on any possible corruption or fraud falls to our management team. We actively encourage our stakeholders to report any suspicious activities or non-compliance through our whistle-blowing procedure. During the Reporting Period, we didn't offer any anti-corruption training due to us being in the process of finding and arranging appropriate resources. However, going forward, we plan to invest more resources in anti-corruption training and expand the data we disclose on this topic.

We have a “zero tolerance” approach to any fraudulent business activities in our operational practices. During the Reporting Period, we're happy to report that there were no legal cases tied to corrupt practices, extortion, or money laundering against us or any of our employees.

## **ENVIRONMENTAL PROTECTION**

### *Emissions*

The Group recognizes the environmental impact of our business activities, particularly the emissions from our manufacturing processes. We're committed to formulating and executing effective emissions management strategies to minimize our environmental footprint.

Our emissions management strategies primarily encompass:

1. Compliance with environmental regulations: We strictly adhere to all relevant environmental laws, including the “Environmental Protection Law of the People's Republic of China”, “Air Pollution Prevention and Control Law of the People's Republic of China”, and the “Solid Waste Pollution Environmental Protection Law of the People's Republic of China”. We routinely evaluate our operations to ensure our emissions management strategies align with these regulations.
2. Reducing emissions: We're dedicated to lowering emissions by enhancing our production processes and technologies. Concurrently, we routinely maintain and service our machinery and vehicles to optimize fuel consumption and minimize air pollutant emissions.

## Environmental, Social and Governance Report

3. Office energy consumption improvement: We maintain air conditioning at optimal room temperature, reduce overseas business travel by utilizing video or telephone conferencing, and avoid unnecessary appliance idling.
4. Emission monitoring and reporting: We regularly monitor emission levels, report this data to our management team, and disclose it in our annual ESG report. By doing this, our shareholders and stakeholders can understand our environmental performance.
5. Employee training and awareness: We offer environmental training to our staff, raising their awareness of environmental issues, and encouraging them to reduce greenhouse gas emissions in daily operations.

We will persist in monitoring the effectiveness of our emissions management strategies and exploring new methods to further lessen our environmental impact.

### *Greenhouse Gases and Air Pollutants Emissions*

As of the end of the Reporting Period, the Group owns 5 cars (2022: 12), including heavy-duty warehouse trucks for transportation and small and medium-sized passenger cars. During the Reporting Period, the main air pollutants (including sulfur dioxide, nitrogen oxides, and particulate matter) emitted by the above vehicles were 2.24 kg (2022: 217.69 kg).

During the Reporting Period, the main atmospheric pollutant emissions and other organic waste gas emissions within the scope of this report are as follows:

<b>Major Air Pollutant Emission<sup>3</sup></b>	<b>2023</b>	2022
<b>Type of Air Pollutants</b>		
• Sulphur Dioxide	<b>1.77</b>	5.80
• Nitrogen Oxides	<b>0.14</b>	195.73
• Particulate Matter	<b>0.33</b>	16.16
Major Air Pollutant Intensity (kg/Revenue million HKD)	<b>0.03</b>	1.45

<sup>3</sup> The calculation of the air pollutant emission is referenced from the methods, assumptions and guidelines set out in the following Guidance and Standards:

- The China National Standard GB 19147-2016: Automobile Diesel Fuels\* (中國國家標準GB19147-2016：車用柴油) issued by the China National Standardization Management Committee\* (中國國家標準化管理委員會).

Organic Waste Gas Intensity	2023	2022
Benzene Intensity	<0.0015	<0.0015
Methyl Benzene Intensity	<0.0015	<0.0015
Dimethyl benzene Intensity	<0.0015	<0.0015

During the Reporting Period, the GHG emissions within the scope of this report are as follows:

GHG Emission <sup>4</sup>	2023	2022
<b>Type of GHG emissions</b>		
Scope 1: Direct emissions <sup>5</sup> (tonnes of CO <sub>2</sub> Equivalent)	25.71	115.37
Scope 2: Indirect emissions <sup>6</sup> (tonnes of CO <sub>2</sub> Equivalent)	2,091.60	5,426.22
Total	2,117.31	5,541.59
Intensity (tonnes/Revenue million HKD)	23.20	36.82

### Waste Water Disposal

While the Group's production process primarily generates wastewater from daily office use and employee dining areas, we remain dedicated to managing it responsibly. We strictly follow all relevant environmental regulations and have established management measures to ensure proper treatment and safe discharge of all wastewater. Our wastewater is directed to designated treatment plants via a dedicated sewage system. Only after professional treatment and purification, is it released into the environment. Additionally, we routinely inspect our sewage system to ensure its proper functioning and regulatory compliance.

<sup>4</sup> The calculation of the GHG emission is referenced from the methods, assumptions and guidelines set out in the following Guidance and Standards:

- The Technical Guidance for Compilation of Air Pollutant Emission Inventory of Road Motor Vehicles\* (道路機動車大氣污染物排放清單編制技術指南) and the Technical Guidance for Compilation of Air Pollutant Emission Inventory of Non-Road Motor Vehicles\* (非道路機動車大氣污染物排放清單編制技術指南) issued by the China Ministry of Environmental Protection\* (中華人民共和國環境保護部).
- The Requirements of the Greenhouse Gas Emissions Accounting and Reporting for Land Transportation Enterprise\* (溫室氣體排放核算與報告要求-陸上交通運輸企業) issued by the China National Standardization Management Committee\* (中國國家標準化管理委員會). The Emission Factors used for the calculation on GHG emission of forklift is referenced from Greenhouse Gas Inventories issued by United States Environmental Protection Agency.

<sup>5</sup> Scope 1: Direct emissions include GHG emissions from combustion of fuels in mobile sources controlled by the Group and use of refrigeration for air conditioning equipment.

<sup>6</sup> Scope 2: Indirect emissions from energy including indirect GHG emissions generated by the purchase or acquisition of energy by the Group. The Group's indirect greenhouse gas emissions only come from the electricity consumed (purchased or acquired) within the Group.

## Environmental, Social and Governance Report

We are also committed to water conservation and reducing wastewater production. We urge employees to practice water-saving habits in their daily work, such as promptly turning off faucets and fixing leaks. Regular inspections of our facilities are conducted to identify and rectify any issues that lead to water wastage.

We are continuously exploring new methods to further minimize our water consumption and enhance our wastewater management, in an effort to fulfill our environmental responsibilities and contribute to environmental protection.

### *Waste Management*

The Group has always prioritized waste management, recognizing its importance for environmental protection and sustainable operations. We adhere to all relevant environmental regulations and have developed a comprehensive waste management strategy to minimize the environmental impact of our business activities.

Our waste management strategy incorporates four key aspects:

1. **Reducing waste generation:** We actively seek improvements in our production processes to minimize waste. We also encourage employees to limit waste in their daily tasks, such as unnecessary printing and photocopying.
2. **Preventing accidental leaks:** Our production base has a dedicated material storage area to ensure all resources are properly stored for production. For instance, oily paints are stored in a ventilated, temperature-controlled location within secondary containers to prevent accidental leaks.
3. **Proper waste storage and treatment:** We ensure all waste is safely stored and treated, protecting the environment and personnel health. Hazardous waste, including paint residues and waste containing oil, is filtered, dehumidified, packed into bags, and stored in specific locations. Oil waste is similarly collected, bagged, and stored. We comply with the “Hazardous Waste Storage Pollution Control Standards”, entrusting qualified entities to transfer and process our hazardous waste, and adhere to reporting and registration systems. Our waste storage and treatment facilities meet all environmental regulations and standards.
4. **Waste recycling and reuse:** We are dedicated to recycling and reusing waste to lessen our environmental impact and conserve resources. Our strategy includes a robust recycling plan, and we are constantly exploring ways to increase our recycling rate.
5. **Employee training and education:** We offer waste management training to our employees to ensure they understand our waste management strategy and can effectively implement it in their work.

## Environmental, Social and Governance Report

During the reporting period, we produced 11.19 tons of hazardous waste (2022: 99.9 tons) and 6.86 tons of non-hazardous waste (2022: 165.0 tons). The significant drop was mainly due to the slowdown in the Group's business and the decrease in production activities. We are committed to continually improving our waste management strategy and exploring innovative methods to further reduce our environmental impact.

Hazardous and non-hazardous waste	2023	2022
Hazardous waste	11.16	99.9
Hazardous waste Intensity (tonnes/Revenue million HKD)	0.12	0.66
Non-hazardous waste	57.70	165.0
Non-hazardous waste Intensity (tonnes/Revenue million HKD)	0.63	1.10

The Group is proactive in recycling reusable resources as part of waste management, aiming to reduce the environmental impact of business operations. Employees are required to store contaminated items separately and classify reusable waste. During the reported period, the group recycled approximately 22.6 tons of harmless waste produced in the process (compared to 73 tons in 2022) including waste steel, copper, and packaging waste, among others. The drop in the amount of waste recycled was mainly due to the decrease in the overall generation of non-hazardous wastes.

### Targets and Actions

The Group fully understands the importance of environmental protection and considers it a core part of our corporate responsibility. In order to fulfil our environmental commitment, we have set a series of environmental goals and have taken corresponding actions to achieve these goals.

Areas	Goals	Steps taken to achieve
Waste gas emission	Air pollutant emissions of the Group will not increase by more than 2% compared with 2021 by the financial year ended 31 December 2025	<ul style="list-style-type: none"> <li>Optimize the fleet of the Group to ensure that emissions comply with the national standards</li> <li>Integrate energy-efficient design into the construction of new facilities</li> <li>Strengthen the control of use of gas for vehicles</li> </ul>

# Environmental, Social and Governance Report

Areas	Goals	Steps taken to achieve
Greenhouse gas emissions	The total greenhouse gas emission intensity of the Group will decrease by approximately 2% compared with 2021 by the financial year ended 31 December 2025	<ul style="list-style-type: none"> <li>• Increase investment in and the use of renewable resources</li> <li>• Strengthen the education of employees and tenants to enhance their awareness of energy conservation and emission reduction</li> <li>• Strengthen the control of use of electricity, gas and oils</li> <li>• Actively support energy saving transformation projects</li> <li>• upgrades on existing equipment</li> </ul>
Waste	The total waste generation intensity of the Group will decrease by approximately 2% compared with 2021 by the financial year ended 31 December 2025	<ul style="list-style-type: none"> <li>• Strengthen the classification and recovery of solid waste</li> <li>• Ensure staff to reduce the use of unnecessary disposable goods and reduce waste</li> <li>• Filter and dehumidify the paint residues waste before it is packed and stored in specialized storage locations</li> <li>• Collect the oil wastes and packed in to bags then stored in specialised storage locations</li> <li>• Entrust qualified units to handle hazardous wastes by transfer process</li> </ul>

The Group will routinely assess our environmental objectives and initiatives, adjusting our approach as necessary to ensure we meet these goals. We are confident that through these endeavors, we can significantly diminish our environmental footprint and generate enduring value for our stakeholders.

## Resources Consumptions

The Group prioritizes enhancing resource and energy consumption efficiency. We've established a dedicated committee to devise resource conservation strategies and fulfill our low-carbon emission objectives. This committee monitors our energy flow and evaluates its efficiency.

### Energy Consumptions

In our operations, the committee seeks to minimize electricity and petroleum usage. It guides departments to employ energy-saving air conditioning to conserve power. To this end, we publish monthly reports, and regularly monitor, record, and analyze the power consumption of each department.

Additionally, our group promotes energy-saving initiatives, upgrades existing equipment, and improves current systems. This includes purchasing electric injection molding machines and energy-saving lighting equipment, converting air compressors to variable frequency, and modifying feeding systems for baking molding machines. We've also implemented new energy-saving technologies, like nanoscale decontamination technology-based air conditioning water cooling systems.

In terms of petroleum usage, we've achieved conservation by controlling our official vehicles' fuel consumption and promoting green travel among employees. We remain committed to resource and energy efficiency to attain our sustainable development goals.

Energy Consumption	2023	2022
Type of energy		
Unleaded petrol (kWh in 000's)	83.39	177.19
Diesel (kWh in 000's)	0	82.69
Purchased electricity (kWh in 000's)	3,667.55	8,893.98
Total (kWh in 000's)	3,751.43	9,153.86
Energy intensity (kWh in 000's/Revenue million HKD)	41.11	60.82

This year, the amount of energy consumed had significantly decreased compared to last year's consumption. This was mainly due to the slowdown in the Group's business and the decrease in production activities.

### Water Consumptions

The Group acknowledges the significance of water resources and strives to manage and utilize them responsibly. Our water consumption primarily stems from office and employee living areas. To ensure compliance with environmental regulations and sustainable development requirements, we have implemented various actions and measures.

## Environmental, Social and Governance Report

We encourage employees to adopt water-saving habits, display water-saving slogans prominently, and install automatic faucets in restrooms. We also regularly conduct training to increase employees' awareness of water resource protection and teach them practical water-saving methods.

The group's water consumption during the reporting period is as follows:

<b>Water Consumption</b>	<b>2023</b>	2022
Running water consumed (Thousand tonnes)	<b>55.58</b>	77.95
Total (Thousand tonnes)	<b>55.58</b>	77.95
Intensity (Thousand tonnes/Revenue million HKD)	<b>0.61</b>	0.52

We are confident that these efforts will effectively manage our water resources, reduce our environmental impact, and create lasting value for our stakeholders.

### Consumption of Packaging Materials

The Group is dedicated to managing our packaging material use responsibly, preventing wastage due to poor management or unclear instructions. This approach reduces our overall packaging material usage.

<b>Packaging material</b>	<b>2023</b>	2022
Paper (Tonnes)	<b>7.5</b>	15.3
Paper Intensity (tonnes/Revenue million HKD)	<b>0.08</b>	0.21
Plastic (Tonnes)	<b>17.84</b>	32.2
Plastic Intensity (tonnes/Revenue million HKD)	<b>0.20</b>	0.10
Total	<b>25.34</b>	47.5
Total Intensity of Packaging Material (tonnes/Revenue million HKD)	<b>0.28</b>	0.32

## Targets and Actions

The Group understands the vital importance of energy and water conservation, and has set several green goals to demonstrate our dedication to sustainable development. Our aim is to reduce waste of energy and water by improving the efficiency of our production processes. We are not just talking about it, but putting it into action by promoting policies focusing on energy and water savings. This isn't just about meeting our conservation targets – it's also about enhancing our production efficiency and achieving eco-friendly production.

Areas	Goals	Steps taken to achieve
Energy Conservation	The energy consumption intensity of the Group will not increase by more than 2% compared with 2021 by the financial year ended 31 December 2025	<ul style="list-style-type: none"> <li>• Use power-efficient air conditionings</li> <li>• Install advanced energy saving equipment</li> <li>• Purchase electric injection molding machines and the energy saving lighting</li> <li>• Improve existing systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation)</li> <li>• Control the use of oil in business-purpose vehicles and promote green travel for employees</li> </ul>
Water Conservation	The water consumption intensity of the Group will not increase by more than 2% compared with 2021 by the financial year ended 31 December 2025	<ul style="list-style-type: none"> <li>• Post water-saving slogans in conspicuous places</li> <li>• Install automatic faucets in lavatories</li> </ul>

## *The Environment and Natural Resources*

The Group recognizes the significance of environmental protection and natural resource management, striving for sustainable environmental practices in our business activities. We comply with all relevant environmental regulations and have crafted and enacted an extensive assortment of environmental policies and procedures. This ensures the environmental impact of our business activities is minimized.

## Environmental, Social and Governance Report

The Group champions the significance of environmental protection and sustainable growth for employee development. The following eco-friendly practices have been adopted by the group:

- Promoting double-sided printing and photocopying; and
- Minimizing the use of petroleum-based products, like plastic and polystyrene items.

We will continue to strive to improve our environmental policies and look for new ways to further reduce our environmental impact.

### *Climate Change*

Facing climate change has become one of the biggest global challenges, more and more countries have reached a consensus, committed to reducing carbon emissions and achieving carbon neutrality. Our Group recognizes the importance of identifying and mitigating significant climate-related risks and is committed to managing potential climate-related risks that may affect the Group's business activities. Therefore, our Group has established a working mechanism to identify, prevent, and mitigate climate change issues that could have a significant impact.

### *Our Strategy*

In order to proactively deal with the challenges of climate change, we have formulated and implemented a series of strategies and measures. Our goal is to reduce carbon emissions by improving energy efficiency, reducing waste generation, and increasing waste recycling rates. In addition, we will continue to explore new technologies and solutions to further improve our energy efficiency and reduce our carbon footprint.

We recognize that achieving carbon neutrality requires the participation and support of the entire Group. Therefore, we have conducted a series of employee education and training activities throughout the Group to raise employees' awareness of climate change issues and encourage them to implement environmental protection and energy-saving measures in their daily work.

For potential climate change risks, we have established working mechanisms for monitoring and assessing these risks and providing appropriate responses when necessary. We will continue to closely monitor the trends and impacts of climate change and regularly assess and update our risk management strategies and countermeasures to ensure that we can effectively manage and mitigate these risks.

We firmly believe that through these efforts, we will be able to effectively deal with the challenges of climate change and create long-term value for our stakeholders.

## Physical Acute Risk

Our Group has identified extreme weather events that could cause actual short-term risks, such as typhoons, heavy rain, thunder, and floods. These extreme weather events affect the normal operation of our production equipment, obstruct and endanger the health and safety of our employees, and disrupt the supply chain of our Group, thereby disrupting or even halting the business operations of our Group and damaging the assets of our Group. The above potential consequences will cause economic losses to our Group and increase operating costs.

Our Group has established different measures to prevent and minimize the negative impact of extreme weather.

### Extreme weather

### Physical Acute Risk Preventative and mitigation measures

Typhoons, Heavy rain and Flooding, Thunder and Lightning	<ul style="list-style-type: none"><li>• Move materials and equipment to safety areas in advance, or covered with a tarp</li><li>• Reinforce equipment and components that may be blown/washed away</li><li>• Stop all outdoor work</li><li>• Clean up trash and make sure drains unblocked</li><li>• Maintain drainage equipment</li><li>• Keep good conditions of earthing devices</li><li>• Control travel and outdoor work before the arrival of lightning</li><li>• Remind employees to save data and turn off computers</li><li>• Monitor local weather conditions</li><li>• Provide flexible work arrangements with precautionary measures in place</li><li>• Improve emergency plans and upgrade equipment</li></ul>
--	---

## Physical Chronic Risk

The Group recognizes that long-term physical risks such as extreme heat can present a substantial challenge. Possible outcomes may involve a higher risk of heatstroke for our outdoor and workshop employees, an increase in employee turnover, and a rise in work-related accidents. This could also result in a greater need for workspace cooling, potentially boosting electricity usage and operational costs. To mitigate these potential negative effects, the Group has implemented a variety of measures.

# Environmental, Social and Governance Report

The Group has established different measures as below to prevent and minimize the negative effect of extreme weather.

## Extreme weather

## Physical Chronic Risk Preventative and mitigation measures

Extremely hot weather

- Open windows to allow the air to circulate
- Keep a First-aid kit convenient
- Keep cold water available 24 hours a day

## Transitional Risk

As we navigate the transition to a low-carbon economy, we recognize the potential for associated transition risks. These include policy and legal changes, technological advancements, market shifts and reputational factors relating to climate change. Our Group is committed to managing these risks proactively to ensure the sustainability of our operations.

The introduction of climate-related regulations and standards can lead to increased costs of compliance and potential legal risks. To mitigate these risks, we stay abreast of the latest regulatory developments, ensuring our compliance with all relevant laws and regulations. We also engage in active dialogue with regulatory bodies to anticipate upcoming changes and prepare accordingly.

Market shifts towards more environmentally friendly products and services can also pose a risk if not properly managed. We maintain a close watch on market trends, adapting our product and service offerings to meet evolving customer preferences for greener, more sustainable offerings.

The Group has established different measures as below to prevent and minimize the negative effects of transitional risk.

## Extreme weather

## Transitional Risk Preventative and mitigation measures

### Legal risk

Exposure to litigation risk. We have to adapt the tightened law and regulations imposed by the local government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations.

- Regularly review the Group's climate-related policies and measures to ensure that we stay up to date with the latest government policies, regulatory updates
- Continue monitoring of the ESG reporting standards of the Hong Kong Listing Rules
- Inform relevant departments about the regulatory updates relevant to climate change in time, where necessary, to be prepared to comply with new policies

### Market risk

More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference.

- Fulfill the climate-related regulations by the government
- Prioritize the climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem and challenges of climate change

Moving forward, the Group remains alert to climate change concerns. We'll routinely assess and track climate-related risks to refine our management strategies. Moreover, we're focused on enhancing our capacity to handle climate change. This could involve improving emergency plans or upgrading equipment to mitigate any major effects on our business operations.

## COMMUNITY INVESTMENT

The Group recognizes and deeply appreciates the significance of contributing back to the communities that we are part of. We firmly believe that our success is intertwined with the well-being of these communities, and we are wholeheartedly committed to making a substantial and positive impact in the areas where we operate. Our community investment strategy is carefully designed and executed, encompassing a broad range of initiatives.

Despite not engaging directly in community activities within the past year, we are shifting our focus towards this critical aspect in the upcoming year as part of our commitment to the community. The Group will continue to take part in community development in the future and will make use of expertise and resources of the Group to support the communities in which the Group operates and collaborates with local charities.

# Report of the Directors

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in the manufacture and sale of the casings of notebook and tablet.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the financial positions of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 75 to 133 of this annual report.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2023.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023, comprising the discussion of business prospects, is set out in the "Management Discussion and Analysis" on pages 5 to 9 of this annual report and the cross-referenced part of the annual report forms part of the directors' report. The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth.

## POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

## SENIOR MANAGEMENT REMUNERATION

The emoluments of senior management fell within the following bands:

	Number of senior management	
	Year ended 31 December	
	2023	2022
Nil to HK\$500,000	3	3

### Business Risk

A substantial portion of the operating assets of the Group are located in the PRC and the Group expects that a material portion of the turnover will continue to be derived from the operations in the PRC. The results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Group.

### Financial Risk

The financial risk management of the Group are set out in note 29 to the financial statements and the cross-referenced part of the annual report forms part of the directors' report.

## ENVIRONMENTAL PROTECTION POLICY

The Group has strong commitment towards environmental protection and is committed to supporting the environmental sustainability. The Group is principally engaged in the manufacture and sale of the casings of notebook and tablet in the PRC, which is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year ended 31 December 2023 and up to the date of this annual report, the Group did not incur any significant cost in relation to environmental protection or have any material environmental-related incident, and the Group had not been penalised by competent government authority for environmental-related violations.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Board believes the compliance with laws and regulations as the cornerstone of a business and attaches considerable importance to it. To the best knowledge of the Board, during the year ended 31 December 2023 and up to the date of this annual report, the Group has complied with relevant laws and regulations that have significant impact on the business and operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

## Report of the Directors

### RELATIONS WITH KEY STAKEHOLDERS

The Board recognises that our employees are valuable assets contributing to the Group's future success. The Group provides competitive remuneration package to attract, motivate and retain our employees. The Board also regularly reviews the remuneration package of our employees and makes necessary adjustments to conform to the prevailing market practices. The Board also treasures that maintaining good relationship with our customers and suppliers is vital to achieve the Group's long-term goals. During the Year, there was no significant dispute between the Group companies and our business partners.

### FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 134. This summary does not form part of the audited financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 13 to the financial statements.

### SHARE CAPITAL

Details of movements in the Company's issued share capital during the year ended 31 December 2023 are set out in note 22 to the financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2022 and 2023, the Company has no reserve available for distribution in accordance with the applicable laws of Cayman Islands and the Articles of Association.

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 79 of this annual report and note 30 to the financial statements, respectively.

## DIRECTORS

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

### Executive Directors:

Mr. Wong Ming Li (*Chief Executive Officer*)  
Mr. Lee King On Jeff  
Mr. Wang Ming Zhi

### Non-executive Director:

Mr. Wang Ya Nan (*Chairman*) (resigned on 29 September 2023)

### Independent non-executive Directors:

Mr. Chan Shiu Man  
Mr. Wan, Aaron Chi Keung (appointed on 29 September 2023)  
Mr. Chan Luk On (appointed on 29 September 2023)  
Ms. Leung Pik Kwan (resigned on 1 December 2023)  
Mr. Sun Wai Hong (resigned on 29 September 2023)

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Accordingly, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On will offer themselves for re-election at the forthcoming annual general meeting of the Company.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management".

## Report of the Directors

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company, and each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company, for a term of one year commencing from the Listing Date which may be terminated by either party with three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2023, 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 associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register 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 positions in shares of the Company

Name of Director	Nature of interest	Number of shares interested	Percentage of shareholding interest
Mr. Wang Ya Nan (Note 1) (resigned on 29 September 2023)	Beneficial owner Interest of controlled corporation	0 187,044,814	0.0% 27.48%

Notes:

- 187,044,814 shares are beneficially held by Landmark Worldwide Holdings Limited. The issued share capital of Landmark Worldwide Holdings Limited is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung.

Save as disclosed above, as at 31 December 2023, there were no other interests or short positions of the Directors of the Company in the shares or underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the following persons/entities (other than the Directors or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company were as follows:

#### Long positions in shares of the Company

Name of shareholder	Nature of interest	Number of shares interested	Percentage of shareholding in the Company
Mr. Wong Ah Yeung (Note 1)	Beneficial owner	0	0.00%
	Interest of controlled corporation	187,044,814	27.48%
Mr. Wong Ah Yu (Note 1)	Beneficial owner	0	0.00%
	Interest of controlled corporation	187,044,814	27.48%
Mr. Wang Ya Hua (Note 1)	Beneficial owner	0	0.00%
	Interest of controlled corporation	187,044,814	27.48%
Landmark Worldwide Holdings Limited (Note 1)	Beneficial owner	187,044,814	27.48%

Note:

- 187,044,814 shares are beneficially held by Landmark Worldwide Holdings Limited. The issued share capital of Landmark Worldwide Holdings Limited is beneficially owned as to 25% by each Messrs. Wong Ah Yeung, Wang Ya Hua, Wong Ah Yu and Wang Ya Nan.

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any persons/entities (other than the Directors or the chief executive of the Company) who held an interest or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

## Report of the Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

### SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the sole shareholder passed on 8 February 2018. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) 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.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for the shares subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, service providers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

An option shall have been accepted by an Eligible Participant within 21 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 18,911,563 shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of shares available for issue is 18,911,563 shares, being approximately 10% of the shares in issue as at the date of this report.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per share under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant, which must be a Business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business days immediately preceding the date of grant; and (c) the nominal value of a share.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant. The remaining life of the Share Option Scheme was approximately 5 years.

Since the adoption of the Share Option Scheme, no share option has been granted under the Share Option Scheme. Therefore, no share option was exercised or cancelled or lapsed during the year ended 31 December 2023 and there was no outstanding option as at 31 December 2023.

### EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above, there were no equity-linked agreements entered into by the Group, or existed during the year ended 31 December 2023.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2023 are set out in note 26 to the financial statements.

The transactions do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 26 to the financial statements, no other transactions, arrangements or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2023 or at any time during the year.

## Report of the Directors

### 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 2023.

### COMPETING BUSINESS

For the year ended 31 December 2023 and up to the date of this report, none of the Directors or the controlling shareholders of the Company (has the meaning ascribed thereto under the Listing Rules and, in the context of the Company, means collectively Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Landmark Worldwide Holdings Limited and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

#### **Non-Competition Undertaking by Controlling Shareholders**

The controlling shareholders of the Company had entered into a deed of non-competition in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) on 8 February 2018 (the “Deed of Non-Competition”), details of which are set out in section headed “Relationship with the Tongda Group and connected persons – Deed of Non-Competition” in the Prospectus. The controlling shareholders of the Company have confirmed to the Company of their compliance with all the undertakings provided to the Company under the Deed of Non-Competition.

### PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors’ and officers’ liability insurance coverage for the Directors and officers of the Company since the Listing Date.

### EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emolument of the Directors are reviewed and recommended by the Remuneration Committee, having regard to the Company’s operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible persons, details are set out under the heading “Share Option Scheme” in this report.

### DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 8 to the financial statements, which are recommended by the Remuneration Committee by reference to the performance of the individual and the Company as well as market practice and conditions.

### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, (i) the Group's largest customer and five largest customers accounted for approximately 51.2% and 91.8% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 38.9% and 64.5% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

### CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with code provisions set out in the CG Code for the year ended 31 December 2023 and up to the date of this report.

Details of corporate governance report are set out on pages 14 to 27 of this annual report.

### EVENT AFTER THE REPORTING PERIOD

Save as those disclosed in note 31 to the financial statements, the Board is not aware of any material event requiring disclosure, that has taken place subsequent to 31 December 2023 and up to the date of this report.

## Report of the Directors

### CHANGE IN DIRECTORS' INFORMATION

Save as those disclosed in this annual report, there have been no further matters during the year ended 31 December 2023 that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### USE OF NET PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on 16 March 2018. Net proceeds from the Listing (after deducting underwriting fee and relevant expenses payable by the Group in connection with the Listing) amounted to approximately HK\$48.5 million. As at 31 December 2023, a total amount of HK\$42.9 million out of the net proceeds had been used by the Group and the unutilised amount will be used by the Group according to the allocation set out in the Prospectus.

The following sets forth a summary of the utilisation of the net proceeds:

Purpose	Percentage to total amount	Net proceeds HK\$ million	Utilised amount (as at 31 December 2023) HK\$ million	Unutilised amount (as at 31 December 2023) HK\$ million	Expected timeline of full utilisation of the balance
Lease of a new factory (Note 1)	15.1%	7.3	1.7	5.6	2024-2026
Refurbishment of the new factory as mentioned above	19.9%	9.6	9.6	–	–
Capital expenditure for additional production facilities and machineries	46.2%	22.4	22.4	–	–
Capital expenditure for enhancing the automation in the Group's manufacturing process	16.1%	7.8	7.8	–	–
Additional effort in sales and marketing activities	0.3%	0.2	0.2	–	–
Enhancement of research and development capabilities	2.4%	1.2	1.2	–	–
<b>Total</b>	<b>100%</b>	<b>48.5</b>	<b>42.9</b>	<b>5.6</b>	

Note:

1. The lease of the factory is for a term of three years, and therefore the remaining balance of approximately HK\$5.6 million is expected to be fully utilised by the year 2024 to 2026.

### USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 21 February 2022, the Group completed the rights issue on the basis of two rights shares for every one ordinary share of the Company at the subscription price of HK\$0.133 per rights share, the net proceeds from the rights issue, after deducting the estimated expenses and after the set off of loans from related party of approximately HK\$32.0 million (including but not limited to placing commission, legal expenses and disbursements), are approximately HK\$25.7 million. The Company intends to apply the net proceeds to (i) approximately HK\$7.0 million for staff costs of the Group; (ii) approximately HK\$16.0 million for payment to the Group's suppliers; and (iii) approximately HK\$2.7 million as general working capital of the Group. As of 31 December 2023, the said net proceeds has been fully utilised as intended.

### AUDITOR

Ernst & Young has resigned as the auditor of the Company with effect from 13 January 2022 as Ernst & Young and the Company could not reach a consensus on the audit service fee regarding the annual audit for the financial year ended 31 December 2021. The Board, with the recommendation from the Audit Committee, has resolved to appoint D & Partners CPA Limited as the new auditor of the Company with effect from 13 January 2022 to fill the casual vacancy following the resignation of Ernst & Young.

D & Partners CPA Limited will hold office until the conclusion of the forthcoming annual general meeting. D & Partners CPA Limited will retire and, being eligible, offer themselves for reappointment.

A resolution for the reappointment of D & Partners CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

Save as disclosed above, there was no other change of the Company's auditor in any of the preceding three years.

ON BEHALF OF THE BOARD

**Lee King On Jeff**  
TONGDA HONG TAI HOLDINGS LIMITED  
Executive director

Hong Kong  
28 March 2024

# Independent Auditor's Report



**To the shareholders of Tongda Hong Tai Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Tongda Hong Tai Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 75 to 133, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS *(continued)*

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

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Provision for inventories

As at 31 December 2023, the net carrying value of the Group's inventories amounted to approximately HK\$32,409,000 representing 37% of the total assets of the Group. Provision assessment is based on the estimated net realisable value of inventories, which requires significant management judgements and estimates. Management considers various factors, including the ageing of the inventories, historical sales patterns, post year-end sales, selling prices of inventories and prevailing market conditions.

The significant accounting judgements and estimates and disclosures about inventories are included in notes 3 and 15 to the consolidated financial statements.

Our audit procedures in relation to the provision for inventories included the following:

- Obtained the Group's policies on provision of inventories and evaluating management's assessment methodology; and
- Evaluated the inputs and assumptions applied by management in performing the provision assessment by reviewing the ageing of the inventories, the post year-end usage or sale and the selling prices of a sample of inventories, evaluating management's expectation on future demand and usage of inventories with reference to historical sales patterns and sales orders received by the Group.

# Independent Auditor's Report

## Key Audit Matter

### Expected credit losses ("ECL") assessment of trade receivables

As at 31 December 2023, the net carrying values of the Group's trade receivables amounted to approximately HK\$31,885,000 net of approximately HK\$3,439,000 ECL allowance.

The ECL assessment of trade receivables involved significant management's judgment and use of estimates to ascertain the recoverability.

ECL allowance for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The significant accounting judgements and estimates and disclosures about trade receivables are included in notes 3 and 16 to the consolidated financial statements.

## How our audit addressed the Key Audit Matter

Our audit procedures in relation to the ECL assessment of the trade receivables included the following:

- Obtained the Group's policies on credit policy given to customers and an understanding of how the management assesses the impairment of trade receivables under the ECL model;
- Tested, on a sample basis, the aging analysis of the trade receivables by comparing with the relevant sales invoices; and
- Assessed the reasonableness of management's ECL allowance estimates by examining the information used by management to form such judgements, on a sample basis, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information, and assessing whether there was an indication of management bias when recognising ECL allowance.

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Impairment assessment of property, plant and equipment and right-of-use assets

As at 31 December 2023, the net carrying values of the Group's property, plant and equipment and right-of-use assets amounted to approximately HK\$1,050,000 and approximately HK\$17,000, respectively.

Management assessed whether there are any indicators of impairment for the property, plant and equipment and right-of-use assets at the end of each reporting period and performed an assessment of the recoverable amounts of these assets based on value in use calculation when an impairment indicator was identified. Impairment loss of approximately HK\$4,586,000 and approximately HK\$74,000 are provided for property, plant and equipment and right-of-use assets, respectively as the estimated recoverable amounts of property, plant and equipment and right-of-use assets are lower than their carrying amounts.

Management's impairment assessment process involves significant judgements and estimates, including the estimation of future cash flows and other assumptions, such as the associated growth rates, estimated gross margin and the discount rate applied, which are sensitive to expected future market conditions and the cash-generating unit's performance in the foreseeable future.

The significant accounting judgements and estimates and disclosures about property, plant and equipment and right-of-use assets are included in notes 3, 13 and 14(a) to the consolidated financial statements.

Our audit procedures in relation to the impairment assessment property, plant and equipment and right-of-use assets included the following:

- Understood the approach and assumptions used by management in determining the recoverable amount for the property, plant and equipment and right-of-use assets;
- Reviewed the valuation prepared by the management for the property, plant and equipment and right-of-use assets and discussing the methodology and assumptions used;
- Tested the mathematical accuracy of the value in use calculation of the cash flow forecast and assess the appropriateness of the methodology used;
- Evaluated the key assumptions used in the future cash flow forecast, including revenue growth rate and terminal growth rate, based on other available market data in the manufacture and sale of casings of notebook and tablet industry taking into account the historical performance of the Group and corroborate with the development plan based on our discussion with the management; and
- Evaluated the discount rate by benchmarking them to the rates used by similar companies in the market.

## Independent Auditor's Report

### OTHER INFORMATION

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS' FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

### 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 skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- 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.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Heung Wai Keung.

#### **D & PARTNERS CPA LIMITED**

*Certified Public Accountants*

#### **Heung Wai Keung**

Practising Certificate No.: P06700

Hong Kong, 28 March 2024

# Consolidated Income Statement

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>REVENUE</b>	5	<b>91,259</b>	150,545
<b>Cost of sales</b>		<b>(90,928)</b>	(264,477)
Gross profit/(loss)		<b>331</b>	(113,932)
Other income	5	<b>700</b>	998
Selling and distribution expenses		<b>(1,372)</b>	(4,996)
General and administrative expenses		<b>(19,644)</b>	(52,942)
Other operating expenses, net		<b>(5,996)</b>	(54,700)
Finance costs	6	<b>(11,865)</b>	(5,851)
LOSS BEFORE TAX	7	<b>(37,846)</b>	(231,423)
Income tax expense	10	<b>-</b>	-
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<b>(37,846)</b>	(231,423)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	<b>HK(55.59) cents</b>	HK(374.12) cents

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
LOSS FOR THE YEAR	<b>(37,846)</b>	(231,423)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to the income statement in subsequent periods, net of tax:		
Exchange differences on translation of a foreign operation	<b>8,066</b>	11,135
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<b>(29,780)</b>	(220,288)

# Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	1,050	8,271
Right-of-use assets	14(a)	17	6,132
Long term deposits	17	–	497
<b>Total non-current assets</b>		<b>1,067</b>	14,900
<b>CURRENT ASSETS</b>			
Inventories	15	32,409	49,912
Trade and bills receivables	16	32,591	57,771
Prepayments, deposits and other receivables	17	11,949	12,236
Tax recoverable		808	832
Restricted bank balances	18	2,594	3,125
Cash and bank balances	18	6,280	7,603
<b>Total current assets</b>		<b>86,631</b>	131,479
<b>CURRENT LIABILITIES</b>			
Trade payables	19	28,709	47,623
Other payables and accruals	20	218,913	88,482
Loans from and amounts due to related parties	21	8,250	8,041
Lease liabilities	14(b)	420	5,209
<b>Total current liabilities</b>		<b>256,292</b>	149,355
<b>NET CURRENT LIABILITIES</b>		<b>(169,661)</b>	(17,876)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(168,594)</b>	(2,976)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14(b)	1,441	16,430
Other payable	20	63,164	184,013
<b>Total non-current liabilities</b>		<b>64,605</b>	200,443
<b>Net liabilities</b>		<b>(233,199)</b>	(203,419)

## Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
DEFICIENCY			
Equity attributable to equity holders of the Company Issued capital	22	6,807	6,807
Deficit	23	(240,006)	(210,226)
Total deficit		(233,199)	(203,419)

**Wong Ming Li**  
Director

**Lee King On Jeff**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to equity holders of the Company						Total equity/ (deficit) HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 Note 23(b)	Statutory reserve fund HK\$'000 Note 23(a)	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2022	2,269	133,038*	198,566*	16,031*	(24,054)*	(368,854)*	(43,004)
Loss for the year	-	-	-	-	-	(231,423)	(231,423)
Other comprehensive income for the year:							
Exchange differences on translation of a foreign operation	-	-	-	-	11,135	-	11,135
Total comprehensive expense for the year	-	-	-	-	11,135	(231,423)	(220,288)
Issue of shares upon rights issue (Note 22(a))	4,538	53,195	-	-	-	-	57,733
Contribution from a shareholder (Note 24(a)(iii))	-	-	2,140	-	-	-	2,140
At 31 December 2022 and 1 January 2023	6,807	186,233*	200,706*	16,031*	(12,919)*	(600,277)*	(203,419)
Loss for the year	-	-	-	-	-	(37,846)	(37,846)
Other comprehensive income for the year:							
Exchange differences on translation of a foreign operation	-	-	-	-	8,066	-	8,066
Total comprehensive expense for the year	-	-	-	-	8,066	(37,846)	(29,780)
At 31 December 2023	6,807	186,233*	200,706*	16,031*	(4,853)*	(638,123)*	(233,199)

\* These reserve accounts comprise the consolidated deficit of HK\$240,006,000 (2022: HK\$210,226,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(37,846)</b>	(231,423)
Adjustments for:			
Finance costs	6	<b>11,865</b>	5,851
Depreciation of property, plant and equipment	7	<b>136</b>	7,080
Depreciation of right-of-use assets	7	<b>1,980</b>	5,258
Bank interest income	5	<b>(15)</b>	(25)
Gain on early termination of leases	7	<b>(11,678)</b>	(4,178)
(Gain)/loss on disposal/write-off of items of property, plant and equipment	7	<b>(3,372)</b>	1,116
Impairment of trade receivables	7	<b>573</b>	2,727
Provision for inventories	7	<b>746</b>	127,321
Write-off of prepayments	7	<b>–</b>	9,488
Impairment of property, plant and equipment	7	<b>4,586</b>	18,667
Impairment of right-of-use assets	7	<b>74</b>	13,840
Exchange difference	7	<b>10,152</b>	10,385
		<b>(22,799)</b>	(33,893)
Decrease in inventories		<b>16,757</b>	6,349
Decrease in trade and bills receivables		<b>24,607</b>	114,451
Increase in prepayments, deposits and other receivables		<b>(260)</b>	(8,020)
Decrease in trade payables		<b>(18,914)</b>	(91,512)
Decrease in other payables and accruals		<b>(2,183)</b>	(4,154)
Exchange realignment		<b>(1,282)</b>	(10,067)
Cash used in operations		<b>(4,074)</b>	(26,846)
Interest paid		<b>(100)</b>	(2,893)
Net cash flows used in operating activities		<b>(4,174)</b>	(29,739)

## Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		15	25
Proceeds from disposal of items of property, plant and equipment		6,810	54
Purchases of items of property, plant and equipment		(585)	(686)
Decrease/(increase) in long term deposits		497	(497)
Decrease in restricted bank balances		531	202
Exchange realignment		193	(198)
<b>Net cash flows generated from/(used in) investing activities</b>		<b>7,461</b>	<b>(1,100)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		-	103,631
Repayment of bank loans		-	(178,490)
New loans from related parties		369	9,538
New loan from an independent third party		-	60,000
Principal portion of lease payments	24(c)	(3,677)	(5,098)
Net proceeds from issue of shares by rights issue		-	25,733
Exchange realignment		(661)	11,213
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(3,969)</b>	<b>26,527</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(682)</b>	<b>(4,312)</b>
Cash and cash equivalents at beginning of year		7,603	11,038
Effect of foreign exchange rate changes, net		(641)	877
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>6,280</b>	<b>7,603</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	18	8,874	10,728
Less: Restricted bank balances	18	(2,594)	(3,125)
		<b>6,280</b>	<b>7,603</b>

# Notes to Financial Statements

31 December 2023

## 1. CORPORATE AND GROUP INFORMATION

Tongda Hong Tai Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally involved in the manufacture and sale of casings of notebook and tablet.

In the opinion of the directors of the Company, Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yeung, Mr. Wong Ah Yu, together with Landmark Worldwide Holdings Limited (“Landmark”), are considered as the controlling shareholders of the Company.

### Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Tongda HT Holdings (BVI) Limited	British Virgin Islands (“BVI”)	US\$2	100	Investment holding
Tongda HT International Limited	Hong Kong	HK\$100	100	Investment holding
Tongda HT Technology Holdings Limited	Hong Kong	HK\$100	100	Investment holding
Indirectly held:				
Tongda HT Technology (HK) Company Limited	Hong Kong	HK\$2	100	Investment holding
通達宏泰科技(蘇州) 有限公司 (Tongda HT Technology (Suzhou) Company Limited) (Note (a))	The People’s Republic of China (the “PRC”)/Mainland China	HK\$250,000,000	100	Manufacture and sale of casings of notebook and tablet

Note:

(a) This entity was registered as a wholly-foreign-owned enterprise under the PRC law.

## 2.1 BASIS OF PREPARATION

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

### Going concern assumptions

The Group incurred net loss of approximately HK\$37,846,000 (2022: HK\$231,423,000) for the year ended 31 December 2023. As at 31 December 2023, the Group had net current liabilities of approximately HK\$169,661,000 (2022: HK\$17,876,000) and net liabilities of approximately HK\$233,199,000 (2022: HK\$203,419,000).

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2023 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the consolidated financial statements are authorised for issue, but not limited to, the followings:

- (a) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) On the date of report, the Group has negotiated with Mr. Wang Ya Nan, related companies controlled by Mr. Wang Ya Nan and independent third parties and they agreed not to demand repayments of HK\$2,400,000, HK\$5,481,000 and approximately HK\$193,716,000 as at 31 December 2023 within the next twelve months from the date of report. Letter of undertakings are obtained;
- (c) One of the controlling shareholders of the Company has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due within the next twelve months from the date of report. Letter of financial support is obtained from this controlling shareholder; and
- (d) Implementation of rights issue subsequent to the reporting period and the directors expect the right issue will be completed within the next twelve months from the date of report. Details of the right issue are set out in the note 31 to the financial statements.

# Notes to Financial Statements

31 December 2023

## 2.1 BASIS OF PREPARATION *(continued)*

### **Going concern assumptions** *(continued)*

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the date of report. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of report. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

## 2.1 BASIS OF PREPARATION *(continued)*

### Basis of consolidation *(continued)*

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The adoption of the new and amendments to standards did not have any material impact on the Group's results and financial position for the current or prior year.

## Notes to Financial Statements

31 December 2023

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

<sup>1</sup> No mandatory date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>4</sup> As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on demand Clause was revised to align the corresponding working with no change in conclusion

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group’s financial performance and financial position.

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### Fair value measurement

The Group measures its financial assets at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

## Notes to Financial Statements

31 December 2023

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Plant and machinery	10 – 12 years
Furniture, fixtures and office equipment	3 – 10 years
Motor vehicles	5 – 10 years

Estimated residual values are determined as 5% to 10% of the original purchase cost of each individual underlying asset.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

# Notes to Financial Statements

31 December 2023

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Leases

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

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

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

Leasehold buildings	3 to 10 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### (b) Lease liabilities

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

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

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

#### *Group as a lessee (continued)*

##### (c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

# Notes to Financial Statements

31 December 2023

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### **Investments and other financial assets** *(continued)*

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

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

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

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

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

### **Derecognition of financial assets**

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

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

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### **Derecognition of financial assets** *(continued)*

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

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

### **Impairment of financial assets**

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

#### *General approach*

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

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

## Notes to Financial Statements

31 December 2023

### 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

#### **Derecognition of financial assets** *(continued)*

##### *General approach (continued)*

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

##### *Simplified approach*

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

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, lease liabilities and loans from and amounts due to related parties.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities at amortised cost (loans and borrowings) is as follows:

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

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

### Derecognition of financial liabilities

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the entity must incur to make the sale.

# Notes to Financial Statements

31 December 2023

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### **Cash and cash equivalents**

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

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks and assets similar in nature to cash, which are not restricted as to use.

### **Provisions**

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

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

### **Income tax**

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

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

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

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Income tax *(continued)*

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

# Notes to Financial Statements

31 December 2023

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### **Government grants**

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

### **Research and development costs**

All research costs are charged to the income statement as incurred.

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

### **Revenue recognition**

#### *Revenue from contracts with customers*

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

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

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

#### *Other income*

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

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### Contract liabilities

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

### Employee benefits

#### *Pension schemes*

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

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

### Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

# Notes to Financial Statements

31 December 2023

## 2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

### **Foreign currencies** *(continued)*

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

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

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

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

#### Estimation uncertainty

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

##### *Provision for inventories*

Management of the Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such inventories based primarily on the ageing of the inventories, historical sales pattern, post year-end sales, latest invoice prices and prevailing market conditions. The carrying amount of inventories at 31 December 2023 was approximately HK\$32,409,000 (2022: HK\$49,912,000). Further details of the inventories are given in note 15.

##### *Impairment of trade receivables*

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

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

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

The carrying amount of trade receivables was approximately HK\$31,885,000 (2022: HK\$56,681,000). Further details of the trade receivables are given in note 16.

## Notes to Financial Statements

31 December 2023

### 3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

#### **Estimation uncertainty** *(continued)*

##### *Impairment of non-financial assets (other than goodwill)*

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

The carrying amount of property, plant and equipment and right-of-use assets were HK\$1,050,000 (2022: HK\$8,271,000) and HK\$17,000 (2022: HK\$6,132,000), respectively. Further details of the impairment assessment of property, plant and equipment and right-of-use assets are given in note 13.

### 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of the casings of notebook and tablet. Almost all of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single reportable operating segment.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

4. OPERATING SEGMENT INFORMATION *(continued)*

## Information about major customers

Revenue derived from sales to individual customers which contributed over 10% to the total revenue of the Group is as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A	46,750	71,665
Customer B	-	27,973
Customer C	-	24,404
Customer D	24,011	-
	<b>70,761</b>	124,042

## 5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of casings of notebook and tablet	91,259	150,545

## Notes to Financial Statements

31 December 2023

### 5. REVENUE AND OTHER INCOME (continued)

#### Revenue from contracts with customers

##### Performance obligation

Sale of casings of notebook and tablet

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one to four months from delivery, except for new customers, where payment in advance is normally required.

An analysis of the Group's other income is as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Other income</b>		
Bank interest income	15	25
Sale of scrap materials	301	779
Government grants*	323	194
Others	61	–
	<hr/> 700	<hr/> 998

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

### 6. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	–	1,826
Interest on lease liabilities (Note 14(c))	100	1,067
Interest on loans from independent third parties	11,765	2,958
	<hr/> 11,865	<hr/> 5,851

## 7. LOSS BEFORE TAX

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

	Notes	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold <sup>1</sup>		90,928	264,477
Depreciation of property, plant and equipment	13	136	7,080
Depreciation of right-of-use assets	14(a), 14(c)	1,980	5,258
Research and development costs <sup>2</sup>		3,118	16,631
Lease payments not included in the measurement of lease liabilities	14(c)	168	168
Employee benefit expense (excluding directors' remuneration – note 8):			
Salaries and wages		15,019	43,331
Pension scheme contributions <sup>#</sup>		3,514	11,111
		<b>18,533</b>	54,442
Auditor's remuneration			
– Annual audit services		750	1,280
Impairment of trade receivables*	16	573	2,727
Gain on early termination of leases*	14(c)	(11,678)	(4,178)
Write-off of prepayments*	17	–	9,488
Provision for inventories		746	127,321
(Gain)/loss on disposal/write-off of items of property plant and equipment*		(3,372)	1,116
Impairment of property, plant and equipment*	13	4,586	18,667
Impairment of right-of-use assets*	14(a), 14(c)	74	13,840
Foreign exchange differences, net*		10,152	10,385

\* Impairment of trade receivables, write-off of prepayments, (gain)/loss on disposal/write-off of items of property, plant and equipment, impairment of property, plant and equipment, impairment of right-of-use assets, gain on early termination of leases and foreign exchange differences, net, are included in "Other operating expenses, net" on the face of the consolidated income statement.

# At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

<sup>1</sup> Cost of inventories sold includes HK\$12,975,000 (2022: HK\$161,755,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities, provision for inventories, and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

<sup>2</sup> Research and development costs include HK\$3,118,000 (2022: HK\$14,868,000) relating to depreciation of a research and development centre and employee benefit expense for research and development activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

## Notes to Financial Statements

31 December 2023

### 8. DIRECTORS' REMUNERATION

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

	2023 HK\$'000	2022 HK\$'000
Fees	1,034	1,077
Salaries, allowances and benefits in kind	615	624
Pension scheme contributions	215	267
	<b>1,864</b>	1,968

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 HK\$'000	2022 HK\$'000
Ms. Leung Pik Kwan <sup>#</sup>	110	120
Mr. Sun Wai Hong <sup>##</sup>	90	120
Mr. Wan, Aaron Chi Keung <sup>*</sup>	30	–
Mr. Chan Luk On <sup>*</sup>	30	–
Mr. Chan Shiu Man <sup>**</sup>	144	12
Mr. Wu Kin San Alfred <sup>###</sup>	–	110
	<b>404</b>	362

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

\* Appointed on 29 September 2023

\*\* Appointed on 2 December 2022

# Resigned on 1 December 2023

## Resigned on 29 September 2023

### Resigned on 2 December 2022

## 8. DIRECTORS' REMUNERATION (continued)

## (b) Executive directors and a non-executive director

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>2023</b>				
<i>Executive directors:</i>				
Mr. Wong Ming Li*	360	271	96	727
Mr. Lee King On Jeff	180	–	6	186
Mr. Wang Ming Zhi	–	344	113	457
	<b>540</b>	<b>615</b>	<b>215</b>	<b>1,370</b>
<i>Non-executive director:</i>				
Mr. Wang Ya Nan <sup>1</sup>	90	–	–	90
	<b>630</b>	<b>615</b>	<b>215</b>	<b>1,460</b>
<b>2022</b>				
<i>Executive directors:</i>				
Mr. Wong Ming Li*	360	284	129	773
Mr. Lee King On Jeff	15	–	–	15
Mr. Wang Ming Zhi	–	340	138	478
Mr. Wong Ah Yu <sup>2</sup>	220	–	–	220
	<b>595</b>	<b>624</b>	<b>267</b>	<b>1,486</b>
<i>Non-executive director:</i>				
Mr. Wang Ya Nan	120	–	–	120
	<b>715</b>	<b>624</b>	<b>267</b>	<b>1,606</b>

\* Mr. Wong Ming Li is also the Chief Executive Officer of the Company.

<sup>1</sup> Resigned on 29 September 2023

<sup>2</sup> Resigned on 2 December 2022

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

## Notes to Financial Statements

31 December 2023

### 9. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 December 2023, the five highest paid employees included two (2022: two) directors, details of whose remuneration are set out in note 8 above.

Details of the remuneration for the year of the remaining three (2022: three) non-director and non-chief executive highest paid employees are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	697	913
Pension scheme contributions	194	278
	<hr/> 891	<hr/> 1,191

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

	Number of employees	
	2023	2022
Nil to HK\$500,000	<hr/> 3	<hr/> 3

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

## 10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil). No provision for corporate income tax in Mainland China has been made as the Group did not generate any assessable profits during the year (2022: Nil).

A reconciliation of the tax credit applicable to loss before tax at the statutory tax rates to the tax position at the Group's effective tax rate is as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	<b>(37,846)</b>	(231,423)
Tax at the statutory tax rates	<b>(7,527)</b>	(56,321)
Lower applicable tax rate	<b>1,508</b>	22,212
Expenses not deductible for tax	<b>5,201</b>	22,924
Income not subject to tax	<b>(351)</b>	(1,871)
Tax losses not recognised	<b>1,169</b>	13,056
Tax position at the Group's effective rate	-	-

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the income tax is unified at 25% for all enterprises in Mainland China.

通達宏泰科技(蘇州)有限公司(Tongda HT Technology (Suzhou) Company Limited), as a High New Technology Enterprise, was subject to a preferential tax rate of 15% starting from the year ended 31 December 2022 for three years.

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

The Group has estimated tax losses arising in Mainland China of HK\$353,957,000 (2022: HK\$346,167,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as directors consider that it is uncertain that whether sufficient taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

## 11. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

## Notes to Financial Statements

31 December 2023

### 12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2023, the calculation of the basic loss per share amount is based on the loss for the year attributable to the equity holders of the Company of HK\$37,846,000 (2022: HK\$231,423,000), and the weighted average number of ordinary shares of 68,074,691 (2022: 61,858,424 (restated)).

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares used for the purpose of calculating basic loss per share for both years has been adjusted for the issue of shares pursuant to the Share Consolidation (Note 31 (a)) as if the Share Consolidation had occurred on 1 January 2022. Accordingly, the basic loss per share for the year ended 31 December 2022 have been restated.

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

### 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2023</b>					
Cost:					
At 1 January 2023	33,762	182,407	5,787	3,297	225,253
Additions	-	1,132	-	-	1,132
Disposal/write-off	(32,999)	(71,981)	(3,684)	(837)	(109,501)
Exchange realignment	(763)	(4,747)	(142)	(88)	(5,740)
At 31 December 2023	-	106,811	1,961	2,372	111,144
Accumulated depreciation and impairment:					
At 1 January 2023	33,354	174,799	5,728	3,101	216,982
Depreciation provided during the year (Note 7)	-	86	-	50	136
Disposal/write-off	(32,602)	(68,978)	(3,646)	(837)	(106,063)
Impairment (Note 7)	-	4,455	16	115	4,586
Exchange realignment	(752)	(4,570)	(142)	(83)	(5,547)
At 31 December 2023	-	105,792	1,956	2,346	110,094
Net book value:					
At 31 December 2023	-	1,019	5	26	1,050

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2022					
Cost:					
At 1 January 2022	38,043	208,796	11,531	4,669	263,039
Additions	610	2,375	–	–	2,985
Disposal/write-off	(2,314)	(14,696)	(5,082)	(1,078)	(23,170)
Exchange realignment	(2,577)	(14,068)	(662)	(294)	(17,601)
At 31 December 2022	33,762	182,407	5,787	3,297	225,253
Accumulated depreciation and impairment:					
At 1 January 2022	34,790	179,497	10,941	3,897	229,125
Depreciation provided during the year (Note 7)	2,267	4,661	109	43	7,080
Disposal/write-off	(2,197)	(13,955)	(4,824)	(1,024)	(22,000)
Impairment (Note 7)	918	17,172	136	441	18,667
Exchange realignment	(2,424)	(12,576)	(634)	(256)	(15,890)
At 31 December 2022	33,354	174,799	5,728	3,101	216,982
Net book value:					
At 31 December 2022	408	7,608	59	196	8,271

As at 31 December 2023, the Group's management identified a subsidiary of the Company engaged in the manufacture and sale of casings of notebook and tablet recorded loss and gross loss margin for the year then ended, and estimated the recoverable amounts of the property, plant and equipment and right-of-use assets of this subsidiary. Based on the value-in-use calculation, the carrying amounts of property, plant and equipment and right-of-use assets were written down by HK\$4,586,000 (2022: HK\$18,667,000) and HK\$74,000 (2022: HK\$13,840,000), respectively, to their estimated recoverable amounts. The estimated recoverable amounts were determined based on a value in use calculation using cash flow projections based on financial forecast covering a period of the remaining useful lives and lease terms of these assets. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2022: 2%) per annum. The pre-tax discount rate applied to the cash flow projections was 14.6% (2022: 14.0%).

## Notes to Financial Statements

31 December 2023

### 14. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of leasehold buildings used in its operations. Leases of leasehold buildings generally have lease terms between 10 (2022: 3 and 10) years. Machinery and other equipment generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

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

	Leasehold buildings HK\$'000
As at 1 January 2022	10,140
Early termination of leases	(2,104)
Depreciation charge (Note 7)	(5,258)
Additions	17,803
Impairment loss (Note 7)	(13,840)
Exchange realignment	(609)
	<hr/>
As at 31 December 2022 and 1 January 2023	<b>6,132</b>
Early termination of leases	<b>(3,922)</b>
Depreciation charge (Note 7)	<b>(1,980)</b>
Impairment loss (Note 7)	<b>(74)</b>
Exchange realignment	<b>(139)</b>
	<hr/>
As at 31 December 2023	<b>17</b>

## 14. LEASES (continued)

## The Group as a lessee (continued)

## (b) Lease liabilities

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

	2023 HK\$'000	2022 HK\$'000
Carrying amount at 1 January	21,639	16,522
Additions	–	17,803
Accretion of interest recognised during the year	100	1,067
Early termination of leases	(15,600)	(6,282)
Payments	(3,777)	(6,165)
Exchange realignment	(501)	(1,306)
	<hr/>	
Carrying amount at 31 December	1,861	21,639
	<hr/>	
Analysed into:		
Current portion	420	5,209
Non-current portion	1,441	16,430
	<hr/>	

The maturity analysis of lease liabilities is disclosed in note 29 to the financial statements.

## (c) The amounts recognised in the income statement in relation to leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities (Note 6)	100	1,067
Depreciation charge of right-of-use assets (Note 7)	1,980	5,258
Expense relating to short-term lease (Note 7)	168	168
Impairment of right-of-use assets (Note 7)	74	13,840
Gain on early termination of leases (Note 7)	(11,678)	(4,178)
	<hr/>	
Total amount recognised in the income statement	(9,356)	16,155
	<hr/>	

## Notes to Financial Statements

31 December 2023

### 15. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	790	5,800
Work in progress	14,175	12,677
Finished goods	17,444	31,435
	<b>32,409</b>	49,912

The provision for impairment losses on inventories is generally made for those inventories aged over ten months with no subsequent sales.

### 16. TRADE AND BILLS RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	35,324	59,749
Impairment	(3,439)	(3,068)
	<b>31,885</b>	56,681
Bills receivable	706	1,090
	<b>32,591</b>	57,771

As at 31 December 2023, the Group has bills receivable of HK\$706,000 (2022: HK\$1,090,000) were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. As at 31 December 2023, 46.7% (2022: 61.3%) and 96.3% (2022: 89.7%) of the total trade and bills receivables were due from the Group's largest customer and five largest customers, respectively.

**16. TRADE AND BILLS RECEIVABLES** *(continued)*

An ageing analysis of the Group's trade receivables (based on the invoice date) and bills receivable (based on the issue date) as at the end of the reporting period, and net of loss allowance, is as follows:

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Within 3 months	<b>27,555</b>	44,375
4 to 6 months, inclusive	<b>4,014</b>	12,838
7 to 9 months, inclusive	<b>578</b>	484
10 to 12 months, inclusive	<b>444</b>	74
	<b>32,591</b>	57,771

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
At beginning of year	<b>3,068</b>	1,838
Bad debt written off	–	(1,140)
Impairment of trade receivables (Note 7)	<b>573</b>	2,727
Exchange realignment	<b>(202)</b>	(357)
At end of year	<b>3,439</b>	3,068

As at 31 December 2023 and 2022, the increase in the loss allowance was due to the increase in trade receivables over 1 year past due.

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

## Notes to Financial Statements

31 December 2023

### 16. TRADE AND BILLS RECEIVABLES (continued)

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

As at 31 December 2023

	Expected credit loss rate	Gross carrying amount excluding a specific trade receivable HK\$'000	Expected credit losses excluding a specific trade receivable HK\$'000	Gross carrying amount of a specific trade receivable HK\$'000	Loss allowance for a specific trade receivable HK\$'000	Total loss allowance HK\$'000
Current	0.03%	30,863	(9)	-	-	(9)
1-3 months past due	0.57%	524	(3)	-	-	(3)
4-6 months past due	0.78%	514	(4)	-	-	(4)
7-9 months past due	3.63%	-	-	-	-	-
10-12 months past due	22.18%	-	-	-	-	-
Over 1 year past due	100%	3,423	(3,423)	-	-	(3,423)
		<b>35,324</b>	<b>(3,439)</b>	<b>-</b>	<b>-</b>	<b>(3,439)</b>

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount excluding a specific trade receivable HK\$'000	Expected credit losses excluding a specific trade receivable HK\$'000	Gross carrying amount of a specific trade receivable HK\$'000	Loss allowance for a specific trade receivable HK\$'000	Total loss allowance
Current	0.02%	55,974	(11)	-	-	(11)
1-3 months past due	0.44%	-	-	-	-	-
4-6 months past due	0.50%	484	(2)	-	-	(2)
7-9 months past due	2.47%	242	(6)	-	-	(6)
10-12 months past due	13.86%	-	-	-	-	-
Over 1 year past due	100%	3,049	(3,049)	-	-	(3,049)
		<b>59,749</b>	<b>(3,068)</b>	<b>-</b>	<b>-</b>	<b>(3,068)</b>

**16. TRADE AND BILLS RECEIVABLES** *(continued)*

The impairment of trade receivables included the amount of a specific trade receivable which is considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full.

No loss allowance was provided for bills receivable because management considers that there were minimal expected credit losses associated with the bills receivable in view of the fact that majority of these bills receivable were issued by creditworthy banks and the balances are not yet past due.

**17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Prepayments	<b>11,201</b>	12,141
Deposits and other receivables	<b>748</b>	592
	<b>11,949</b>	12,733
Less: Non-current portion for purchases of items of property, plant and equipment	-	(497)
Current portion	<b>11,949</b>	12,236

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2023 and 2022, no loss allowance was provided because management assessed that the expected credit losses were minimal.

During the year ended 31 December 2023, the management has revisited the prepayment balance to suppliers and noted that one of the suppliers is in an insolvency position. Accordingly, the Group has written-off the prepayment to supplier of HK\$nil (2022: HK\$9,488,000).

## Notes to Financial Statements

31 December 2023

### 18. RESTRICTED BANK BALANCES AND CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances		
Less: Restricted bank balances for import purchases in Mainland China	8,874 (2,594)	10,728 (3,125)
	<b>6,280</b>	7,603

As at 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to HK\$2,981,000 (2022: HK\$5,082,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank balances are deposited with creditworthy banks with no recent history of default.

### 19. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled on terms of one to four months. An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 HK\$'000	2022 HK\$'000
Within 3 months	20,179	26,464
4 to 6 months, inclusive	1,276	8,527
7 to 9 months, inclusive	2,501	4,196
10 to 12 months, inclusive	1,461	4,060
Over 1 year	3,292	4,376
	<b>28,709</b>	47,623

## 20. OTHER PAYABLES AND ACCRUALS

	Notes	2023 HK\$'000	2022 HK\$'000
Other payables	(a), (d)	280,216	266,893
Accruals		1,861	4,373
Contract liabilities	(b)	–	1,229
		<b>282,077</b>	272,495
Less: Non-current portion for other payable	(a), (c)	<b>(63,164)</b>	(184,013)
Current portion		<b>218,913</b>	88,482

## Notes:

- (a) One of the other payables recognised in current portion (2022: non-current portion) of HK\$181,055,000 (2022: HK\$181,055,000) is unsecured, bear interest at 4.75% (2022: 4.75%) per annum and repayable within one year (2022: after one year). The corresponding accrued interest of HK\$11,559,000 (2022: HK\$2,958,000) is repayable within one year (2022: after one year)
- (b) Contract liabilities include short-term advances received from customers to deliver casings of notebook and tablet.
- (c) As at 31 December 2023, other payable recognised in non-current portion (2022: current portion) of HK\$60,000,000 (2022: HK\$60,000,000) is unsecured, bear interest at 7.00% per annum (2022: non-interest bearing) and repayable after one year (2022: repayable on demand). The corresponding accrued interest of HK\$3,164,000 (2022: nil) is repayable after one year.
- (d) The remaining other payables recognised in current portion are unsecured, non-interest-bearing and repayable on demand.

## 21. LOANS FROM AND AMOUNTS DUE TO RELATED PARTIES

	Notes	2023 HK\$'000	2022 HK\$'000
Loan from Tongda Shishi Investment	(a), (b)	5,481	5,641
Loan from Mr. Wang Ya Nan	(b)	2,400	2,400
Amount due to Tongda Group International Limited	(a), (b)	168	–
Amount due to Tong Da General Holdings (HK) Limited	(a), (b)	201	–
		<b>8,250</b>	8,041

## Notes:

- (a) 通達(石獅)投資諮詢有限公司(Tongda Shishi Investment Consulting Company Limited (“Tongda Shishi Investment”)), Tongda Group International Limited and Tong Da General Holdings (HK) Limited are related companies controlled by Mr. Wang Ya Nan, a shareholder of the Company.
- (b) The balances of loan from Tongda Shishi Investment of HK\$5,481,000 and loan from Mr. Wang Ya Nan of HK\$2,400,000 are unsecured, bearing interest at 2% per annum and are repayable on demand. The remaining balances of amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

## Notes to Financial Statements

31 December 2023

### 22. ISSUED CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,000,000,000	10,000
Issued and fully paid:		
As at 1 January 2022	226,915,638	2,269
Issuance of shares upon rights issue (Note (a))	453,831,276	4,538
As at 31 December 2022, 1 January 2023 and 31 December 2023	680,746,914	6,807

Note:

- (a) On 23 November 2021, the Board of the Company proposed to implement the rights issue on the basis of two rights shares for every 1 share at the subscription price of HK\$0.133 per rights share, to raise gross proceeds of approximately HK\$60,360,000 before share issue expenses of approximately HK\$2,627,000 by way of rights issue of 453,831,276 rights shares, to the qualifying shareholders of the Company. The rights issue was completed on 21 February 2022.

### 23. RESERVES

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

#### (a) Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages. The amount of the transfer is subject to the approval of the board of directors of this subsidiary.

## 23. RESERVES *(continued)*

### (b) Capital reserve

The capital reserve of the Group represents the capital contributions from the then equity holder of a subsidiary now comprising the Group before the completion of the group reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited on 16 March 2018.

## 24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

- (i) During the year ended 31 December 2023, deposits for the purchases of items of property, plant and equipment of HK\$547,000 (2022: HK\$2,299,000) were utilised for settlement of the purchase considerations of items of the property, plant and equipment.
- (ii) As at 31 December 2023, interests on loans from independent third parties of HK\$11,765,000 (2022: HK\$2,958,000) remained unsettled and included in the balance of other payable on the face of the consolidated statement of financial position.
- (iii) During the year ended 31 December 2022, interest on loans from a shareholder of HK\$2,140,000 was waived by shareholder and the amount was recognised as contribution from a shareholder included in the consolidated statement of change in equity.
- (iv) During the year ended 31 December 2022, the addition of right-of-use assets and lease liabilities amounting to approximately HK\$17,803,000 were recognised.

## Notes to Financial Statements

31 December 2023

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

#### (b) Reconciliation of liabilities arising from financing activities

	Loans from and amounts due to related parties HK\$'000	Lease liabilities HK\$'000	Interest-bearing bank borrowings HK\$'000
At 1 January 2022	213,698	16,522	74,859
Financing cash flows	17,461	(5,098)	(71,569)
Debt transfer to an independent third party	(215,195)	–	–
Interest expenses (Note 6)	–	1,067	–
Interest paid classified as operating cash flows	–	(1,067)	–
Early termination of leases	–	(6,282)	–
New leases	–	17,803	–
Effect of changes in foreign exchange	(7,923)	(1,306)	(3,290)
At 31 December 2022 and at 1 January 2023	<b>8,041</b>	<b>21,639</b>	–
Financing cash flows	–	<b>(3,677)</b>	–
Additions	<b>369</b>	–	–
Interest expenses (Note 6)	–	<b>100</b>	–
Interest paid classified as operating cash flows	–	<b>(100)</b>	–
Early termination of leases	–	<b>(15,600)</b>	–
Effect of changes in foreign exchange	<b>(160)</b>	<b>(501)</b>	–
At 31 December 2023	<b>8,250</b>	<b>1,861</b>	–

#### (c) Total cash outflow for leases

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

	2023 HK\$'000	2022 HK\$'000
Within operating activities	<b>100</b>	1,067
Within financing activities	<b>3,677</b>	5,098
	<b>3,777</b>	6,165

## 25. COMMITMENTS

The Group had the following capital commitments contracted, but not provided for, at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	1,206	1,366

## 26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties:

	Notes	2023 HK\$'000	2022 HK\$'000
Lease payments to Tongda Group	(i)	168	168

Notes:

- (i) During the year ended 31 December 2023, rental payment of HK\$168,000 (2022: HK\$168,000), in relation to a lease with Tongda Group International Limited ("Tongda Group"), of which Mr. Wang Ya Nan is a key management, were charged to the consolidated income statement.

(b) **Compensation of key management personnel of the Group**

	2023 HK\$'000	2022 HK\$'000
Short term employee benefits	2,008	2,241
Post-employment benefits	312	509
Total compensation paid to key management personnel	2,320	2,750

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

## Notes to Financial Statements

31 December 2023

### 27. FINANCIAL INSTRUMENTS BY CATEGORY

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

#### Financial assets

	2023 HK\$'000	2022 HK\$'000
Financial assets at fair value through other comprehensive income:		
Debt investments – Trade and bills receivables	706	1,090
Financial assets at amortised cost:		
Trade and bills receivables	31,885	57,771
Financial assets included in prepayments, deposits and other receivables	748	95
Restricted bank balances	2,594	3,125
Cash and bank balances	6,280	7,603
	<b>41,507</b>	68,594
	<b>42,213</b>	69,684

#### Financial liabilities

	2023 HK\$'000	2022 HK\$'000
Financial liabilities at amortised cost:		
Trade payables	28,709	47,623
Financial liabilities included in other payables and accruals	279,700	271,868
Lease liabilities	1,861	21,639
Loans from and amounts due to related parties	8,250	8,041
	<b>318,520</b>	349,171

The directors consider the carrying amounts of all financial assets and financial liabilities measured at amortised cost approximated to their fair values as at the end of the reporting period.

### 28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, restricted bank balances, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, loans from and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

**28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(continued)*

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Group's financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**As at 31 December 2023**

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Debt investments at fair value through other comprehensive income – Bills receivable	–	706	–	706

**As at 31 December 2022**

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Debt investments at fair value through other comprehensive income – Bills receivable	–	1,090	–	1,090

During the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

# Notes to Financial Statements

31 December 2023

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and loans from and amounts due to related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and lease liabilities which arise directly from its operations.

It is, and has been throughout the years, the Group's policy that no trading in financial instruments shall be undertaken.

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

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise mainly from sale and purchase transactions and cash and bank balances denominated in United States dollars, Hong Kong dollars and RMB.

The majority of the Group's operating assets are located in Mainland China and denominated in RMB. As the Group's net loss is reported in Hong Kong dollars, there will be a translation gain/loss as a result of the RMB appreciation/depreciation.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar/Hong Kong dollar and RMB exchange rates, with all other variables held constant, of the Group's loss before tax.

	Increase/ (decrease) in RMB rate %	Decrease/ (increase) in the Group's loss before tax HK\$'000
<b>2023</b>		
If the United States dollar weakens against RMB	5	(1,388)
If the United States dollar strengthens against RMB	(5)	1,388
If the Hong Kong dollar weakens against RMB	5	(7)
If the Hong Kong dollar strengthens against RMB	(5)	7
<b>2022</b>		
If the United States dollar weakens against RMB	5	(2,196)
If the United States dollar strengthens against RMB	(5)	2,196
If the Hong Kong dollar weakens against RMB	5	(30)
If the Hong Kong dollar strengthens against RMB	(5)	30

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As at 31 December 2023, the Group had certain concentrations of credit risk as 46.7% (2022: 61.3%) and 96.3% (2022: 89.7%) of the Group's trade and bills receivables were due from the Group's largest customer and five largest customers, respectively.

*Maximum exposure and year-end staging*

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

**As at 31 December 2023**

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Debt investment at fair value through other comprehensive income:					
– Bills receivable					
– Normal**	706	-	-	-	706
Trade receivables*	-	-	-	31,885	31,885
Financial assets included in prepayments, deposits and other receivables					
– Normal**	748	-	-	-	748
Restricted bank balances					
– Not yet past due	2,594	-	-	-	2,594
Cash and bank balances					
– Not yet past due	6,280	-	-	-	6,280
	10,328	-	-	31,885	42,213

## Notes to Financial Statements

31 December 2023

### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000			
Debt investments at fair value through other comprehensive income:						
– Bills receivable						
– Normal**	1,090	–	–	–	–	1,090
Trade receivables*	–	–	–	–	59,749	59,749
Financial assets included in prepayments, deposits and other receivables						
– Normal**	95	–	–	–	–	95
Restricted bank balances						
– Not yet past due	3,125	–	–	–	–	3,125
Cash and bank balances						
– Not yet past due	7,603	–	–	–	–	7,603
	11,913	–	–	–	59,749	71,662

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

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

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through the use of lease liabilities, and loans from and amounts due to related parties. As disclosed in note 2.1, certain measures have been taken by the management to mitigate the liquidity pressures faced by the Group.

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

## 2023

	On demand or within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	28,709	–	–	28,709
Financial liabilities included in other payables and accruals	218,686	70,727	–	289,413
Lease liabilities	501	1,553	–	2,054
Loans from and amounts due to related parties	8,250	–	–	8,250
	<b>256,146</b>	<b>72,280</b>	<b>–</b>	<b>328,426</b>

## 2022

	On demand or within 1 year HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	47,623	–	–	47,623
Financial liabilities included in other payables and accruals	87,855	201,758	–	289,613
Lease liabilities	6,004	10,671	8,558	25,233
Loans from and amounts due to related parties	8,041	–	–	8,041
	<b>149,523</b>	<b>212,429</b>	<b>8,558</b>	<b>370,510</b>

## Notes to Financial Statements

31 December 2023

### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is net debt over total equity. Net debt includes Other payables and loans from and amounts due to related parties, less cash and bank balances and restricted bank balances.

The gearing ratio as at the end of the reporting period was as follows:

	2023 HK\$'000	2022 HK\$'000
Other payables	256,881	184,013
Loans from and amounts due to related parties	8,250	8,041
Less: Cash and bank balances	(6,280)	(7,603)
Less: Restricted bank balances	(2,594)	(3,125)
Net debt	256,257	181,326
Total deficit	(233,199)	(203,419)
Gearing ratio	110%	89%

**30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

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

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment in a subsidiary		–	–
<b>Total non-current assets</b>		<b>–</b>	<b>–</b>
<b>CURRENT ASSETS</b>			
Prepayments and a deposit		217	269
Bank balance		42	204
<b>Total current assets</b>		<b>259</b>	<b>473</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,279	61,445
Amounts due to related parties		271	–
<b>Total current liabilities</b>		<b>1,550</b>	<b>61,445</b>
<b>NET CURRENT LIABILITIES</b>		<b>(1,291)</b>	<b>(60,972)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(1,291)</b>	<b>(60,972)</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payable		63,164	–
<b>Total non-current liabilities</b>		<b>63,164</b>	<b>–</b>
<b>Net liabilities</b>		<b>(64,455)</b>	<b>(60,972)</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital	22	6,807	6,807
Deficit (Note)		(71,262)	(67,779)
<b>Total deficit</b>		<b>(64,455)</b>	<b>(60,972)</b>

## Notes to Financial Statements

31 December 2023

### 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2022	133,038	217,885	(203,869)	147,054
Loss and total comprehensive expense for the year	–	–	(269,388)	(269,388)
Issue of shares upon rights issue	53,195	–	–	53,195
Contribution from a shareholder	–	1,360	–	1,360
As at 31 December 2022 and 1 January 2023	186,233	219,245	(473,257)	(67,779)
Loss and total comprehensive expense for the year	–	–	(3,483)	(3,483)
As at 31 December 2023	<b>186,233</b>	<b>219,245</b>	<b>(476,740)</b>	<b>(71,262)</b>

Under the applicable laws of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

### 31. EVENTS AFTER THE REPORTING PERIOD

- (a) On 12 January 2024, the Board of the Company (1) proposed to implement a share consolidation, pursuant to which every ten (10) issued and unissued existing shares of HK\$0.01 each will be consolidated into one (1) consolidated share of HK\$0.10 each; (2) the existing shares are traded on the Stock Exchange of Hong Kong Limited in board lot size of 2,500 existing Shares. The Board proposed to change the board lot size for trading on the Stock Exchange of Hong Kong Limited from 2,500 existing Shares to 5,000 consolidated shares conditional upon the share consolidation becoming effective; (3) proposed to increase the authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 existing shares to HK\$60,000,000 divided into 6,000,000,000 existing Shares (or 3,000,000,000 consolidated shares after the share consolidation becoming effective); and (4) proposed to implement the rights Issue on the basis of two rights shares for every one consolidated share at the subscription price of HK\$0.58 per rights share, to raise approximately HK\$79.0 million by issuing 136,149,382 rights shares to the qualifying shareholders. Assuming full subscription under the rights issue, the gross proceeds from the rights issue are expected to be approximately HK\$79.0 million. The net proceeds from the rights issue (after deducting the estimated expenses of approximately HK\$3.0 million) are estimated to be approximately HK\$76.0 million. The Company intends to apply the net proceeds from the proposed rights issue of approximately HK\$76.0 million as follows: as to (i) approximately HK\$70.0 million for repayment of loans and other payables of the Group; and (ii) approximately HK\$6.0 million as general working capital of the Group. In the event that there is an under-subscription of the rights issue, the net proceeds of the rights issue will be utilised in proportion to the above uses.

Details of the aforesaid events after the reporting period are set out in the announcement of the Company dated 12 January 2024, 24 January 2024, 21 February 2024, 29 February 2024, 1 March 2024, 15 March 2024 and 28 March 2024.

### 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

## Five-Year Financial Summary

A summary of the results and assets, liabilities and equity of the Group for the last five financial years, as extracted from the Prospectus and the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

### RESULTS

	<b>2023</b>	2022	2021	2020	2019
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>91,259</b>	150,545	370,693	472,368	532,939
Gross profit/(loss)	<b>331</b>	(113,932)	(110,775)	(17,464)	19,876
Loss for the year attributable to equity holders of the Company	<b>(37,846)</b>	(231,423)	(196,960)	(165,274)	(68,121)

### ASSETS, LIABILITIES AND EQUITY

	<b>2023</b>	2022	2021	2020	2019
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<b>1,067</b>	14,900	46,353	40,728	110,006
Current assets	<b>86,631</b>	131,479	387,493	571,167	644,784
Total assets	<b>87,698</b>	146,379	433,846	611,895	754,790
Current liabilities	<b>256,292</b>	149,355	465,370	458,721	445,721
Net current (liabilities)/assets	<b>(169,661)</b>	(17,876)	(77,877)	112,446	199,063
Total assets less current liabilities	<b>(168,594)</b>	(2,976)	(31,524)	153,174	309,069
Non-current liabilities	<b>64,605</b>	200,443	11,480	9,143	10,008
Net (liabilities)/assets	<b>(233,199)</b>	(203,419)	(43,004)	144,031	299,061
(Deficit)/equity attributable to equity holders of the Company	<b>(233,199)</b>	(203,419)	(43,004)	144,031	299,061